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When to review your financial adviser

Since writing in the July 2020 edition of the Eureka Report about the importance of choosing the right professional advisory team, I've also come to the realisation that part of that relationship between you, your financial adviser, lawyer or accountant should include an understanding that there may come a time when you will no longer need their services.

Everyone should be clear that despite having a great relationship, this may not be a financial relationship for life. Deciding on the timing might be a difficult decision, but it is an ethical one and the discussion should be initiated by a financial adviser – do the fees seem fair and does the client perceive value for the monetary exchange.

The aftermath of the Hayne Royal Commission has placed these considerations into even sharper focus, with financial advisers required to enter into an annual fee arrangement with clients who have ongoing advice and service needs. As part of that arrangement, they must ensure that there is a prescribed service provided within a fixed timeframe.

And whilst I also wrote in the November 2022 edition of the Eureka Report that there is no 'set-and forget' situation for maximising the outcome of your investing, for many people in later life stages, there will be periods of stability where they do not need (or cannot afford) to see their wealth reduced by paying advice fees.

The outcome of our own client cost benefit analysis has been that for some low activity relationships, the fixed cost component of an ongoing advice arrangement meant there was insufficient value for either party.

Since July this year, we have turned off annual advice fees for a number of clients (some of whom had been with us for over 20 years) on the basis that their affairs no longer justified our advice fee, and they have been educated as clients to manage their own simplified financial affairs. As a result of initiating these discussions with our clients it became clear that the intangible benefits, such as 'sleep-at-night' and 'peace of mind' outweighed the monetary value of advice, so some chose to continue with our ongoing service and fee arrangement.

The obvious pushback is that often these clients with stability in their financial affairs are older and may be becoming increasingly frail; perhaps this is their greatest 'hour of need'. The answer to this conundrum may be to change the advice and service relationship to a transactional basis, in the same way that one would engage a lawyer. However, with current cumbersome regulatory requirements this in not a cost-effective solution for either party.

In some cases, an alternative to re-engaging a financial adviser may simply be a referral to another professional. This was the case when a former client recognised the need to find nursing home accommodation for her husband. We were able to facilitate an introduction to a trusted external consultant specialising in aged care. In line with our policy for professional referrals, this introduction was provided without cost to the client and on a strictly nonreciprocal payment basis from the recommended service provider.

In many cases, former clients who no longer require an ongoing advice relationship will refer their adult children, whose financial affairs and stage of life qualify them to receive significant benefits from advice. People in the wealth accumulation stage of their lives with long-term savings would benefit from being engaged with a financial adviser, to make sure they are maximising the returns and tax opportunities available to them.

However, just because your parents or a partner have enjoyed a positive relationship with a particular adviser or financial advisory firm does not mean that this will be automatic when it comes to managing your own financial situation. There may be a number of reasons for this, perhaps a perception of inefficiency, poor communication – or just chemistry. In such situations, it is prudent to ‘review’ your financial adviser and determine where the value in their advice lies for you.

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