

Getting financial advice

free
for independent information
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FINANCIAL REGULATOR
Rialtóir Airgeadais

About us

We are an independent watchdog set up by the Government to:

- regulate firms that provide financial services; and
- help you make informed decisions about your personal finances.

We do not sell anything. We give you free, independent information in plain English and help answer your questions.

How to contact us...

Phone In

consumer help-line,
lo-call 1890 77 77 77

Log In

www.itsyourmoney.ie
consumerinfo@financialregulator.ie

Drop In

Information Centre,
6-8 College Green,
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Clarity approved by
Plain English Campaign



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Introduction

Most of us know that we could benefit from financial advice from time to time. But we often don't know who to contact, or which type of advisor is best for us. We hope this booklet will help you to:

- understand the different types of financial advisor and the services they can offer you;
- choose a suitable advisor for your needs; and
- ask the right questions so that you get the most from any financial advice you take.

In this booklet, we deal mainly with advice on pensions, investments and general financial planning.

How can financial advice benefit me?

A qualified and experienced financial advisor can:

- help you understand your own needs, plan ahead and become more financially secure;
- save you money and time by shopping around on your behalf;
- help you understand the risks involved in certain financial products; and
- recommend the most suitable products for your needs.

Financial advice is important for general financial planning and when making long-term financial decisions, such as:

- saving or investing;
- protecting you and your family against loss of income if you become ill or die;
- getting a mortgage;
- dealing with the financial effects of separating or getting divorced;
- planning for retirement; and
- planning for inheritance.

Think about your needs

To get the best from financial advice, you need to think about what you want from your advisor. Is it:

- overall advice on financial planning; or
- more specific advice about a particular need or product?

If you are clear about what you want from an advisor, it will be easier to choose the right type of advisor for your needs.

Who gives financial advice?

You can get financial advice from:

- **advisors who work in financial services firms like banks and insurance companies**, who generally advise on and sell their own products; and
- **intermediaries, such as investment or mortgage brokers**, who advise on and sell products from a number of financial services firms.

These financial advisors must be authorised by us or by the financial regulator in their home country. They have to meet certain standards and must have the skills and knowledge necessary to provide advice. We monitor advisors to make sure they continue to meet these standards and that they act in your best interests when giving you financial advice.

What is authorised status?

The authorised status of a financial advisor tells you the **type and range of financial advice** they are allowed to offer and **whether they deal with one or more financial services firms**. Call us on 1890 200 469 for information on the authorised status of a financial advisor.

Types of financial advisor

The number of financial services firms your advisor deals with affects the level of independence and choice your advisor can offer you for the type of product you want. The more firms an advisor deals with, the more they can shop around and find the most suitable product for you.

An advisor may be authorised to offer you advice on products from:

- one financial services firm (a **tied agent**);
- a number of financial services firms (a **multi-agency intermediary**); or
- all financial services firms in the market (an **authorised advisor**).

For example, banks and building societies are often tied agents when giving advice on life assurance, pensions and investment products. They usually

have a special arrangement to only offer products from one particular insurance company. They still have to give you a product that is suitable for your needs, but they cannot shop around on your behalf.

Multi-agency intermediaries and authorised advisors can shop around on your behalf amongst the financial services firms they deal with. The more firms they deal with, the wider your choices and the more broad the advice you can get.

Mixed status

The number of firms an advisor may deal with can vary from one type of product to another. So, for example, a financial advisor might offer pensions and investments from six financial services firms in the market (a multi-agency intermediary), but may be tied to one insurance company when giving advice on home insurance (a tied agent).

The important thing is to make sure you know what choices your advisor can offer you for the type of product you want.

Be aware

Not everyone who calls themselves a financial advisor is authorised to give you financial advice. Some may even be working illegally. Before you deal with a financial advisor, always check if they are authorised by calling us on 1890 200 469.

Costs of advice

Financial advisors may get paid by:

- salary (where your advisor is employed by a financial services firm);
- commission (where your advisor receives payment from the financial services firm whose product they sell);
- fees (where you pay your advisor directly); or
- a mixture of these types of payments.

No matter which type of financial advisor you use, financial advice is not free. Even where you don't pay a fee directly, the cost of the product you buy will generally include the cost of commission or salaries, or both.

Commission

An advisor may have a choice of one or a combination of the following types of commissions.

- **Initial commission** is a percentage of your investment that your advisor receives as a lump sum when you first buy the product.
- **Renewal commission** is a yearly percentage of your regular investment or lump sum.
- **Fund-based commission** is a yearly percentage of the overall value of your investment or pension fund.

