



The Australian Finance Podcast Episode Transcript

Episode: 🦘 getting advice - who's who in the finance zoo starter pack

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Episode transcript:

Owen:

Kate Campbell welcome to this episode.

Kate:

It's good to be back owned for our very final starter pack episode.

Owen:

It is indeed. Today, we're talking about getting advice from experts. So, we're talking about all of the different experts you'll come across in finance. There are a heap.

Kate:

Yes.

Owen:

I think once upon a time we thought of it like a zoo and all of the different professionals, different types of animals. I can't remember who got the snake, but I can't imagine that's very endearing on that profession.

Kate:

No. I don't know if we went forward with that imagery.

Owen:

In any case, the financial world can seem like a bit of a zoo when you try and interact with it. Typically, what happens is you go to SA accountant, and then they're like, "Oh no, you need to see the financial advisor for that." Financial advisor says, "Oh no, you need to see the lawyer for that."

Owen:

So, in this episode, we're going to break down exactly which expert is for what, and then how you can get in touch with them and what types of questions you can ask them.

Kate:

Yeah. And because many of these roles are regulated. There's only so much they can and can't say. And that's why it's good to have a little bit of an overview of all of the different people involved, just so you know who you should go to for what issues. So, you don't waste your own time and you know, the right questions to ask.

Owen:

Yeah, that's it. So, obviously some of these professionals are going to vary in terms of the price that they charge for their services. I think the important thing as an industry, as a financial profession, what we've found is that fees have been really shunned. They've been really put in the corner, like you can't charge fees, how can you do this? How can you do that? But if you think about it, if we want finance professionals to be professional, we have to be willing to pay a fee.

Owen:

So, some of these things do have fees involved. The important point that we advocate for, is the transparency and the clarity and just being concise with those fees. Whereas like commissions and those types of things probably are a bit more murky, not terrible, but murky.

Owen:

So, we're going to introduce you to some of the costs as well, but just be sure that you check with your professional before you engage with them basically, like what are the fees exactly and how much will you be paying?

Kate:

Yeah. And if you stick around to the end, we've got plenty of free, independent resources that we're going to share with you as well, so that can help you get started. So stay with us as we go through this episode.

Owen:

Yep. Cool. Okay. Let's start with financial counsellors, Kate. So, what is a financial counsellor?

Kate:

Financial counsellor is a fantastic resource. I mean, many people may have heard of this originally through Scott Pape in The Barefoot Investor. He's spoken a lot about financial counsellors recently, but there are free independent resource. They're the people, they're well trained, qualified that will help you and go into that view if you're in debt to anybody really. And they'll help, know your rights, they might help you consolidate your debts, negotiate a payment plan, even deal with the bank and their hardship teams.

Kate:

So, if you are going through any challenging financial situation or trying to get out of a bad situation, calling the National Debt Helpline and then getting matched up with a financial counsellor. They can be a really big support and they're a free independent resource.

Owen:

That's it, they're. So the key point there is free. So, you can get in touch with a financial counsellor by visiting any of the websites in the show notes, but you can also visit Moneysmart where they've got information on this.

Owen:

There's a bunch of different organisations out there that help support this. So, I think 10% of Scott Pape's book actually went to supporting financial counselling and he is now financial counsellor himself.

Owen:

So, financial counselor's, as Kate said, free and can go into bat with you. Typically, what we saw during the COVID crisis was that they were inundated with calls, but as long as your patient, as long as you ask the right questions, you can get the support, a great, great resource and fantastic for things if you're in debt.

Owen:

For example, they can work with you to design strategies and also to speak to your utility providers who might be able to also have hardship... Well do have to have hardship plans in place.

Kate:

Yeah. And there's also a small business help line now. And there's financial counsellors that specialise in that area. So, if you are a small business and you're struggling financially, there's resources for that. And we've also interviewed a financial counsellor before. So, we'll include that in the show notes so you can learn a little bit more of about what they do and know that they're there for you and they're not a scary resource to use.

Owen:

And one final one on financial counsellors is you can go to the National Debt Helpline if you are in that bat, so that's a free resource with people who can counsel you there too.

