

Advice worth taking



FPA

FINANCIAL PLANNING
ASSOCIATION
of Australia Limited



Financial planning is the process of meeting your life's goals

You may have come across the term 'financial planning' recently and wondered what it means. You may have decided to start your own financial plan, but you're not sure how. Or you may feel it is time you went to a qualified financial planner for professional advice.

What is Financial Planning?

Financial planning is the process of meeting your life's goals through the proper management of your finances. Your life's goals may include buying a home, saving for your children's education and planning for retirement.

When developing a financial plan for you, professional financial planners use a six-step process. By using the six-step process they can help you work out where you are now, what you may need in the future and what you must do to reach your goals.

The process includes gathering relevant financial information, setting life goals, examining your current financial status and coming up with a strategy or plan to assist in achieving your objectives.

(More details about the six-step financial planning process are on pages 3-4 of this brochure.)

The Benefits of Financial Planning

Financial planning provides direction and meaning to your financial decisions. It allows you to understand how each decision you make affects other areas of your finances.

For example, buying a particular investment product might help pay off your mortgage faster or it might delay your retirement significantly. By viewing each financial decision as a part of a whole, you can consider its short and long-term effects on your life goals. You can also adapt more easily to life changes and feel more secure that you are on track to achieve your objectives.

FPA Membership: Your Quality Assurance

When choosing someone to develop a financial plan for your future, you need to know they have the highest level of qualification and experience. The Financial Planning Association (FPA) is recognised internationally as the peak professional organisation representing the financial planning industry in Australia. FPA Principal membership is reserved for the holders of licences to provide retail financial advice issued by the Australian Securities and Investments Commission (ASIC). Principal members meet the FPA strict assessment criteria. Practitioner members are individuals who act on behalf of Principal members and who must also meet educational and experience standards that are much higher than those required by law. Principal members must have an internal complaints service and belong to the independent Financial Industry Complaints Service (FICS) and hold current professional indemnity insurance. Principal members are responsible for the actions of their practitioner member representatives. All members must adhere to the FPA *Code of Ethics and Rules of Professional Conduct*, which is rigorously enforced, and are also subject to the FPA disciplinary and investigations procedures.

Planning For Your Future with an FPA Practitioner Member

Professionals such as accountants, stockbrokers and lawyers can provide advice on specific aspects of your financial and investment requirements, such as taxation and mortgage planning. However, an FPA practitioner member sees financial planning as a holistic process taking into account all aspects of your financial and personal situation to tailor a plan to help meet your life's goals. This process may encompass many areas including risk management, investments, estate planning, superannuation and cash flow management.

An FPA practitioner member will guide you through the financial planning process to determine how you can best meet your life's goals. They can help you make more informed decisions about your money and maintain or improve your lifestyle with a sound financial plan.

Planning for your future with an FPA practitioner member



Financial planning: the six-steps process

Step One • Gathering the Data

To make appropriate recommendations on your financial future, your FPA practitioner member will work with you to understand your present financial position, your financial objectives and needs, and the levels and types of investment that will meet your needs.

Step Two • Identifying Your Goals

An integral part of the planning process for your financial plan is the identification of your goals and objectives.

You should consider:

- the income and asset levels you are seeking
- placing your investments in a secure manner
- future education expenses
- upgrading the family home
- protecting your occupational income through adequate death, disability and income protection cover
- estate planning: writing a will and appointing a power of attorney
- accumulating assets to a defined level by a defined date
- maintaining an agreed level of investment accessibility and flexibility
- maintaining your lifestyle against inflation rises.

Step Three • Identifying Financial Issues

Your FPA practitioner member will compare your financial situation with your financial goals and identify steps necessary to achieve your goals. Your current situation, your goals and future plans will all form the basis of your financial plan.

Step Four • Preparing Your Financial Plan

Having identified your goals and objectives and assessed your financial situation, your FPA practitioner member will formulate an overall strategy.

Central to the strategy will be your 'risk profile' – it is your attitude to risk that will principally determine the investments that the planner recommends for you. This is important because investments that offer a higher rate of return have a greater risk of losing value.

Detailed information on understanding risk is contained in the booklet, *Understanding Risk to Achieve Your Financial Goals*, which is available on the FPA web site at www.fpa.asn.au

Your plan will provide clearly identified recommendations relating to your goals and objectives.

It will also recommend any actions necessary to remedy shortfalls, for example, in capital or income.

Step Five • Implementing Your Financial Plan

Once you have agreed to the financial plan developed with your FPA practitioner member, he or she can implement it on your behalf, or assist you through the process.

Step Six • Reviewing Your Plan

The preparation and implementation of the financial plan is the starting point for your relationship with your FPA practitioner member.

Ongoing services can include:

- tracking of existing investments
- reviewing progress in achieving your financial goals and revising strategies as required
- investment portfolio valuations and reviews
- information on new investment opportunities
- ongoing communications
- ongoing consultations as required.

Seven questions to ask the financial planner

While all FPA practitioner members are well qualified to provide you with advice, you should ensure that you understand how the financial planner you choose will charge for their services and how they will approach the task.

In selecting a financial planner, you should always ask the following questions:

Could I have a copy of your ASG/FSG?

Before engaging a financial planner, it's important to check their Advisory/Financial Services Guide (ASG/FSG) – a simple document that all licensed advisers must produce. Among other things, the ASG/FSG will spell out methods of payment for your planner's services. Use the guide to check if the financial planner holds a licence from the ASIC (licence holder), or has an authority to represent the licence holder (authorised representative or proper authority holder). If they don't have either, then look elsewhere for a financial planner. All FPA practitioner members hold a 'proper authority' from an ASIC licensed Principal member.

