



ZURICH

Financial Advice



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Financial Advice

This booklet is designed to help you:

- understand the benefits of personal financial advice
- find a financial adviser that suits you
- with questions that you should ask a financial adviser
- prepare for your first financial advice meeting.

Some of the sections in this booklet may not be relevant to you as everyone's financial circumstances are different. For example, someone approaching retirement will have very different needs to someone just beginning their working life.



What is financial advice?

Financial advice can take two forms:

General advice – is typically factual information about financial products or recommendations, opinions or reports about general financial concepts. An individual's personal circumstance is not taken into consideration however the general advice may influence a person in making a decision about a financial product.

Personal advice – is typically a recommendation, opinion or report intended to influence a person in making a decision about a financial product that takes into account that person's individual objectives, financial situation and needs.

Who can provide financial advice?

Generally, people who provide financial advice are required by law to:

- hold an Australian Financial Services Licence (AFSL);
or
- be a representative of a licensee,
depending on whether they are acting as a principal or representative.

What products or services require licensed financial advice?

Any financial advice covering insurance, superannuation, securities, unit trusts, managed funds or share investments requires the adviser to hold an AFSL or be an authorised representative of the licensee. Some banking products are also included.

The benefits of financial advice

How do you know whether to invest into a unit trust or superannuation? Is it better to pay off some loans or invest that inheritance? Will your superannuation benefit affect any pension entitlements? Will your assets be protected if you die?

These are just some of the questions that a financial adviser will be able to help you with. But good financial advice is not only about answering questions, it's about defining your goals, both immediate and long term, and recommending solutions that fit your personal circumstances to achieve those goals.

The following points are some of the benefits that financial advice may provide you:

- **It gives you direction and control.** Can you imagine jumping into the car to drive across town to a street and suburb you've never been to before without a street directory? How would you know if you were heading in the right direction?

Financial advice provides you with a roadmap.

Your financial adviser will prepare a personalised plan detailing your current position and recommend solutions to reach your destination (goals).

- **Advice can help make your money work harder.** Recommending solutions that take advantage of tax concessions or investment options that have a higher return potential for the same level of risk means that your money may grow more.



- **You may avoid making expensive mistakes.** Many people make investment decisions that are influenced by emotions. Let's face it, money can be a very emotional issue. A financial adviser can provide impartial advice which focuses on and encourages successful investment behaviour without emotional ties.
- **How to reduce debt** and start a wealth creation plan.
- **Retirement income.** The amount of money you need to have accumulated to provide for the standard of living you want in retirement. How to maximise your retirement savings with both social security and tax laws.
- **Protecting your estate.** How to plan and manage the transition of your estate should you die or become incapacitated to such an extent that you can no longer make the necessary decisions regarding your investments.

- **Protection of your assets** and goals for you and your dependants through the use of insurance can be a vital part of your financial plan.
- **Setting a budget** to ensure your immediate needs are being serviced as well as establishing groundwork for the future.
- **A wealth check up.** Remember your circumstances will change. Marriage, divorce, buying a house, a new child, children's education, redundancy, retirement and getting an inheritance all have an effect on your lifestyle. These events can also require changes to your investment strategies and goals.

But the simple fact of aging changes your plans. Long-term plans soon become medium-term plans, medium-term plans soon become short-term plans. Remember when you started a medium-term plan 10 years ago – an investment for your child's education? Well, their graduation last year has changed your plan.

Remember how you couldn't sleep the first few weeks after you took out that 20 year mortgage thinking, 'How am I ever going to repay this?' Now that you've paid it off, what are you going to do with all that extra spending money?

Finding an adviser

Before you seek financial advice think about what you are hoping to get out of it. Knowing what you require will help you choose the right adviser.

There are some straightforward ways to find a financial adviser. The first is to ask your family, friends, work colleagues or someone else you trust if they've worked with a financial adviser. If they have, ask them whether the adviser met their expectations, if the recommendations made were relevant to them and if there were any problems with the advice.

Zurich Australia provides a free service connecting approved financial advisers with potential clients. To access this service, call Zurich Australia on 131 551 or visit our website at www.zurich.com.au.



Another way to find an adviser is to contact your superannuation fund. Quite often the trustees of superannuation funds engage financial advisers to provide personal advice to the members of the fund.

Some employers provide extra employment benefits which may include access to a financial adviser. Check with your human resources/personnel area.

Most newspapers (even suburban) have an 'investment' or 'money' section which provides articles on different topical issues or investment principles. Some financial advisers advertise their services in these sections of the paper.

Finally, check the telephone directory.

Remember you have to feel comfortable with the adviser and the advice they are giving you, so you may want to talk to a couple of advisers before deciding which adviser is best suited to your personal circumstances.

Initial questions to ask a financial adviser

Your initial discussions with a financial adviser should be treated as a fact find. Think of it as a job interview – you are interviewing this person for the job of advising you. What things do you need to know before you hire them? This discussion is not about putting your financial plan together, although the adviser may need to know what your high level goals are.

You may need to make an appointment. Be open and honest with the adviser and let them know you will be ‘interviewing’ a couple of advisers to find the one that you believe will best suit you. Avoid trying to do all the talking, you want to find out as much as you can about them.

The following questions can be used as a guide:

1. What is the name of the advisory business?
2. Do you hold an Australian Financial Services License?
3. Can I have a copy of your financial services guide?
(All licensed advisers are required to produce a financial services guide that sets out the services they offer).
4. Does your practice specialise in any particular area?
5. Who will be providing me with advice?
6. Can this person offer me full advice or are there any limitations on the advice that can be offered?
7. What qualifications does this person have?
8. How long has this person been giving advice?
9. What fees or costs will I have to pay? Can these be negotiated?
10. What other information could you give me, or actions could you take, if I'm not comfortable with your recommendations?