Depending on the type of commission and the type of the advice, you may be entitled to an ongoing service from your financial advisor in return for paying commission.

How might commission affect me?

An advisor may get more commission from one financial services firm than another. So, they may benefit more if you buy that firm's product over another that could be just as good, or better. However, an authorised financial advisor must always act in your best interests. They must make sure the product or service they recommend or offer is suitable for you and they must be able to show you why they feel it is suitable for you. If you are not satisfied that the advice they give you is in your best interest, ask them to explain it in more detail.

The commission your advisor receives is usually built into the overall cost of any product you buy.

So, when you buy **home or motor insurance**, for example, the yearly premium usually includes commission. Even if you buy your policy direct from an insurance company, the premium could still be the same as if you had bought through an advisor.

With **investment and pension products**, you pay product charges to the financial services firm which provides the product. These charges cover overall investment management costs and commission. The financial services firm takes the product charges direct from your investment or pension contribution, so less of your money is left for investment.

Don't be afraid to ask questions, especially about any risks involved in investments or pensions and ask for the answers in writing. If you are not happy you should complain (see page 14), or go to another advisor.

How can I get the best value?

A financial advisor who can shop around among a number of firms can often get a better deal for you than you could get yourself. Many of these advisors may also be prepared to negotiate fees and commissions, especially if you are making a large investment or pension contribution. They may be prepared to:

- quote you a flat fee and pass on to you the value of some or all of the commission they receive; or
- accept less commission so that more of your money can be invested. For example, 1% less commission may result in 1% more of your money being invested.

In the case of a tied agent, such as a bank or building society or an agent of an insurance company, their commission arrangements are generally fixed, so you may not have the same flexibility to negotiate terms.

Bear in mind that some financial services firms do not sell their products through advisors.

These firms may offer lower product charges as they do not have to pay commission.

Your financial advisor may not be in a position to give advice on or recommend these products to you. You may sometimes be able to get better value if you buy a product **direct** from these financial services firms without going through a financial advisor. But, you need to consider carefully how important you feel it is to get advice for the type of product you need.

Choosing a financial advisor

Most of us don't shop around for financial advice. We may go to an advisor our friends or family recommend, or to the bank or building society that we have always dealt with.

But, it's important to shop around and talk to a few financial advisors before deciding who is the best for your particular needs. You want to be satisfied that you choose the right type of advisor to help you make important financial decisions.

Our table on the next page has some tips to help you choose a suitable financial advisor and get the most from your advice meeting.

Use an advisor who:

- is authorised;
- listens to you and answers questions openly;
- has experience of situations such as yours;
- is willing to take time with you and does not put you under pressure;
- may be willing to negotiate fees and commission so you are satisfied with what you are paying; and
- gives you advice on a wide range of products and financial services firms to suit your needs.

Shopping around and getting the most from financial advice

Shop around before choosing an advisor

- Contact us for a list of advisors in your area.
- Talk to two or three advisors over the phone or in person before choosing one.
- Ask about their services and what type of advice they can give you.
- Find out how many financial services firms they deal with for the type of product you may need.

Prepare for your meeting

- Be clear about what you want. Is it general advice on financial planning, or advice about one specific issue such as getting a mortgage, investing a lump sum or starting a pension?
- Do your own research and find out about different products and financial terms so you can understand better. Go to our website, **www.itsyourmoney.ie**, for free independent information in plain English.

At your advice meeting

- Always answer questions fully and honestly. It will help you and your advisor to get a clearer picture of your overall circumstances and make sure you get good advice.
- Take notes during the meeting in case you forget something, and ask questions about anything you don't understand.

- Ask how your advisor gets paid – is it by fees, commission or a mixture of both?
- Are they experienced and can they give you the kind of advice you need?
- Has someone you trust already used this advisor and been satisfied with the service they received?

- Prepare a list of questions you need to ask (see page 15 for some suggestions).
- Have documents your advisor needs (such as proof of your identity and income) ready for your meeting. Gather information on any financial products that you have, such as any loans, mortgages, investments or other assets.

- Take time to consider any recommendations carefully, and don't sign anything unless you have read and understood it.

Protecting your rights

All financial advisors we authorise have to meet the conditions of our Consumer Protection Code. This means they have to follow a set of guidelines to give you the best advice. They have to:

- deal with you professionally and fairly and act in your best interests;
- try to find out as much about you as they need to know to provide a product or service that is right for you;
- make sure you get the important information you need; and
- deal with your complaints quickly, efficiently and fairly.

