

Is your financial adviser working smart for you?

Bank on trained and experienced professionals to steer you through the maze of financial planning

Financial planning is an ongoing and dynamic process that can pave the way for the lifestyle you aspire to. But for the average person, long-term financial planning is not quite the walk in the park it's often made out to be. Many of us, especially those who are just beginning to think about their financial future, require experienced and professional help to steer us through the maze of what can be a complex subject.

Representatives of life insurance companies and financial institutions are trained to dispense sound financial advice that aims to maximize their clients' returns.

In the process of providing you with suitable financial solutions to meet your goals, they also help you make better and more informed choices about your financial future.

The qualifying rounds

Contrary to general perception, it requires extensive training and experience to dish out advice on life insurance and other financial matters.

A qualified financial adviser goes through rigorous training.

Since January 2001, all financial advisers must complete mandatory training of at least 30 hours a year to enhance and acquire new knowledge and skills. New advisers need to undergo a minimum 30 entry training hours which they must complete within the first six months of their appointment, plus another 10 hours within the following six months.

In insurance companies, not only do advisers get product training, their immediate supervisors are also required to give them guidance, as well as assess and review their performance on an ongoing basis.

Consumers can be assured that the recommendations given by financial advisers are not made solely at their discretion. These recommendations are reviewed internally by more experienced senior managers within the insurance company to ensure the plans are



aligned with the respective consumers' needs and means.

Assessing your financial situation

A core part of the training for financial advisers is the fact-find process by which they have to assess and review their clients' insurance, investments and savings needs. It involves calculating and examining one's current and future financial obligations, prior to recommending the appropriate products for his or her needs, means and goals.

This assessment is a systematic procedure that looks at your overall financial situation, in terms of your income and expenses, assets and liabilities. The detailed analysis helps to assess and identify insurance needs so that you can be adequately insured to meet your financial objectives, be it providing your family with a death benefit to cover their ongoing financial needs in the event of your premature death, or providing for your child's education, among other reasons.

It takes two to tango

The role of a financial adviser does not simply entail providing sales materials and explanations that describe the various life insurance plans.

Before you purchase a policy, he or she must ensure that you understand what decisions need to be made and the various alternatives available, and compromises if any.

After completing the fact-find, your financial adviser analyses the feedback and provides you with a menu of recommendations he deems suitable.

He should also give you a detailed explanation of the costs involved and the features of the recommended financial products.

That, however, does not mean you should entrust your adviser to make the decisions entirely for you. As the prospective customer, you have to play an active role in determining your own financial needs. It is still your responsibility to weigh the pros and cons of each product and decide which would be the best fit for you.

For a session with your financial planner to be effective, ensure that you are as forthcoming as necessary about your financial situation and that you communicate your goals and objectives clearly.

You can also rest assured that before he sells a plan or policy, his recommendations are first reviewed internally by his supervisor who assesses them in tandem with the fact-find analysis to ensure that they fit your means and goals.

Locating a good financial adviser

Ask the financial adviser to provide three client references so that you can check with them on the quality of his or her service and the advice rendered. Likewise, you can also seek recommendations from friends and professionals such as lawyers and accountants when choosing a financial adviser.

For the list of insurance companies in Singapore, visit the Life Insurance Association website at www.lia.org.sg. Call any of these companies to arrange an appointment with one of their representatives or financial advisers to help you through your financial planning process.

Insights from Mark O' Dell, Deputy President of the Life Insurance Association of Singapore

Do you think the perception of life insurance agents in Singapore has changed over the years?

Yes, it's a natural evolution in the profession. Traditionally, people don't think about life insurance until they are approached by an agent. This is changing. As people begin to recognize the role and benefits of life insurance in one's long-term financial planning, similarly their attitudes towards its sales force change.

At the same time the professional standard of the financial adviser and life insurance representative has risen, given the mandatory training and guidelines that are in place. They are better equipped to win the trust and confidence of consumers.

Do financial advisers in the U.S. undergo the same kind of training?

Yes, advisers in the U.S. undergo training similar to that available in Singapore. As a matter of fact, many life insurers in Singapore build their own adviser training programs based on best practices from around the world.

In addition, Singapore has hundreds of financial advisers pursuing advanced qualifications from internationally recognized programs found in the US. These programs lead to designations such as Certified Financial Planner (CFP), Chartered Financial Consultant (ChFC) and Registered Financial Consultant (RFC).

Tell us about your own experience in the US market. Do you see similar trends or developments taking place in Singapore in the life insurance industry?

I do see similar trends, particularly the increasing appreciation for financial planning. There may be differences in things like government mandatory pension schemes but the basics are fundamentally the same. People all around the world want to protect the ones they love, provide a good education for their children and enjoy a comfortable retirement.

In your opinion, what are Singaporeans' attitudes towards fact finding? Are they similar to those in the U.S.? Or are they hesitant in disclosing what they consider private information?

I have heard this many times. However, contrary to popular belief, Singaporeans appreciate the process of a proper fact find. This is based on our own customer feedback and market research.

I think problems arise when the financial adviser does not properly explain how the process of financial planning works. A proper fact find is crucial for providing sound financial advice. Once the customer understands this, there usually will be no hesitation.

How do we know if a financial adviser's recommendation is really the most appropriate? Are there any internal processes to ensure that clients are receiving quality advice?

I am reminded of a promise I would read aloud to all my prospective clients.

"I promise to do my utmost to understand my clients' priorities and to gather all the relevant facts, to analyse the situation and finally to make recommendations that I would take if I were the client"

Based on that, there are several things clients can look for when judging the quality of financial adviser's recommendation:

- Did the financial adviser follow a professional process?
- Was a thorough fact-find conducted?
- Did the financial adviser attempt to understand my needs and priorities?
- Was any needs analysis done prior to a product recommendation?
- Was the product recommendation given in writing and relating to identified needs?
- Could the financial adviser answer all my questions?
- Were charges, penalties or exclusions properly covered?

One should also note that within the insurance company, these recommendations are reviewed by more experienced senior managers to ensure that they are aligned with the respective clients' needs and means. Hence, clients can be assured of quality advice as these recommendations are not made solely on one person's discretion.

Mr Philip Tan, Policyholder

I make a point to meet my financial adviser every year. She reviews my policies using fact-find, which is a detailed analysis of my overall financial situation. It's a valuable tool that helps to determine what is lacking in my insurance, investments and savings needs.

Based on the fact-find, my financial adviser comes up with a list of recommendations and she will take time to explain why a particular product is needed. This helps me in my decision-making process when deciding what product to purchase. This way, I am certain that I am not over or underinsured at any point of time in my life.

