

# Common sense for your dollars and cents

New rules around financial advice came into play this month. The Financial Markets Authority explains the changes and why they are good news for everyday New Zealanders.

**'M**aking money is a common sense. But unfortunately, when it comes to money, common sense is uncommon,' wrote Robert Kiyosaki, probably the world's best-known personal finance guru.

That's why many Kiwis — unsure what to do when faced with financial decisions such as health insurance, retirement planning or structuring a mortgage — consult a financial adviser.

So there's good news for thousands of New Zealanders: the rules governing financial advisers have been updated to improve the quality of advice and offer better protection for the public.

Overseen by the Financial Markets Authority (FMA), the rules are designed to ensure greater consistency and transparency for both advisers and their clients.

They include a new code of professional conduct, setting industry-wide standards and requiring advisers to put the client's interests first and act with integrity.

They affect all types of financial advisers, including investment, insurance and mortgage advisers. Advice around KiwiSaver, health insurance cover and most other areas of financial health are also covered.

Under the code that now applies

to everyone giving financial advice, they are required to:

- Treat you fairly
- Act with integrity
- Give suitable financial advice
- Ensure you understand the advice
- Protect your information
- Keep their competence, knowledge and skill up to date.

Advisers must now make information like fees, commissions and any conflicts of interest clear at the outset. They must disclose how they are paid, what companies and products they represent, and whether that affects their recommendations.

The new law aims to make it simpler for people accessing financial advice and covers digital advice, such as chatbots or automated exchanges on financial websites.

All advisers must operate under a financial advice provider licensed by the FMA and registered on the Companies Office's Financial Services Provider Register (FSPR). People looking to consult an adviser are encouraged to check the individual or their company is registered on the FSPR website.

The FMA website has everything you need to know about finding, choosing and working with a financial adviser.

See [www.fma.govt.nz](http://www.fma.govt.nz).

The FSPR website is:

[www.fsp-register.companiesoffice.govt.nz](http://www.fsp-register.companiesoffice.govt.nz)

[www.fsp-register.companiesoffice.govt.nz](http://www.fsp-register.companiesoffice.govt.nz)



*Many New Zealanders use financial advisers to plan for their future / photo supplied*

## A GOOD FINANCIAL ADVISER IS THE RIGHT PLACE TO START

Who should consult a financial adviser? Anybody and everybody, according to Clive. The British Army veteran, wife Kathy and two sons emigrated to Tauranga in 2009. Clive tells their story:

We were living in rental properties and eventually saved enough to get a deposit on a property. It wasn't the property we wanted to live in so we rented it and a few years down the line used the equity to gain some leverage into our own property.

So we had a couple of properties but we were aware we hadn't organised the home loans as neatly as we could, and we didn't feel we were optimising our situation.

We decided to find a financial adviser. She assessed our situation and went to work with us to get our money to work for us. She moved everything to one bank and structured things much more simply.

The qualities we were looking for in an adviser were a wealth of experience; we liked that she is straight-talking – she doesn't sugar-coat things and you want that when you're seeking financial advice.

She's not judgemental — anyone wanting financial advice doesn't want to be judged.

She's not pushy — if we go to her and say, this is what we want to do or, we want to release certain money, she'll very quickly give us the pros and cons. Once we've made the decision, she'll help us put a plan in place.

With the global effects of Covid-19 on investments, we were unsure whether we were in the right KiwiSaver plan. Our adviser didn't feel she had the full skill-set to advise us so she put us in touch with another adviser. Kathy and I have re-organised our KiwiSaver to make sure we're optimising our money in the current climate.

From our experience with seeking an adviser's help, and through changing situations over the past five years, I'd recommend anybody and everybody to seek similar advice.

## WHY YOU NEED A 'MONEY COACH' ON YOUR TEAM

Think of a financial adviser as your "money coach", says John Botica, the FMA's director of market engagement. "They can help you identify your financial choices and goals, to prepare you for the future."

The FMA is responsible for regulating the activities and enforcing laws covering the financial markets, including financial advisers.

Botica says people may benefit

from financial advice when facing important decisions, such as wanting to invest, getting a mortgage or planning for their long-term future.

Research conducted by Financial Advice New Zealand in its "Trust in Advice" report last year found 55.3 per cent of Kiwis who received financial advice say they feel extremely secure for their future, compared to just 38.9 per cent of those who have not received financial advice.

Just over 50 per cent of Kiwis who've used an adviser say they are at least reasonably prepared for retirement, compared to 26.4 per cent of those who've not been advised.

Financial advisers offer a professional perspective which can be helpful when making decisions, says Botica.

"You might be nearing retirement or about to buy a home, and advisers can help you think about things to consider. They can point out things you may not be aware of," he says.

Botica says an adviser will look at your individual situation and help you understand what's right for you and what different choices might bring.

"They should ask questions to understand your goals and needs, and speak to you in a language you understand."



*Clive recommends using a financial adviser / Photo supplied*