For more information on the Consumer Protection Code, or to download it, go to **www.itsyourmoney.ie**

Even if your advisor is authorised, you should check if the authorisation status covers the advice or product you are getting.

Best advice

All advisors must make sure the product they recommend is the most suitable for your needs. They will base their recommendation on the information you have given and the range of products they are authorised to offer.

Your financial advisor may offer products from:

- one financial services firm (if they are a tied agent); or
- a number of firms (if they are a multi-agency intermediary or an authorised advisor).

They must give you a written statement of the **reasons why** the recommended product or service suits your needs, and why they consider it to be the most suitable product for you from the range of products they offer.

Important information your financial advisor must give you

The first time you deal with a financial advisor they must give you their **Terms of Business**, which set out:

- details about the advisor's business, their authorised status and a description of the services they provide;
- whether they are tied to one financial services firm for any products they advise on;
- their direct charges (not including any commission they receive from the firms they deal with); and
- details of their complaints procedure.

Most financial advisors are members of a compensation scheme that protects investors if the firm goes out of business.

If your financial advisor is a member of a scheme, they should include this information in their Terms of Business.

Ask your advisor to talk you through the main points, and read the information in detail later on.

If your financial advisor makes an important change to their Terms of Business, they must let you know (if the change will affect you).

Remember you are entitled to a 'cooling-off period' when buying many financial products. This allows you to change your mind within a certain time. The usual period is 30 days but it can vary depending on the product. Ask your financial advisor about this.

Handling your complaints

If you get financial advice that's not in your best interests, you have the right to complain. All regulated financial advisors must put in place proper procedures for handling complaints and must deal with your complaint quickly, efficiently and fairly.

If you are not satisfied with the way your financial advisor has sorted out your complaint, you have the right to refer the problem to the Financial Services Ombudsman. This is a free service that deals independently with complaints against financial services firms, including advisors.

For more information about referring your complaint to the Financial Services Ombudsman, go to **www.itsyourmoney.ie**, or download or order our '**How to make a complaint**' fact sheet, or go to **www.financialombudsman.ie**

Protect yourself

Don't be taken in by phone calls, advertisements, websites or brochures that use "hard-sell" tactics to sell financial advice or investments that promise very high returns. Always check whether these firms are authorised before you get advice or invest money.

Questions to ask your advisor

All products

- How does this product meet my needs?
- What are the product charges? How do they compare with similar products?
- Are the charges ongoing or are they once-off?
- What would happen if I missed a regular payment on this product?
- What, if any, ongoing service can I expect if my advisor receives a commission?

Investments and pensions

- What are the main risks with this product?
- Is my investment or any growth on my investment secure?
- What is the minimum recommended term of the investment?
- If I cash in my investment early, will I have to pay a penalty?
- Will the investment affect my tax or social welfare benefits?
- How will I find out how my investment or pension is performing?

Life and general insurance questions

- What am I covered for and for how long?
- Is this cover necessary for me?
- Could the premium increase for any reason?
- When could my claim be refused?

Mortgage questions

- What are the monthly payments over different terms?
- If interest rates were to rise how much extra would I have to pay?
- Can I pay a lump sum or extra each month if I want to?
- Do you charge a fee if I don't take your mortgage offer?
- Can I pay it off early without having to pay a penalty?

Dos and don'ts

✓ Do

- Do use an advisor who is authorised by us.
- Do talk to a few advisors before choosing one.
- Do prepare for your advice meeting.
- Do give your advisor the information they need to give you good advice.
- Do ask if your advisor can offer you overall financial planning advice.
- Do read the documents your advisor gives you.
- Do make sure your advisor explains how their advice or a product they recommend is suitable for you and in your best interests.
- Do ask about product charges and how these compare with other similar products.
- Do negotiate charges and commissions with your advisor, especially if you are investing large amounts of money.

✗ Don't

- Don't sign anything unless you have read and understood it.
- Don't make hasty decisions. Consider the advice carefully before making up your mind.
- Don't cash in an existing pension, life assurance or investment product for a new financial product unless your financial advisor can show you in writing how this would benefit you.
- Don't give inaccurate or incomplete information, as the advice you get depends on the information you give.
- Don't accept important information verbally – ask for it in writing.

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Information Centre,
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This is a general guide to getting financial advice. Nothing in this booklet is intended to be, or should be considered to be:

- 1 an invitation, offer or incentive to you or any other person to enter into a financial arrangement;
or
- 2 advice on, or a recommendation of any particular product or product provider.

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