Be clear about the advice you seek

Expert view

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Honest, impartial financial advice ... everyone wants it, especially when it comes to their retirement savings, which increasingly these days can be held in a self-managed superannuation fund.

The quest for advice is very topical given the debate in federal parliament about the Future of Financial Advice (FoFA) laws. It's a debate that highlights an important aspect of advice giving in Australia – the link between financial planning and investment products.

This link can create a challenge for many with self-managed super, especially where it involves wanting advice rather than recommendations about investments and offers to manage your money.

A reader writes that the trouble with many financial planners she has come across over the past 25 years is they have all wanted to manage her super fund. What she in fact wants is someone she and her partner can talk to about their current situation – before it's too late to make changes as they come closer to preservation age.

The reader and her husband are, like many, concerned that the government may make changes that could throw their retirement plans into disarray. They want a financial plan for the next five to six years or until the government makes any changes that may affect their current, quite adequate, savings arrangements.

It's a predicament, says financial planner Kevin Smith of the Professional Super Advisers, that is unfortunately associated with the link that has developed in recent years between financial advice and investment products. This has seen a number of financial organisations, including banks, insurance companies and even large super funds, setting up financial planning businesses.

The solution for the reader, suggests Smith, is to be specific about the advice that is wanted – in this instance, strategic advice about the super preservation rules.

Accountant John Randall, a director of Deloitte Superannuation, says that when super trustees consult an adviser, they should know what they want so they can obtain the most appropriate advice that fits their circumstances. This should be established during discussions when you seek advice and made clear from the start.

In the case of preservation rules that detail when super can be accessed, the bearer of knowledge on this topic could be an accountant with superannuation experience or a financial planner with a similar understanding. Or it could involve seeing a specialist adviser who only consults on a particular issue, maybe once or twice a year. Also be aware that you might need to talk to several people to get what you want. Super advice isn't always a one-stop shop.

While Deloitte is fully licensed to give the widest range of advice on super, it has chosen to focus on strategic advice and not give investment advice. Giving investment advice, says Randall, is regarded as a specialised area that involves a need for significant research.

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Strategic advice, on the other hand, involves focusing on contribution strategies or starting a pension. It can also embrace awareness of investments so that they can be taken into account for strategic reasons – like liquidity issues where a fund has investments in real estate and needs money to pay a pension.

Being offered other services that you don't really want should be resisted, especially if you have your investments organised in the way you want. Whoever you speak to about getting advice needs to know that.

Where more than what you want is being offered, this can help identify organisations that are more interested in the self-managed super "honey pot" than giving advice.

Because many DIY funds have a lot of money available for investment, they are targeted by promoters of financial investments and investment ideas. That's because it's the investment side of super that can generate some of the best fees for super promoters.

While Smith believes self-managed super funds can be attractive arrangements for retirement savings, an important aspect is ensuring that any advice is unbiased, especially when it comes to investments.

Under the Corporations Law, says SMSF Professional Association director of professional standards Graeme Colley, a financial planner is a person who provides financial product advice.

Where self-managed super is concerned, financial product advice focuses on setting up a fund, making contributions and commencing a pension from the fund. While these are the basic functions of self-managed super, other aspects where planners may be involved are investments where any advice given must come from a planner because they are also financial products.

Colley says many super fund trustees can have incorrect perceptions about financial advice. When they say they get financial advice from their accountant, it's only if the accountant is also a licensed financial planner that they are legally permitted to provide financial advice.

Although accountants are probably the key professional group involved in self-managed super (helping to set up new funds, preparing their financial accounts and tax returns and performing annual fund audits), when it comes to giving advice their role is strictly limited.

Unless they hold a licence that allows them to give broad financial planning advice or give advice under the supervision of an existing financial planning licence holder, most accountants are restricted as advice givers. Available to them are the limited entitlements allowed under what is described as the accountant's exemption.