Owen:

So, the second thing that we're talking about is basically, what is a financial advisor and how do they help? What role do they play? So Kate, what is a financial advisor and how can they help?

Kate:

So, if you're listening to the podcast and you're learning about all the basics of shares and investing in Super and you're like, "Okay, that's good. But how do I actually apply it to my life with all of my various financial background and situation going on?"

Kate:

This is where you can talk to a financial advisor and they will be able to help you looking at everything to do with your own financial situation, they'll look at your background where you work, all of the different assets and liabilities you have, and they'll go, "Okay, with all of this information, this is the plan we recommend." And that's usually called a statement of advice.

Owen:

SOA for short.

Kate:

Yeah. And so, you do have to pay for this. It can cost three to five thousand dollars to get started. The financial advice industry is a lot more transparent than it used to be. A lot of financial advisors have left the industry as well. So, it's certainly, the people that want to be there are there now. And they can really help you with everything from mapping out your goals, understanding your risk profile, because you might not be able to work that out yourself.

Kate:

Because it's very easy to say, "We're a high risk investor," until that's put under pressure. They can help you set up various investment structures, they can say, "This is the investment that you should use," and they can just map it all out for you and just come up with a plan that works and then help you review it on a yearly basis or implement it.

Owen:

Yeah. So, this is the thing a financial advisor will give you one-to-one advice. And they have to be licenced in Australia. You can head to the ASIC website and check their AFSL. So that's the licence that they can operate under Australia. Moneysmart also has a list of registered advisors where you can search by name. The key is that they will give you a comprehensive plan for your finances. So if you're the type of person that gets to the end of this and you're thinking, "Boy, I could really do with some help here. I'm not really interested in listening to Kate now and every week and learning about my finances. I'd rather someone else do it for me." That's okay. That's actually an active step. And that's a positive step take as well. So you can engage a financial advisor.

Owen:

One of the things that I'd say is that you can get what's called scaled-advice from a financial planner. That's where you might get advice on one thing. So a good example of this might be, if you go through your Superfund website, they might engage a financial advisor for you. So there'll be an option there to click a button and speak with a financial planner. And that's where they can actually just give you advice on one thing in your life, which might be super in this case, but you can go to them and that won't cost you the three to 5,000.

Owen:

You'll have to sign a document that says, "I am telling you that I only want advice on this one thing," because they're legally obliged to take into account your whole picture. You just have to sign a document that says, "I understand that I'm only getting advice on one thing." And so a financial advisor is great. We do have some questions here, Kate, because it is pretty daunting. Like what are the types of things people can put in place and the steps and the questions that they can ask to make sure that they're getting a good advisor.

Kate:

I think absolutely a good first step is doing what you're doing right now, which is listening to financial education podcast, reading financial education books because that gives you a starting point that when you talk to this financial advisor, you at least know a little bit about the basics. So you can ask them better questions. And so you can really get to know your own situation. And when they give you advice, you can go, "Oh, I kind of understand a little bit of that."

Owen:

That's where a starter pack series that you've been working through, has been so important. So there's around 10 episodes, all it takes to get the basics, then you can at least converse in the language.

Kate:

Yeah. And I think some of the questions that you could throw at this financial advisor, often they have a free initial meeting, just to see if you're the right fit, because it's quite intimate relationship because you are sort of bearing all of your finances and they're going to look at everything and put it strategy. So you want someone you're really comfortable with, you could ask them about their qualifications, what previous clients have they worked with? Have they worked with clients like you? Because there are financial advisors that specialise in people in defence force or people in the medical industry and they'll be able to come up with a plan that's a little bit more tailored to your particular industry. They might have a bit more expertise in those areas.

Owen:

For sure they will. And some of the advisors can't give you advice on everything. So for example, some advisors might be able to give you advice on super but not self-managed superannuation funds or they might be able to give you advice on your investment portfolio, but not tax. So it's important to understand what they can and can't do.

