

# A dollar value on financial advice

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## Research puts dollar value on financial advice

Over recent years there has been a proliferation of industry fund advertising suggesting that investing your money in an industry fund results in greater returns than investing in a fund that pays commissions to an adviser. But this advertising doesn't necessarily tell the whole story - overstating the fee difference between industry and retail funds and neglecting to give any weight to the value of financial advice.

An actuarial examination by Rice Warner<sup>1</sup> has put a dollar value on ongoing financial advice by calculating the value added in eight real-life case studies

While the dollar value of advice differed from case to case, all examples showed a high return compared to the output of fees to an adviser.

For example, while the cost of advice for a young family building wealth over a lifetime was \$40,000, the value unlocked by this advice was \$340,000. For a family in need \$3,000 of advice resulted in \$50,000 worth of value. While for a wealthy family building wealth, \$35,000 of advice unlocked \$660,000.

More specific plans were also shown to add significant value with a pre-retirement plan adding \$60,000 and a low-income plan or a plan for a retired nurse both adding \$120,000 over the planning period.

There are many areas where financial advice can add value to clients. These include budgeting, goal-setting, tax management, maximising government benefits, life insurance and debt restructuring.

Ongoing advice unlocks real value for clients in diverse ways and in many cases these ways are not related to the reason for seeking advice in the first place.

For example while a client may first visit a financial adviser in order to choose the right super fund, the real value may come from getting the right advice about insurance, budgeting, goal setting or financial education.

And don't forget having a plan will also help you define your goals, which means you're likely to improve your saving habits and debt management.

Overall, the calculated value for the eight case studies in the Rice Warner report was a huge \$1.7 million. But in addition to this monetary value, a significant emotional value to receiving financial advice was also identified.

Clients receiving financial advice also benefited from a number of emotional factors with 66% saying it gave them peace of mind, 63% saying it gave them greater control of their finances and 46% it gave them the ability to save.

Of course you can't put a value on the peace of mind of knowing your family is properly protected or the ability to sleep soundly at night knowing your investments are in good hands - this stuff is priceless.

But while industry fund advertisements claim the performance of retail funds suffer from paying fees to an adviser, they clearly fail to factor in the value generated by this advice.

In contrast, this report helps to illustrate this value both financially and emotionally.

*Scott Moses is a member of the Private Practice Education Partner Network and an endorsed service provider in the area of wealth building, protection and management.*

*For a referral to an endorsed wealth adviser in your State contact [enquiries@theprivatepractice.com.au](mailto:enquiries@theprivatepractice.com.au)*

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*1Rice Warner Actuaries, Value of Advice: a report prepared for the Financial Planning Association, February 2008.*