INTRODUCTION

Financial advice is often misunderstood. Fundamentally it is about having someone who will help you deliver your goals by considering your objections, your financial situation and needs and delivering a plan.

Good advice from an experience, well qualified financial planner can help you save money in the long run.

In this article we will look at managing money yourself and what you need to consider, the benefits of someone doing this for you and finally the costs of getting someone to advise you.

DO-IT-YOUSELF

DIY investing has become very popular for several reasons – these include, individuals being priced out of the advised market and unable to get advice, the belief that it is cheaper to do it yourself and the availability of information online.

http://shininglights.co.uk provides plenty of free information and guidance, and it is not alone in what it offers.

For those who feel that this is the route for them we will consider why and how.

Why do it yourself?

- You have a need and know what you want, i.e. you are prepared to do your own financial plan and know how to deliver your goals
- You want online access and the ability to trade 24 hours a day
- You have access to plenty of free ‘advice’ through online media, papers, magazines, self-help books and have good investment knowledge
- You don’t want to pay for ‘advice’, and are happy for the responsibility for any decisions to rest with you
- You want to take advantage of ‘low charges’ – i.e. no advice charges may mean charges are cheaper

How to be your own financial planner?

The first step is developing a plan, this considers what you have and what your targets are and then reviewing this at specific points. Below are some points to consider:

1. Set measurable goals – rather than saying you want to be comfortable in retirement, quantify what you mean and how you will achieve this
2. Understand the effect of each financial decision – all financial decisions are interrelated, so a decision around a child’s education may effect when and how you meet your retirement goals
3. Review your financial plan periodically:
    a. Financial planning is a dynamic process
    b. Goals may change over the years due to changes in your lifestyle (i.e. inheritance)
    c. Revisit and review your financial plan as time goes by to reflect these changes so you stay on track with your long term goals

4. Start planning as soon as you can:
    a. Don't delay your financial planning
    b. Save or invest small amounts early and often
    c. Develop good financial planning habits such as saving, budgeting and investing
    d. Regularly review your finances so you are better prepared to meet life changes and handle emergencies
5. Be realistic in your expectations
    a. You cannot change your situation overnight this is a lifelong process
    b. And remember there are events beyond your control such as inflation, stock markets and interest rates which all affect your planning results
6. Realise you are in charge
    a. Be sure you understand what you are doing
    b. Make sure you look at your financial situation
    c. Ask yourself questions before making any decisions

FINANCIAL ADVICE

Often when you have been working, whether as an employee or as an owner of a business, and you stop you want to enjoy the time you have. Managing your investments and income in retirement can be a hobby in its own right but equally many people don't want that hassle in retirement.

There are many questions to consider when planning for retirement and at retirement. How do you know where to invest in an ISA, Pension or other investment vehicle? Is it better to pay off debts or invest when you receive an inheritance? What will happen to your assets when you die?

A good financial planner will not only help with these questions and others but they will go further. They will look to define your goals (both immediate and long term) and recommend solutions that fit your personal circumstances to achieve those goals.

The following are some of the benefits that financial planners may provide you:

1. It gives you direction and control – can you imagine jumping into the car to drive across the town to a street and suburb you've never been to before without a sat nav or map? How would you know if you were heading in the right direction? Financial planning provides you with a roadmap. Your financial planner will prepare a personalised plan detailing your current position and recommend solutions to reach your destination (goals)
2. Advice can help make your money work harder – recommending solutions that take advantage of tax concessions or investment options that have a higher return potential for the same level of risk means that your money may grow more
3. You may avoid expensive mistakes – many people make investment decisions that are influenced by emotions. A financial planner can provide impartial advice which focuses on and encourages successful investment behaviour without emotional ties
4. How to reduce debt and start a wealth creation plan

5. Retirement income – the amount of money you need to have accumulated to provide for the standard of living you want in retirement and how to maximise your retirement savings
6. Protecting your estate – how to plan and manage the transition of your estate should you die or becomes incapacitated to such an extent that you can no longer make the necessary decisions regarding your investments
7. Protection of your assets through the use of insurance can be a vital part of the financial plan
8. Setting a budget – ensuring your immediate needs are being serviced as well as establishing groundwork for the future

COST……

Cost is the big issue. We often say that what someone needs to decide is whether the cost is reflective of the potential benefits. Much is made of a 1% charge but if the additional growth is 50% more than if you do it yourself than actually the cost is small. It is this that individuals need to consider.

Financial planners will agree fees up front with clients and it is really important that clients understand what they are getting for that fee.

This is not exhaustive but an example of fees include:

1. Fixed fee – some planners may charge a fixed fee for the work they do. This can be paid either through the final solution or outside of the investments. There also may be a retainer for the continued service they offer
2. Percentage payment – in the majority of cases your planner will opt for a fee as a percentage of the investments you make. There may an initial fee up to 3% and a retainer fee varying from 0.75% to 1.5%
3. Others may charge a hourly rate – for example £150 plus VAT per hour

Whatever is agreed this will be fully disclosed and you can then judge whether the additional fee is worth the peace of mind it offers.

CONCLUSION

There is no right or wrong route to financial planning but if you opt to do it yourself it can't be taken light heartedly. You are taking on the responsibility of the financial planner and you need to make decisions based on the plan you have. Some people are happy with this others are not.

Financial planners will help you through your lifetime journey – by this we mean that not only will a financial planner help at the start but also they will help during the journey and as events change. The question is whether the cost of this is reflective of the potential benefits you may receive.