

# 10 NON-NEGOTIABLES FOR CLIENTS

Get the advice you deserve	<p>When seeking out financial advice, clients must consider the following 10 requirements as essential and non-negotiable elements when establishing a relationship with a private wealth manager. Comprehensive financial planning and private wealth management can deliver powerful results and the sense of financial and personal well-being that goes with those results. But a successful and enjoyable wealth management relationship requires an adviser with the highest levels of trust and competency. As a client, why would you settle for less?</p>
Do they care?	<p><b>1. Genuine &amp; Sincere</b> “Before I care what you know, I need to know that you care.” So goes the old saying and so should you make sure your adviser is sincere, genuinely has your best interests at heart and has the time to properly support you</p>
Do they understand you & your family?	<p><b>2. It's All About You</b> Everything should begin with you and the journey and end you have in mind for your life – your goals, priorities, needs, circumstances, abilities/disabilities, life expectancy/investment horizon and your overall risk profile. Your adviser must build a deep understanding of these matters as this is the foundation on which everything that follows will stand. Make sure they take the time to find out about you and your family</p>
Are they independent?	<p><b>3. Independence &amp; Full Disclosure of Conflicts of Interest</b> Unfortunately, a lot of financial advice is nothing more than product sales and marketing posing as a professional service. Complete independence from any particular investment product or service provider is essential if an adviser is to act in their client's best interests. Insist on an adviser who is a client advocate and ensure full disclosure in writing of any potential conflicts of interest</p>
Is their remuneration aligned with your interests?	<p><b>4. Get What You Pay For</b> The sad fact is that many advisers are more driven by the pursuit of sales commissions than satisfying their clients' needs. Commission payments are not in alignment with a client's interests. You need to be wary of any and all commission payments where double dipping for fees is common and full disclosure, elusive. Insist your adviser is only paid by you and no-one else. In other words, they are a fee for service advisor.</p>
Are they a team player?	<p><b>5. Comprehensive &amp; Seamless Advice Through Teamwork</b> Integrating client's business and personal financial lives requires comprehensive advice across a wide range of expertise and issues. This includes investment strategy, asset protection planning, risk management, superannuation/kiwisaver, trust administration and retirement planning. This wide scope of advice can only be provided by an adviser who is able to work with your accountant, solicitor and other experts as a cohesive team to provide an overall solution to satisfy your needs</p>

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How  
accountable  
are they?

## 6. **Fiduciary Responsibility & Accountability**

The ultimate level of responsibility a professional adviser can assume on behalf of a client is taking on a fiduciary role. This is the highest standard of care and loyalty imposed by law which requires an adviser to be above reproach and accountable in accordance with internationally recognised processes and practices. In the investment world, this is the fi360 Standards of Fiduciary Conduct established by the Center for Fiduciary Studies at the University of Pittsburgh but only a few advisers have adopted this to date

Do they  
understand the  
modern science  
of investing?

## 7. **Investment Strategy Based on Science, Not Speculation & Opinion**

Through voluminous academic research into investor results for over 100 years, there is now a well proven science of investing. This science shows that the following 8 key principles will determine the success (or failure) of your investment experience:

### ▪ **Strategy Determines Performance**

Contrary to popular belief, over 90% of investment performance is determined by your portfolio structure and strategy, not the individual security selection and market timing. Your adviser should therefore be focused on your strategic asset allocation first and foremost

### ▪ **Investment Markets Work**

Capital markets are not perfect but for all practical purposes, you can act as though shares and other assets are fairly priced. In other words; avoid advisers that want to play the loser's game of trying to "beat the market" by picking winners

### ▪ **Avoid Market Timing & Trading**

Successful timing requires you to know: when to get in, when to get out, and when to get back in. The long term success rate of advisers who try timing markets is abysmal and this is largely due to the high costs of trading

### ▪ **No Such Thing as Risk Free Returns for Most Investors**

While there are some risk free investments available to investors, after tax and inflation these investment returns are negative for virtually all investors over the long term

### ▪ **Higher Returns Require Higher Risks**

The only way to consistently get higher returns is to take higher risks and therefore your returns will ultimately be determined by your risk profile. However, not all risks are worth taking – make sure your adviser is investing you in asset classes where you will be properly rewarded for the risks you take on

### ▪ **Wealth is Created by Portfolio Returns Less Volatility (Risk)**

Rather than focus on the volatility of individual investments or asset classes, ensure your adviser manages your risk at the overall portfolio level in relation to returns to maximise either your wealth creation or your sustainable withdrawal rate if you are in retirement

### ▪ **Diversification is the Only "Free Lunch"**

Diversification dramatically reduces risk without reducing expected returns by eliminating avoidable risk. Ensure your adviser is broadly diversifying you globally across all markets, across multiple asset classes

Will their  
investment  
advice provide  
you with a  
predictable  
outcome?

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Are they disciplined & do you respect them enough to listen when it counts?

Are they focused on what matters to investors?

Are the funds securely and efficiently administered?

And finally.....

and through many securities within each asset class

- **Efficient Implementation Makes the Difference**

Next to diversification, the biggest controllable factor that will make the most difference to investors is reducing costs and taxes through efficient implementation of their investment strategy. Make sure your adviser can efficiently implement your strategy to minimise your costs and taxes

## 8. Disciplined & Respected

Investors often feel confused at the overwhelming amount of advice that they are constantly bombarded with by the media and so called experts. Your ability to stick to a long term plan in the face of all this investment market "noise" will be the major determinant of your investment experience. Your biggest challenge – even your worst enemy – is likely to be yourself if you allow yourself to ride the emotional roller coaster of greed and fear that drives most investors towards mediocre returns or even failure.

Make sure you engage someone who is disciplined enough to stand aside from this emotional roller coaster and who you respect enough to listen to when it counts so you remain disciplined too

## 9. Focused on Real After-Tax Returns

Investors live on real, after tax returns net of all fees and expenses. Unfortunately most advisors plan with and talk to clients in terms of gross nominal returns that bear no relation to this investor reality. Make sure your adviser uses independently determined and realistic future expected returns in real after-tax terms for all planning work undertaken on your behalf

## 10. Robust, Paperless Custodial & Portfolio Administration Systems

Without doubt the premier portfolio custodial and administration system in NZ is Aegis which is owned by ASB Bank with ~\$4b of funds on behalf of ~16,500 investors. This a cost effective, totally secure online management system that ensures investors don't have to deal with all the monthly paperwork and annual tax reporting and can access whatever information they want, when they want. Don't accept anything less for your portfolio management and administration system

Life should be fun and most investors have long investment horizons. Enjoy the journey by engaging someone who is fun to work with because you're likely to be working with them a long time!