



ASISV

FOUNDATION

# Financial advice

We all need people to help us decide how to best manage our finances.  
Financial advisers may be of help.



A consumer education project

# CONTENTS

- 3** What is financial advice?
- 4** What does a financial adviser do?
- 5** What are product suppliers?
- 6** Why should I consult a financial adviser?
- 6** When do I approach a financial adviser?
- 7** What should I ask a financial adviser?
- 8** What are the client's and adviser's responsibilities?
- 9** Do I pay for their services?
- 10** How do I complain about the services of a financial adviser?
- 11** Where do I find a financial adviser?



## WHAT IS FINANCIAL ADVICE?

**FINANCIAL ADVICE IS** part of a process that helps you to make decisions about what to do with your hard-earned money through the various stages of you and your family's lives. You may need financial advice in the following cases:

- **Death, disability or serious diseases:** can I make provision for it?
- How do I provide for costs of a funeral?
- What happens to my income in a case of disability or illness?
- Can I protect my income?
- How do I provide for my retirement?
- How can I make provision for medical expenses?
- How do I save for certain future events?
- How do I make sure that my belongings are protected against loss or damage?

# WHAT DOES A FINANCIAL ADVISER DO?

A **FINANCIAL ADVISER** is a person whose job it is to provide solutions to the financial questions on page 3. In simple terms: the financial adviser must guide, educate and protect you. They share their knowledge and expertise about financial products to help you make decisions about financial solutions that will suit your specific needs.

A financial adviser must comply with strict competence requirements that are prescribed by law. These requirements

include formal qualifications, regulatory exams, product training, experience and continuous professional development. They can help you choose financial products that suit your budget as well as help you reach your financial goals.

Some examples of financial products are to make provision for retirement, to cover your valuable assets against loss, life insurance, funeral insurance or saving for different events.



## THERE ARE DIFFERENT TYPES OF FINANCIAL ADVISERS

Financial advisers provide advice that leads to a suitable product recommendation as a solution to a customer's needs.



Some advisers can only offer advice on specific financial products and are not able to offer advice on a range of financial products that may be suitable for you.



Some financial advisers work for a product supplier and therefore they can only offer you financial products from that product supplier. In these cases, the product supplier takes full responsibility for the financial products sold, and the advice to you.



On the other hand, some financial advisers can provide you with various financial product solutions from multiple product suppliers. In those cases, the financial adviser is responsible for the financial advice provided.

# WHAT ARE PRODUCT SUPPLIERS?

**PRODUCT SUPPLIERS ARE** companies that design financial products to cater to nearly every possible financial need an individual may have. They are authorised by the Financial Sector Conduct Authority (FSCA) to sell you their financial products and services through financial advisers, or directly through telesales or the internet.

# WHY SHOULD I CONSULT A FINANCIAL ADVISER?

**FINANCIAL ADVISERS CAN** help you to make sense of your personal financial goals and concerns. They do this by asking you questions to understand your needs. They then do an analysis of the information gathered from you and recommend suitable solutions to address these needs. They can also help you to ensure that you stay on track with your financial goals through regular contact.

Over time, the financial adviser should build a close working relationship with you, based on trust and a thorough understanding of your financial affairs. However, as a customer, you do not need to use the services of a financial adviser. You can choose to go directly to a financial services company or use the internet.

Some financial products are more complex than others. If you do choose to buy a financial product or make financial decisions without the benefit of professional financial advice, your overall financial goals and needs may not be considered or evaluated. This means that you may end up with financial products that are not best suited to your needs and circumstances.

You will take on the responsibility for what could be very complex and financially risky decisions. Unless you have special knowledge in these areas, you could end up losing a lot of your hard-earned money.

## WHEN DO I APPROACH A FINANCIAL ADVISER?

It is never too early or too late to approach a financial adviser for guidance on your financial affairs. Statistics show that South Africans neglect to make timeous provision for important matters such as retirement, life and disability cover and ensuring that their belongings are insured against loss and damage.



# WHAT SHOULD I ASK A FINANCIAL ADVISER?

## Qualifications and experience

- What are your qualifications?
- Can I see a copy of your certificates, licences and authorisations?
- What financial products can you sell?
- How many years' experience do you have in providing financial advice?
- Do you work for a Financial Services Provider (FSP), and what is their licence number?
- Are you working under supervision?
- Who takes responsibility for the financial advice you give me?

