

# A step by step guide to obtaining a long and prosperous retirement

## Lesson 09 – Selecting and Advisor

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## Introduction

This document is part of the training material written to assist Kiwi's in their 50's or 60's that are looking at retirement but have no idea what to do, what is needed, and how or where to get help. Or those that already have some ideas of how to survive retirement, are looking at alternatives, or just checking they are on the right path. They might even be looking on behalf of their 'elderly' parents, to ensure they are considering all options available to them.

This material provides a simple comprehensive step by step process to create your own retirement plan. It includes a summary guide, road map, lessons and discussion topics to help you prepare for your retirement. It will help you answer questions such as:

- *How much money do I need in retirement?*
- *How much money will I receive from Government Superannuation?*
- *How, and from where, can I get more money?*
- *Where can I safely investment my money?*
- *How much should I put into KiwiSaver?*
- *Should I buy a 2<sup>nd</sup> property, a business, or invest in the share market?*
- *How much do I need to keep aside for a rainy day?*

all from a very New Zealand perspective.

## Course outline

This document is "Lesson 09 – Selecting and Advisor" of the course material supporting our simple step by step approach to creating your financial retirement plan.

The material comprises:

- a summary 'Retirement Planning Guide'
- a 'Retirement Roadmap'
- a supporting 'Retirement Planning excel spreadsheet'
- more comprehensive training guides ("Lessons") for various tasks along the way if you need them
- additional supporting spreadsheets if you need any further assistance

All material can be downloaded and printed from the downloads page on our website:

<http://www.bizextra.co.nz/>

Most people complete their retirement plan using just the Planning Guide, Roadmap and the Excel spreadsheet that supports the guide. Additional information is provided to support you along the way if you get stuck, don't understand a concept, or just need some further ideas to try out as part of your planning.

*"Don't ever forget, that the main plan in life is always to enjoy a long and prosperous retirement."*

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### Latest Version

Market prices, superannuation and benefit rates, Government policies, inflation, costs of living, house values etc. all change on a regular basis. The numbers in this document have been updated to reflect the market position as at July 2025.

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## Selecting an Advisor

Remember the 87 share market crash? Many people at the time were buying shares based on the advice of others. Usually their neighbour or their mate at the pub, or someone at their coffee mornings. Financially illiterate people, with no investment experience, were advising other financially illiterate people where to put their money. Even the media were advising people to buy shares – “they always go up” they said. Well, up they went – up in smoke!

We have already advised that “You are responsible for your money, your investments, your debts, your gains and your loses. No-one else.” You have to do your own research – even if all it is, is to check who a good financial advisor is who can help you. In 1987, people forgot to check what credentials their neighbour had to provide financial advice. What skills they had, what experience, what training, what controls they had in place to minimise risk, what controls they had to minimise fraud – all that homework was ignored. If it was “good enough for my neighbours to mortgage their house to buy shares in companies I had never heard of or researched, then it was good enough for me!”

As you may have realised by now, no advice is free. A real-estate agent only gives you a free appraisal because they want you to list your house with them – so they can get the commission when it sells. They have a vested interest – they are not giving you free independent advice. You pay a valuer for independent advice – they have no interest (apart from a professional interest to see how close the sale price was to their valuation) if you list the property, sell the property, what agent or company you use etc. They have been paid for the service they provided to you.

The same applies with Financial Advisors. Ask a bank manager “what KiwiSaver fund should I invest in?” and 99% of the time they will recommend the one their bank offers to the market (the 1% that don’t, relates to the banks that don’t currently have a KiwiSaver fund for their customers). If you invest in their fund – they collect the fund fees as they are the fund manager. Their advice is not independent or impartial.

If you are unsure or unhappy about selecting particular products or types of investments to invest your money in, then you can seek professional help:

- If you are interested in shares or any type of fund (active or passive Management Funds, ETFs, KiwiSaver etc. then you need to talk to a Financial Advisor
- If you are interested in looking at investment property (or any type of property) then you should talk to a real estate agent or valuer
- If you are interested in a company, then an accountant, Sales Agent, or a Business Mentor.

