

What does a financial adviser do?

Financial advisers are qualified professionals who help people manage their financial affairs and work towards their long-term financial and lifestyle goals. They must hold an Australian financial services licence to do this.

Although their activities can occasionally overlap with financial advisers on some financial matters, other professionals such as accountants, mortgage brokers, real estate agents and solicitors are not licensed financial advisers.

Why might I need a financial adviser?

Engaging a financial adviser is like hiring a personal fitness trainer if you want to live a healthier life and achieve certain fitness goals. Sure, you can try to do this on your own – say by joining a gym and going running a couple of times a week. You'll probably feel better but it will all be a bit haphazard – you risk overdoing the running and getting injured or might lose motivation and give up.

By contrast, a professional fitness trainer will take the time upfront to understand what you're trying to achieve – whether to lose weight, build muscle strength or run a marathon in two years' time. They'll create a tailored training plan for you, which they'll adjust along the way depending on your progress. They'll be someone you can bounce ideas off or turn to for a boost when your motivation's lagging.

How will a financial adviser work with me?

A good financial adviser will get to know you and work closely with you to develop a tailored strategy, based on your needs and goals. They'll help you set clear financial and lifestyle goals as your circumstances change over time. And they'll help you review those goals or your approach to them so you stay on track.

What can a financial adviser help me with?

A financial adviser may be able to offer advice on budgeting, investing, super, retirement planning, estate planning, insurance or tax.

Personal or general advice

General financial advice doesn't consider your personal circumstances or goals, or how it might affect you personally. For example, someone who offers general financial advice can tell you how different types of investments work but they can't tell you which ones suit your goals or current budget.

Personal financial advice is the type of advice you receive from a financial adviser. It will take into account your financial situation and goals; and what's in your best interests.

It can be given for a single, one off issue or it can be more detailed and ongoing – such as developing a financial plan to meet your life goals and monitoring your progress towards them.

How much does a financial adviser cost?

Financial advisers don't usually charge for the first meeting. During this meeting they should give you their Financial Services Guide (FSG) which sets out their fees, services and how they handle complaints. Make sure you understand all the costs of the services you want before you go ahead. A financial adviser's fees will vary, depending on the adviser and the type of advice you're after.

How do financial advisers set their fees?

Your adviser can either charge fixed fees or percentage-based fees or a combination of the two. The only product or service they can earn a commission on is life insurance you buy through them.

An adviser can charge a fixed fee for a Statement of Advice (SoA) or putting your financial plan into action, such as buying investments. You might also pay a fixed fee for ongoing financial advice, administration costs of your investments or one off questions about things that aren't part of your financial plan. Advisers can also charge a percentage-based fee on the performance of your investments or a percentage of the value of your portfolio's assets.

What are the benefits of financial advice?

Without a financial adviser or expert guidance, it's easy to feel overwhelmed in a world of complex financial jargon. It's no wonder so many people suffer from indecision and procrastination around their financial affairs.

Further information

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