What is your approach to financial planning?

Ask the financial planner about the types of clients and financial situations they typically like to work with. Some planners require you to have a certain net worth before offering services. Find out if the planner will carry out the financial recommendations developed for you or refer you to others who will do so.

How much do you typically charge?

Your financial planner should be able to provide you with an estimate of possible costs based on the work to be performed. Such costs would include the planner's hourly rates or flat fees, or the percentage they would receive as commission on products you may purchase as part of the financial planning recommendations.

Both fees and commissions are an acceptable method of payment. What is most important is that your financial planner clearly outlines all costs associated with their service and all their sources of income or other benefits received in relation to your specific plan. This is known as 'full disclosure'.

What do I need to know about risk?

Any investment involves 'risk' – the chance that you will not achieve your financial goals. Usually the higher the expected return on investments, the higher the likely risk. Your FPA practitioner member will determine your attitude to risk – how much risk you are prepared to take – before recommending any investments.

Can I have a written SOA?

You should ask your financial planner for a written plan or statement of advice (SOA) before agreeing to any investments. The written plan/SOA should mention the reasons as to why the planner is recommending this particular financial advice.

Will my financial plan change as my circumstances and needs change?

The presentation of your written financial plan should signal the start of a rewarding relationship with your FPA practitioner member. Your financial goals may change over the years as your circumstances and lifestyle needs change. Your FPA practitioner member will assist you in regularly reviewing and, if necessary, revising your plan to reflect these changes and assist you in meeting your needs.

How do you resolve any issues of dispute that may arise?

You should establish at the outset what happens if you do not accept your financial planner's advice and at what stage you can terminate their services. FICS is an independent complaints resolution service for members' clients. FICS is an approved ASIC dispute resolution scheme. All Principal members of the FPA are required to belong to FICS. FICS can be contacted via email at fics@fics.com.au or by telephone on 1800 335 405.

ASIC also has a free infoline, which provides information for consumers about financial services, products and investors' rights. ASIC can be contacted on 1300 300 630 or visit www.asic.gov.au

Ethics and professionalism

Members of the FPA commit to a code of ethics that is mandatory and enforceable. It is comprised of the following general standards:

Integrity

Members shall observe high standards of honesty and integrity in conducting their financial planning business and in the provision of financial planning services.

Objectivity

Members shall disclose to the client any limitation on their ability to provide objective financial planning services.

Competence

Members shall provide financial planning services and maintain the necessary knowledge and skill to continue to do so in those areas in which the member is engaged.

Fairness

Members shall provide financial planning services in a manner that is fair and reasonable.

Diligence

Members shall act with due skill, care and diligence in the provision of financial planning services.

Professionalism

Members shall ensure their conduct does not bring discredit to the financial planning profession.

Confidentiality

Members shall not disclose any confidential information without the specific consent of the provider of that information unless compelled to by law or as required to fulfil their legal obligations.

Compliance

Members shall ensure their conduct complies with the FPA's constitution and regulations and professional standards.

FPA practitioner members are also required to adhere to the FPA's rules of professional conduct, which are specific standards of a mandatory and enforceable nature that relate specifically to the provision of financial planning advice.

Copies of the *Code of Ethics and the Rules of Professional Conduct* are available from the FPA.




How do I contact an FPA practitioner member?

Financial Planning Association of Australia Limited

The FPA operates a consumer referral service, which can put you in touch with a Principal member who will provide you with a referral to a practitioner member. The FPA can be contacted on telephone **1800 626 393** or through its web site, www.fpa.asn.au

The FPA has more than 15,000 members and an office in each capital city.

The FPA is a member of the International Certified Financial Planner Council and holds the licence to use the CFP™* and CERTIFIED FINANCIAL PLANNER™ marks in Australia. The CFP designation is an internationally recognised certification standard and is the highest postgraduate qualification that is awarded to financial advisers who meet the prerequisites and who successfully complete the initial and ongoing certification requirements.

* The certification mark Certified Financial Planner™  is registered by the Certified Financial Board of Standards Inc., Denver U.S.A. The FPA is a licensee to the CFP Board of Standards and has been granted authority to establish education courses in Australia to provide an entry path to lead candidates to an academic level of entry to CFP.

Some common FPA terms explained

Principal members

Members of the FPA, who hold an Australian Financial Services Licence or Securities Dealers Licence issued by ASIC. Principal members may authorise individuals (representatives, authorised representatives or proper authority holders) to provide advice under its licence.

Practitioner members

Practitioners are sometimes referred to as authorised representatives, these are individual financial planners who are members of the FPA. They are authorised to provide advice under the licence of a Principal member.

Certified Financial Planner

CFP is an internationally recognised mark, and is the highest professional designation that can be given to a financial planner. A CFP Practitioner has extensive industry experience and has undergone rigorous study. The qualifications gained by a CFP Practitioner are well in excess of those required under current Australian law. A CFP Practitioner must be an authorised representative of a Principal member of the FPA.

**Financial Planning Association
of Australia Limited**

Level 12, 379 Collins Street
Melbourne Victoria 3000

PO Box 109, Collins Street West
Melbourne Victoria 8007

Telephone 1800 626 393

Web www.fpa.asn.au



FPA

FINANCIAL PLANNING
ASSOCIATION
of Australia Limited