## Selecting an Advisor

If you want or need additional independent advice and how or where to invest your money, you need to ensure the provider of that advice is independent.

Basic selection criteria are:

- to ensure they are licenced,
- they have skills and knowledge in the area you are seeking advice on
- they align to the type of investor you are, and
- they are independent.

In NZ we have a very good market 'watchdog', the Financial Markets Authority. It evolved out of the various share market and finance company crashes we have experienced, and they provide checklists and things to consider. At the time of writing, these can be accessed from the link below.

A good place to look for advice on selecting a fund manager or advisor can be found on the Sorted.org.nz web site. <https://sorted.org.nz/guides/saving-and-investing/investment-advice/>

As mentioned in Lesson 5, to reduce risk you should have a diversified investment portfolio. Based on the amount of money that you may have invested, you may want to consider this be an option for your advisor(s) as well. There is nothing wrong with having more than one advisor. The more advice you get the more knowledgeable you become.

Any financial advisors you select should:

- hold an AFA licence – wide ranging investment advisors with multiple products,
- be local – you need to be able to sit down and talk to them face to face.
- offer estate planning – they should also be able to work with older people and be able to advise on the alignment of Trusts/Wills/EPAs etc. We will discuss this more in the next Step
- be a firm – they generally have multiple people, access to a wider range of external resources (analysts, research, advice etc), and have multiple experts in various areas – rather than putting all your eggs in one basket (i.e. a one person type advisory company)
- not handle their funds directly – i.e. the advisors shouldn't directly 'hold' any funds. They should be via trust accounts. This reduces fraud and lowers your risk.

and depending upon what involvement you want in managing your own investments:

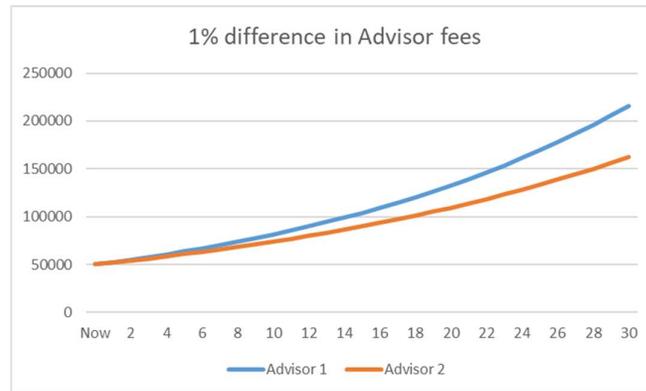
- should hold a DIMS licence. This allows your advisor (within pre agreed guidelines) to actively manage your investment portfolio. Generally an advisor needs to get all changes to the underlying investments approved in advance by you (the clients). Having a DIMS licence allows them to change the mix if you cannot be contacted (e.g. while travelling, on holiday, or just because you had no internet connection on that African Safari to check your emails) and the market has changed (or is changing) indicating a 'buy' or 'sell' opportunity (all within your pre agreed guidelines).

Also don't forget about the fees they charge:

- Some (accountants, business mentors, lawyers) provide a one-off fee for the advice or service they provide, usually on an hourly basis
- Others (realestate agents, Company brokers) provide a one off fee based on the value of the transaction (the sales price)
- Funds and Fund managers will charge you an annual fee for their advice and services usually based on the amount of funds being managed.

you need to ensure any fee reflects the market price for the services you are buying.

Aa 1% difference in the annual fees paid over 30 years on a \$50,000 investment portfolio returning 6% per year, could reduce your return from \$210,000 to \$160,00. That is a \$50,000 difference that you should have for your retirement, rather than 'giving' it to the fund manager.



Google is your friend. If you still need help then now is a good time to start identifying someone to help you. Help might take the form of a Financial Advisor, it might be someone to help with creating a spreadsheet, it might just be someone to help validate your assumptions and your planning. There are a lot of people out there that are available to help, and the more advice you take, the more literate you become. Everyone you talk to, is an opportunity to learn something new.

Use Form 15 – “Potential Advisors” to document any areas that you feel you need assistance with, and list some potential people or websites that might be able to help you.



