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Select your financial

It is also important to look for qualities such as integrity and care

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YOUR financial planner (FP) may be someone referred to you by friends or family, but not many people know that the title "financial planner" is not regulated in Singapore.

This means that anyone can call himself or herself a financial planner or consultant. These individuals include the 12,000 insurance agents, more than 1,000 "Personal Financial Consultants" working for banks and over 3,000 stock brokers, said experts.

Thus, it is important to look beyond the "title" and look out for qualities such as integrity and care in a financial planner.

One way to do it — ask around for three client references, so you can ask them how the service or advice was rendered, suggested certified financial planner Dennis Ng.

Just like a doctor, a financial planner improves his skills when his experience increases because over time, he would have come across different types of people and financial situations so that he can offer more rounded advice.

"You can also check with the Financial Planning Association of Singapore whether the financial planner is a member of the association and whether he has been blacklisted by the association," added Mr Ng.

Sharing his methodology in selecting a planner, Mr Paul Stefansson, president of the Financial Planning Association of Singapore listed four factors.

The first is credibility: Does the person have the ability to deliver what he or she says?

"The person must have a designation such as CFP (certified financial planner) to show that he or she has the education and training credentials, and also the experience. A lot of financial (issues) are very emotional," said Mr Stefansson.

Second is reliability: Does the planner actually do what he says, such as delivering information on time?

"Often you can determine whether they are reliable by getting them to do small things for you. For example, I get my planner to check my tax situation, and see if he gets back to me quickly. You want to make sure that they can do the small things before you trust them with the big ones," said Mr Stefansson.

Third is intimacy: People need to eat their own cooking. "For investment advice, I tell my clients that I have the same investments as you do, so I suffer and gain the same way you do," said Mr Stefansson.

Lastly, understand why the person became an FP. While their intellect is important, planners who are passionate about their work and in helping others tend to score "trust" points with most people.

planner wisely

in the person who you select for the job

For Mr Ng, a planner's objectivity ranks high on his selection list.

"Does he/she compare different alternatives before recommending a solution to you? If the FP quickly recommends a product without even finding out your financial situation, your financial objective and your risk profile, then it is a warning signal that he is more interested in pushing a product than giving your proper financial advice."

FINANCIAL PLANNER'S QUALIFICATIONS

When selecting an FP, one should look out for financial advisers with qualifications such as associate financial planner, certified financial planner or chartered financial consultant (ChFC).

The word "associate" in associate financial planner means that the FP has passed the basic examination on Financial Planning, whereas a certified financial planner has passed not just the basic examination, but all the examinations on financial planning including insurance, investment, tax and estate planning, retirement planning and others.

Currently, there are a few thousand people who have the associate financial title in Singapore, but only about 600 have the certified financial planner

title, said Mr Ng.

These designations do not guarantee that the FP gives good advice, but it assures you that the person has achieved a certain standard in education, training and experience.

For instance, to be a certified financial planner, the adviser needs to pass all six modules of financial planning and fulfil the minimum requirement of three years of working experience in financial planning. The individual is also required to meet continuing education requirements.

You can also test his/her knowledge by asking him/her to explain investment concepts such as diversification and dollar-cost averaging; insurance concepts such as contestability and waiting period; legal concepts such as revocable/irrevocable trusts, joint tenancy, tenancy-in-common, and such.

While education is important, education without actual experience is only theoretical knowledge. Someone with three years or more of experience in the industry is preferable.

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TYPES OF ADVISERS FOR INVESTMENT PRODUCTS

Licensed Financial Advisers (Licensed FAs)

These are companies with a financial adviser's (FA) licence under the Financial Advisers Act (FAA), have a minimum paid-up capital of either \$150,000 or \$300,000 depending on the activities that they conduct, and professional indemnity insurance.

Exempt Financial Advisers (Exempt FAs)

These could be banks, insurance companies, finance companies, insurance brokers and holders of capital markets services licence. They do not need to hold an FA licence because the Monetary Authority of Singapore (MAS) regulates them under a separate legislation. They must meet similar business conduct rules under the FAA as licensed FAs.

FA's representatives

These are employees or agents of licensed or exempt FAs who provide financial advice on investment products to consumers. The individuals acting on behalf of an exempt FA do not need to hold a representative's licence.

Licensed FAs cannot handle clients' money in respect of unit trusts. When you buy a unit trust through a licensed FA, cheques should be made in favour of the product provider. If you pay by cash, get a receipt from the product provider as proof of payment.

Differentiating the Financial Adviser, Financial Planner, Financial Analyst and Financial Consultant

Only firms that are licensed FAs and exempt FAs can use the term "financial advisor". These entities are regulated by the Monetary Authority of Singapore (MAS). Use of titles such as "financial planner", "financial analyst" or "financial consultant" may or may not be regulated by the MAS. You can get information on the list of regulated FAs from the "Financial Institutions Directory" at www.mas.gov.sg.

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 Only FAs who can clearly demonstrate that they do not have financial or commercial links with product providers that could influence recommendations to consumers can use the term "independent". Being "independent", FAs are able to advise consumers on a range of investment products from various product providers. Tied FAs, however, can only recommend products of the product providers to which they are tied.