Kate:

Because finance is a huge area. And like going to see a specialist, you want to see a financial advisor that deals with your situation a lot and can deal with whatever your particular area of interest is. And then even asking them what their approach is towards finance and investing. They might only like to recommend manage funds or shares or things like that. So just sort of understanding how they approach it a little bit more and sort of getting a feel for what they generally do, asking them about their fees. So they should be able to provide you upfront what you're going to have to pay for this service and what the ongoing fees are, and even asking them about, do they have any referral arrangements in place? Or the commissions? Those sort of things.

Owen:

And all of that should be documented in the statement of advice, the SOA that I've referred to, because the SOA is the legal document and it sets out all of your situation that you tell them, it sets out your risk profile as basically what you answered is how they calculate your risk profile. And then it lays out all of the strategies. And they're typically documented like part 6 is superannuation, part 4 is estate planning or something like that. They should be clearly documented, and if they can't explain it then you can probably look elsewhere to be honest.

Kate:

And that's a good thing in that first initial conversation. Can they just explain the basics to you? If you ask them, "What are ETFs and what are shares?" And they explain it to you. Do you understand that? And does that... If you don't understand it the first time, are they able to explain it in a different way? Because you want to be able to understand the plan and then what they're implementing. So you feel sort of more in control and confidence. So make sure that they explain things to you in a way that you understand, and that you are as able to just email them or call them if you have some additional questions.

Owen:

A lot of financial advisors will say, as in the statement of advice will say, this advice is only valid for 90 days, but then they'll be an ongoing thing where the fee that you pay might last for a year. And this is important because sometimes, and oftentimes the financial advisors do the implementation for you. So what that means is like, let's say they recommend, "Oh, you should go with Commonwealth bank for your savings accounts." I don't know whatever. They can actually go and organise that for you. So sometimes advisors will do that and sometimes they won't, that's called implementation. But most of the time they will, if you speak to them and you're upfront about that. And so that's a really good thing. And if you've got a 12 month contract in place, you want them to be able to go in and make changes for you if you approve it.

Kate:

And I want... If I was looking for a financial advisor right now, I'd be looking for someone who'd make me feel more empowered about out my finances, more in control of things and someone that if I work with them, I know I'm going to feel like I'm in a better financial situation. And

actually going to be in one. So you don't want them to... You want them to help you, but you want to still feel like you're involved in the process.

Owen:

For sure, you do. So that's financial advisors. People can find them on the Moneysmart website. You can go to the independent... I think it's called the IFAAA, the Independent Advisors or something. We'll put the link in the show notes.

Kate:

There's a few different comparison sites where people can actually leave reviews now [crosstalk 00:12:09].

Owen:

A bunch of different ones. So, there are some things called independent financial advisors. They cannot take commissions. And they're very strict on those rules, so you can speak to them. And they're even ethical advisors. Advisors that only specialise in ethical banks and ethical investments. So this kind of horses for courses there too. So Kate, the next big one that we should talk about, the next professional, is an accountant. So what can an accountant do for a person, say that a financial advisor doesn't do or that a financial counsellor won't do? Why would you go to an accountant? How much they cost? All that.

Kate:

So for most of our listeners, I'd imagine the main reason you'd see accountant now is for your tax return, each year. And you might see them for a bit of advice, like a consultation leading up to the end of the financial year to say, "How can I maximise my tax return? How should I structure some things?" But the main thing would be probably going to see an accountant to do your tax return, which you can do yourself, as we mentioned in our tax episode. But it does help someone there that's an expert that knows how everything works. And I mean, that could cost anywhere from two to five hundred dollars for individual tax return, depending on how many bits you've got going on in there.

Kate:

So if it's a very simple, just your day job, maybe you have a one or two ETF investments and a couple of charitable deductions, that would be pretty straight forward for an accountant. But if you have trusts and managed funds and you've got a side hustle and all sorts of things going on, then that will cost a little bit more. Because it does take more time.