## Services

- What other financial services do you offer?
- Will you give me quotes from one company, or will you give me quotes from many companies?
- How will you prove to me that the financial products you recommended are right for me?
- What will your financial advice services cost me, and how will I pay you for them?
- What is the financial advice process that we will go through?
- Will you be the only financial adviser who works with me?
- What if I have a question after you have sold me a financial product, who do I contact?
- Will you keep in contact with me after I buy a financial solution?



# WHAT ARE THE CLIENT'S AND ADVISER'S RESPONSIBILITIES?



## **Responsibilities of the financial adviser**

Some of the many responsibilities include that the financial adviser must always act with honesty and integrity in your best interest. He/She must ask questions to establish your level of knowledge about financial services and financial products.

He/She must gather sufficient information to provide a suitable solution to your financial needs. He/She must explain in detail what the solution entails, including what cover you pay for and how much.

He/She must explain if there are any exclusions in the contract that you sign, for example, when the financial product will/will not pay the promised amount.

## **Responsibilities of the client**

Clients must at all times give correct information to a financial adviser so that a product supplier can make the right assessment of any risk attached to the financial product applied for.

Correct and truthful information about personal circumstances and health matters will ensure that a claim is not rejected due to non-disclosure of material information.

Clients must not hesitate to ask a financial adviser for more information if there is any doubt about the solution or the financial product.

# DO I PAY FOR THEIR SERVICES?

## **Commission**

The money that is paid to a financial adviser when he/she sells you a specific financial product, is called commission. This is paid by the product supplier, where permitted. The financial adviser must explain exactly how the commission is calculated and the amount he/she will receive for selling you the financial product or service.

Not all financial products permit commissions, and in these cases the financial adviser may ask you to agree to a fee for the advice he/she provides you. In some cases, financial advisers will be entitled to charge a fee on top of the commission. Therefore, because you pay the financial adviser you must ensure that you receive the service you pay for.

## **Advice fee**

This is the money that you as a client can pay a financial adviser in exchange for providing you with financial advice and services rendered to you after implementation of your financial solution. You must specifically agree to pay an advice fee or a fee for other services before a financial adviser has a right to receive such a fee. All services must be clearly explained and the fee for each service must be disclosed. The fee must be agreed to in writing and must be reasonable for the advice or services rendered to you.

You have the right to cancel ongoing fees if you are of the opinion that the financial adviser is not rendering the services you initially agreed to anymore.

# HOW DO I COMPLAIN ABOUT THE SERVICES OF A FINANCIAL ADVISER?

FINANCIAL ADVISERS MUST be authorised by the Financial Sector Conduct Authority (FSCA) to advise you about specific financial products. They must be competent in their knowledge of the financial product that they are recommending to you and they must be skilled in the financial advice they provide. Above all, as the customer, they are required to always treat you fairly.

If you feel that a financial adviser does not live up to this, or is not competent to provide you with the right advice, you can report them.

You should approach the financial adviser directly with an official letter of complaint. He/She then has an obligation to handle your complaint within a certain time frame.

If you are not satisfied with the response received from the financial adviser you can refer the complaint to the Financial Advisery and Intermediary Services (FAIS) Ombudsman, a statutory institution that handles complaints made against financial advisers at no charge to you.

#### The contact details of the FAIS Ombud are:

Share-call: 086 066 (FAIS) 3247

Tel: 012 762 5000 / 012 470 9080

Email: [info@faisombud.co.za](mailto:info@faisombud.co.za)

Website: [www.faisombud.co.za](http://www.faisombud.co.za)



## WHERE DO I FIND A FINANCIAL ADVISER?

YOU CAN CONTACT the Financial Sector Conduct Authority (FSCA) to help you. You can also check if someone is an authorised financial adviser on the website of the FSCA.

Share-call: 0800 20 (FSCA) 3722

Tel: 012 428 8000

Email: [info@fsc.co.za](mailto:info@fsc.co.za)

Website: [www.fsc.co.za](http://www.fsc.co.za)



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