Keep notes of your discussion so that you can compare all the answers.

Your first financial advice meeting

After you have selected the financial adviser that you think best suits your needs, it's time to get your advice. There is some preparation that you will need to do and information that you will need to give the adviser.

You should gather the following information so that you get the best result from your meeting.

- **Your budget** – information on your income and expenses on a monthly basis. If there are any planned changes to this, you should also let the adviser know. For example, a child may be completing their education in the next year which will reduce your expenses.

If you don't have a budget make a list of your income sources (salary, interest, rental income, dividends etc) and your fixed and variable expenses (mortgage, rent, electricity, telephone, food, entertainment etc).

- **Your assets** – what you own including property, investments, superannuation, cars and bank accounts.
- **Your liabilities** – details of loans, credit cards and any tax or other debts.
- **Your insurance** – details of the types of cover, amounts and premiums you pay.
- **A list of your immediate or short-term needs.**
For example, travel plans or a new car.

Also make notes of what your goals are. What are your priorities? What is your financial goal? What is your lifestyle goal?

When you make your appointment with the adviser ask if there is any other information that they need.

During your appointment, your adviser will ask you lots of questions so that they can understand your personal situation, your goals and your attitude to risk. Some of the information may seem quite personal. Remember, the more information you provide your adviser, the more they will understand your needs and the better equipped they will be to develop a financial plan that suits you.

At this stage, there may be other questions you may like to pose to your financial adviser which have been divided into various categories for ease of reference.

Investments

1. What is a unit trust and how does it work?
2. When is the best time to start an investment?
3. Am I better to pay off my debt first?
4. What is the benefit of adding regular amounts to my investments?
5. How can I pay my mortgage off sooner?
6. Should I invest directly into shares and property or through a unit trust?
7. How will the investment returns affect my tax?
8. How long should I keep my investments?
9. How do I keep track of my investments?
10. Should I borrow to invest?
11. What is gearing and what are the risks and benefits?
12. Will I have access to my investment if I need the money?
13. Are there any fees to withdraw?

Investment performance and risk

1. How do I keep track of the investment returns?
2. Can I lose my investment?
3. Will I get regular reports on my investment?
4. What will happen if I feel uncomfortable with the return?
5. What is diversification?
6. What will happen if the markets fall?
7. What are the different levels of risk?

Superannuation

1. Am I putting enough into super?
2. What does salary sacrificing mean?
3. Can I get my money out?
4. I would like to retire on an income of \$ _____.
How much should I be contributing?
5. How does tax work on super?
6. What is the co-contribution from the Government?
7. How do I get more money into my spouse's account?
8. Should I consolidate my super into one fund?

Approaching or in retirement

1. How do I get the most income in retirement?
2. Can I still get the pension?
3. Will my income be taxed?
4. When should I start planning for retirement?
5. What will happen if I need to get some money for an emergency?
6. Where will the money go if I die?
7. Will my retirement savings last?

Life risk management

1. What is risk management?
2. What do I need to consider?
3. What and how much cover do I need?
4. Is it better to have insurance as part of my super or outside super?
5. Who will get the benefits of my insurance if I die?
6. Can I protect my income?

Estate planning

1. Do I need a will?
2. What is a power of attorney?
3. Can I make sure my super benefits get to the people I want?
4. Who do I see to get these affairs in order?

Fees and costs

1. How much will a financial plan cost?
2. Are there any other costs I will incur?
3. What do these fees and costs cover?
4. What are the on-going fees in future years?

Reviewing my financial plan

1. How often should my financial plan be reviewed?
2. Will you advise me of any changes, like tax, that affects my financial plan?
3. Will there be any fees or costs for reviewing my financial plan?
4. If my circumstances change can the financial plan be unwound?
5. Should I change my investments if there is a change in the markets?

Your financial plan

Your adviser will take all the information about you and put together recommendations to meet your goals. These will be included in a document called a 'Statement of Advice'. All licensed advisers must produce this document. It sets out the adviser's recommendations and the reasons for the recommendations.

After the Statement of Advice is prepared, your adviser will normally want to go through it with you. As you go through the recommendations with your adviser, ask questions about anything you don't understand. At the end of the interview, your adviser will give you the Statement of Advice, together with any Product Disclosure Statements for the recommendations for you to take away and read.

You should read all this information carefully to make sure you understand the recommendations and how they fit into your overall objectives. Write down any questions you have so that you can discuss these further with your adviser.

Only after you are completely satisfied that you understand the recommendations should you discuss how to put the plan in place with your adviser.



Zurich does not presently authorise advisers to provide you with personal advice on its behalf. You are under no obligation to acquire any Zurich or related entity products. Zurich is not responsible for the actions of any adviser and does not guarantee their performance.

Advisers who provide you with personal advice must hold an appropriate authorisation provided to them by the holder of an Australian Financial Services Licence (AFSL). Advisers and/or the holder of an AFSL may be entitled to receive remuneration from Zurich when recommending a Zurich product.

Advisers referred to you may have an association with a Zurich related entity and may have previously sold Zurich products. Important information about your adviser is contained in their Financial Services Guide, which you should obtain and read carefully.

Important information about advisers is also contained at the Australian Securities and Investments Commission consumer website, www.asic.gov.au.



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