Owen:

And where an accountant is actually really powerful is in small business. So if you have a business or you're thinking about selling a business, or if your side hustle's about to become serious, seek the advice of an accountant because they will help you set up the structure correctly. So should you, for example, have an invoicing system like zero, what should the invoicing system say? Do you need to employ people? Do you need to withhold tax? Do you need to pay charge for GST? How does that work? These are the types of questions that you

can go to accountant armed with. So that's stepping away from the individual advice that you might get just for taxes and that type stuff and into more the business and as you said, there are things like trust companies, et cetera, people use those to invest. If people are setting up a company together, let's say you and I wanted to invest together, we could open a brokerage account or we could start a company where you're a director and I'm director of 50% share. And you can do that, an accountant will help you set them up.

Kate:

And again, like financial advisors, accountants specialise in different things. So there might be an accountant that specialise in helping small business owners. And so just find someone that works for you. I mean, there's a lot of local organisations, but I guess with zoom nowadays... My accountant, I just send him everything in a Google drive and there we go. It magically happens over the internet, we don't even have to have a meeting, but if you want to meet someone face to face, looking in your local area for reviews online and asking for recommendations helps as well.

Owen:

I would say go back and refer to our tax starter pack episode, where we talked about all the different taxes people pay in Australia and what investors pay and it's also relevant for people that are running a small business. So that's the starter pack episode on tax in Australia. So that was recorded by Kate and I recently and it takes you through all of the things from a personal income tax perspective. But then also there's a little bit of a for into business there. I would say that a basic tax return doesn't cost you that much money, maybe a couple hundred bucks, but if you get complicated, you have trust like I do, a company like I do, and Kate does as well, then all of a sudden you start to add these things up and it can become a couple thousand dollars a year.

Owen:

So that's where having a good accountant on your side keeps you out of trouble and keeps the fees down longer term. Kate, so that's wrapping up accountants. Let's move on to the next one. The next one that we want to cover... The next professional that's important to know, is a lawyer. So Kate, I know, you know a bit about law because you're studying to be a lawyer yourself. Why would someone go to see a lawyer in Australia? And we're talking from like the personal finance investing angle, why would someone go to a lawyer? And what type of questions would they ask?

Kate:

Yeah, I think the main reason most of our listeners would be going to see a lawyer is because they want to get an estate plan. And that's probably you'll think about that as a will, but maybe you want to have powers of attorney, you want to work out who's going to look after your children. You want a financial living power of attorney. I can't remember exactly what they're called, but just working out where your assets are going to go after you die, because you're building all of this wealth over the next 80 years. Where is it going to go? And can you leave it to

the people you want to leave it to? So speaking to a lawyer, if you want to get a proper estate plan and put together whether that's a will or all the documents-

Owen:

And for your super, you can chat to them [crosstalk 00:17:00].

Kate:

... You can ask them about how you should set up your binding or non-binding death nomination. Also, I mean an issue that affects a lot of people is getting divorced or ending a de facto relationship. There's a lot of assets, there's super, there's a lot of things that have to be split and that's a good time to speak to a lawyer as well. And we've got some episodes coming up soon about that so, stay tuned. Setting up investment trusts or companies, you may need to deal with a lawyer depending on what documents you need.

Owen:

And also like property and those types of things. If someone owns a property or an investment property, or you live with someone, right? Like if someone's going to move in with you, sometimes you have to be mindful that, "Hey, I need to protect myself before something goes wrong." So maybe even just understanding what could go wrong is a really valuable step and seeing a lawyer for that reason.

Kate:

Yeah. Even a lot of lawyers handle conveyancing. There are people that just specialise in conveyancing, but lawyers deal with that if you're buying a property-

Owen:

So that means that lawyers can handle the transfer of a property from someone else to you. And typically in a property transaction they're two conveyances, there's one on the buyer side and one on the sales side. So you need to find a conveyancer. Sometimes a lawyer can help with that. They're not all conveyance, let's be honest. But a lot of the times they are.

Kate:

... Yeah. Off the plan, property disputes, which is occurring more and more often. And even just thinking about all of those documents you read when we refer to product disclosure statements and all things, they're all getting written by lawyers. So sometimes you will need to deal with them. Maybe you've inherited some money suddenly you're dealing with lawyers, you're dealing with the company's lawyers because you are having to show them all the documents to sort that out after someone passes away. So there's a lot of involvement with lawyers in the financial services industry, even though we don't typically put them in that bracket.

