

Getting over the barriers to financial advice

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A quarter of respondents in a new survey say they don't know how to find or choose a professional adviser and the same number are worried the person they did use might try to sell them something that might not be right for them or that they don't need.

The [survey](#) has uncovered some of the main reasons New Zealanders shy away from seeking financial advice, even when they know it might help them.

Only 16% say they're happy with their financial position and so they haven't even sought help or advice. Nearly half (44%) manage their finances themselves.

The Commission for Financial Capability questioned people who were already trying to improve their financial circumstances by using the Commission's www.sorted.org.nz website.

David Boyle, of the Commission, said: "There are times in life when it is really important to seek advice to help get ahead financially, but many people seem reluctant to do this.

"We would like to see better transparency around some of the issues that have been raised about the way advisers are paid, bias to particular products or providers, and incentives to sell products. It's clear that investors have fears about the way some financial products are being sold and transparency will help to build up trust and lead to better outcomes for the public."

Nearly half (46%) of the 1,762 people questioned have never used a financial adviser and, of those who had, 74% hadn't paid for it.

Comments from respondents included:

"I worry they can't be trusted and will give me tips that turn out to waste my savings."

"Concerned they would direct me to organisations that would benefit them rather than me."

"I am happy to pay for advice, but I don't know what is reasonable, and I don't know who is good."

"My financial status, eg work, hasn't differed in years, we will retire soon and we will consult an adviser to prepare for that."

[A second survey](#), into how well people aged 50 and over are preparing for retirement, has been carried out by the Commission and the Financial Markets Authority. The final section of this survey was released today, focusing on peoples' attitudes to getting financial advice as they approach retirement or while they are enjoying life after work.

It found even more people than in the Sorted survey - six out of ten – have never spoken to a professional financial adviser and shows again that New Zealanders are inclined to be DIY investors, managing financial matters themselves.

The main reason that 62% of respondents were likely to seek advice was if they received an unexpected sum of money. Only 21% said that being close to retirement was a good reason for doing so.

Trust was the most important consideration for 93% when choosing an adviser, while 84% were concerned with how well the advisers disclosed any links between themselves and the products

they recommended. Qualifications and experience, and customer service were ranked higher than costs or fees as reasons for choosing an adviser, but still 70% of respondents said remuneration was an important consideration.

Liam Mason, director of regulation at the FMA, said: "These survey results show that people do feel there are real barriers to accessing the financial advice or support they would like and they are not certain their interests are being put first when it comes to the type of service they are receiving.

"The concerns coming through these surveys confirm the issues that have been raised in the review of the legislation surrounding financial advice. We encourage the public and all sections of the industry to get involved in the review and make their own submissions on the options that have been proposed to improve the current regulations."

The FAA review options have been released for public consultation, before any changes to the Act are recommended in 2016.

Notes:

[The CFFC survey](#) was targeted at New Zealanders aged 18 and over who have registered with the Sorted.org.nz database and so have demonstrated an interest in improving their financial circumstances.

It was conducted online using Survey Monkey, between 11-19 November 2015. 1762 people responded.

[The CFFC/FMA survey](#) was targeted at New Zealanders aged 50 years or more, including those approaching retirement and those who have already stopped working.

The collaboration between the CFFC and the FMA is aligned to their shared focus on improving investor capability and decision-making to help New Zealanders get ahead financially.

The survey was conducted by Colmar Brunton between 10-22 April 2015. 1,052 people over 50 years old were involved; respondents were weighted for age, gender and income to represent New Zealand's demographic spread.

Margin of error = +/- 3.0%.

A review of the Financial Advisers Act (FAA) by the Ministry of Business Innovation and Employment has come up with some options for improving the regulations, with the aim of ensuring consumers can access the advice they need and want, and that advice improves their financial outcomes.

MBiE FAA review Options paper [here](#)
MBiE FAA review Consumer brochure [here](#)