

# The goodfellas

## The trouble with investment advisers

By Mark Story, Auckland

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Don't listen to 'em. That's basically the result of a survey of investment advisers in March's *Consumer* magazine. None of the 14 Auckland investment advisers, including major banks, life insurance companies and financial planning companies, fully measured up in the magazine's undercover tests. Only one adviser, PricewaterhouseCoopers, held the basic industry Certified Planner Status. Only eight advisers asked the surveyors — who were posing as applicants — the most basic questions regarding mortgage, income and dependents required to reach the right investment conclusions. Even when they did, many failed to commit their advice to paper. All but one, BNZ, recognised the need for flexibility. Half failed to uphold the simplest of investment philosophies: don't put all your eggs in one basket. When it came to mandatory disclosure, the investment advisers lost even more brownie points. Only half complied with the law on what they have to tell clients: convictions, bankruptcies in the past five years, experience, relevant qualifications and industry affiliations. What's more of a worry, only four of the advisers managed to select an investment portfolio that strongly matched the stated needs of the clients.

The survey results revealed other major shortcomings:

- Too few advisers successfully identified suitable investments;
- Entry fees fluctuated dramatically and were either poorly explained or excluded from the investment statement;
- Tax benefits of paying off a mortgage early or placing investments in the name of a family member on a lower tax rate were ignored;
- Scant attention was paid to life insurance needs.

Consumer's Institute concludes: "We believe consumers should be able to expect a high standard of advice from these people. But most didn't get halfway there. A good adviser should be happy to chat with you for 10 to 15 minutes at no cost as you assess whether you want to employ them. Make sure you understand all the recommendations, risks and costs before putting advice into action."

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