Owen:

There is. And lawyers can be expensive, but at the same time, they play a pivotal role and having a good lawyer can protect you against a lot of issues that can come up later in life, even if you don't expect it. And I think the big one is in relationships or in business partnerships, you

would want to seek the advice of a lawyer. I did when I started the business. I had to seek a lawyer. It was expensive. It was really scary at the time paying so much money, but it was definitely worth it. So one of the big professionals that people interact with is a mortgage broker. When you buy a house, I think we've got in our notes here that 60% of loans in Australia are originated through a mortgage broker, meaning that that's where they come from, rather than going direct to a bank and getting a loan. You can do that if you want, like if you are confident, you can go to a bank and you can say, "I want to get a loan. How can I apply? Will you give me money," et cetera, but a mortgage broker can do that too, right?

Kate:

Yeah. And they're going to help you compare all the options. They'll look at your scenario, especially if you're not in a sort of a nine to five full-time role. Sometimes that can be a little bit more complicated if you have your own business. Maybe you're only working part-time you might actually need to talk to a mortgage broker about what the right arrangement is for you, if you want to set up different accounts, they'll do the full comparison and look at what's the best option for you. And they'll help you with the application process and often talk you through the process of buying a home. I know a lot of mortgage brokers will deal with first home buyers like months in advance, so they can actually help you figure out how much you need to save for the deposit and all of that sort of coaching throughout the relationship.

Owen:

I used to be quite anti-mortgage brokers because of the commissions that they receive. Because when you see a mortgage broker, unlike say an accountant or a financial advisor where you pay upfront typically these days, or at least what the fixed fee is with a mortgage broker, they typically, not always, but they typically get paid based on the size of the loan that you take and also which bank they get the loan through. So the bank actually pays them and that can create, in my opinion, a disincentive. So an incentive that goes against you in the sense that they're incentivized to get a bigger loan so they can get a bigger commission, which might not be always be in your best interest. However, I've since turned a leaf on this. And I think that mortgage brokers... A good mortgage broker is worth their weight and gold.

Owen:

And some of the key things that you want to know, is basically how many banks do you deal with? Do you have experience with my situation? And I would say the big one is, do not be afraid to shop around. Please, please, please I still think that the property side in finance is a bit of a wild west compared to the other side, which is like the stock market and the other side and people think it's kind of the reverse. But I think it's true in terms of professionals. And so shop around with your mortgage broker, see what your friends recommend. We've got a property course, property 101 course with Amy Lunardi and Chris Bates on the Rask education site completely free. You can go there, just Google property course Rask education. And it'll come up. And it's a free course that explains all of the ins and outs of mortgage brokers.

Owen:

And I guess the thing to acknowledge here, Kate, is that a mortgage broker can give one on one advice. Yeah and that's important because typically when you see some professionals, they don't give that. Like, we don't give one-on-one advice to people, but a mortgage broker can actually sit down with you and go through all of your bank statements and do it as Kate said, months in advance because they'll help you groom your finances so you can get a better loan.

Kate:

Yeah. Make your bank account look a little bit better for the-

Owen:

They polish it up for you, make it look pretty.

Kate:

... the application. And we won't dive in too deeply, but there's a couple of other people you might deal with in the property buying process, which are buyers' agents. So if you do that property course, Owen mentioned, Amy Lunardi is a buyer's agent and so you can learn a bit about what they do. But essentially, as an individual, you can go and appoint a buyer's agent. You do have to pay for this and they will help you source a property, they'll help you with the process of buying it, they can do inspections, they can go to the auction in for you and do all of that. So that if you are time poor or you're new to the process, or there's something really specific you're looking for, even if you're interstate buyer, buyers' agents can be a helpful tool there.

Owen:

For sure. So buyer's agent works for you as the buyer?

Kate:

Yep.

Owen:

A real estate agent works for the seller. So when rock up and the house is looking nice and there's someone there in a suit to greet you to say, "Oh, welcome. And here's the pamphlet." And they walk you around and they explain all the amazing things about a house and they get you really excited. Just remember that person is working for the seller. So if you're a seller of a house known as a vendor, you want a great real estate agent. If you're a buyer, you want a great buyer's agent, otherwise known as a buyer's advocate. So those are the three property experts. We've got mortgage broker, buyer's agent and real estate agent. There are some other things Kate that we should mention in this podcast series. And it's basically, how do people learn more from experts without having to pay someone? Like if you want to learn more about any of these individual professions or just discover more about finance in general, how can they do that?

Kate:

I think the place we always recommend people starting is the Moneysmart website that's run by the government. It's as independent as you can get, really. I'd just recommend if you're new to finance, just read through the whole website, the pages are really simple. They explain things well, there's examples. And that will just give you a really good foundation of the basics of the industry and then you can actually do your research and do your Google deep dives with a little bit of foundational knowledge.

Owen:

I think that's great. So here, we've got Moneysmart, we've got the Super Guru to learn more about superannuation.

Kate:

I find that that's a really good website. There's a lot of really interesting articles and content there.

Owen:

We've got the ATO, my super comparison tool, which we spoke about in our starter pack, which basically allows people to compare and actually change super funds. Legal Aid, which is really important too, right?

Kate:

Yeah. So each state has its own Legal Aid website. You can just Google Legal Aid Victoria or whichever state you are in. And that will have a lot of information and guides on divorce and maybe you're having a rental dispute with your landlord-

Owen:

Domestic violence, anything like that.

Kate:

... There's a lot of resources, there're quick guides and then you can actually get free legal assistance as well if you fit within certain criteria. So that's a good place to start. There's a lot of self education you can do on those websites.

Owen:

And final shout out goes to our website, Rask education, which will help you understand everything there is to know about all different types of finance, free courses, all available on the website. So we'll put links in the show notes, that's education.rask.com.au. And you can learn more about property, you can learn more about financial advice, whatever your flavour you'll find it there. Kate, as we always do, I think it's important to end this episode with the takeaway, what would be the takeaway from this finding experts episode be?

Kate:

Yeah, I think the biggest takeaway is there are a lot of experts out there. There's a lot of people that can help you with all manner of things to do of your financial situation. So just doing your

research, not being afraid to compare a few different ones, have a few intro calls with different professionals, just so make sure you're as comfortable as possible. Even just doing some cursory research on that topic before you go means you can ask better questions and maximise your time with them. And just making sure if they are in a part of the industry that requires you to be registered like a financial advisor, they do have the appropriate registrations and qualifications. And we'll include the database in the show notes, you can find that. And I think that that brings our starter pack series to an end Owen.

Owen:

It does now with experts and the experts that you know in your hand, you can go and find out all you need to know about individual one-on-one advice. But we still keep going on, don't we? From here, this starter pack series. This doesn't end for us. We keep going every week, we bring out new episodes and we take listener requests in our Facebook community, and we discover all new topics together.

Kate:

Every Monday and Friday.

Owen:

Every Monday and Friday, yeah. So if you want to, you can keep listening to the series. You can jump into the Facebook group. You can take one of our courses. We've discussed every one of these topics that you've gone through in the starter pack series in more detail and with experts. And we continually do that as things evolve. I think, congratulations getting through the starter pack.

Kate:

You made it. Congratulations on everyone listening. It's a big step. And if you're new to the community, welcome, it's exciting to have you here.

Owen:

And if you're an OG, if you're one of the originals that started with us three years ago, thank you for making the podcast, what it is today, and thank you for supporting us.

Kate:

And thanks for sharing it. We've had quite a few listeners write in and say, "Sure, this is some of the foundations. Like I already know this, but I've sent it to a lot of friends and family because I just wanted to explain the basics to them." So thank you to everyone who's done that. And looking forward to seeing you in the Facebook Community.

Owen:

Yes, we are indeed. Kate as always thanks for joining me on this episode.

Kate:

Thanks for listening everyone.