

By [Stephen Womack](#)

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Do you need a financial adviser?

EIGHT months ago, Laura Stevenson and Paul Tappenden felt their finances were sliding out of control. The couple were carrying a five-figure debt on credit cards and personal loans, sometimes struggling to make minimum monthly repayments. They were unhappy with the flat they were renting and felt burdened by money worries.



Now, thanks to the advice given by one of the country's top independent financial advisers, they have been able to boost their income and are making good progress in reducing their debt. They have moved to a bigger flat, with a garden, and are planning to buy a home of their own.

Paul says: 'I am feeling a lot more positive about life. Taking control of our finances has lifted a weight off our shoulders.'

Laura, 26, and Paul, 31, have seen at first hand the benefits of face-to-face financial advice. They are one of a group of people living in Brighton who are taking part in an experiment to measure the impact of regular advice on people's finances. The results so far are encouraging, though it is still early days.

Financial adviser Saran Allott-Davey is spending a year working with ten households in the city to improve their financial affairs.

She meets them each quarter to advise and, occasionally, cajole. Another ten households do not get direct advice but are being monitored to provide a comparison.

The experiment started last November. At the halfway stage the ten households getting detailed help had cut debts collectively by just over £31,000. They had also committed to new monthly saving together worth £1,500. By comparison, the other group of households had trimmed debt collectively by £1,300 and were saving £500 each month.

Allott-Davey runs her own business, Heron House Financial Management, based in Newport, South Wales and was Woman IFA of the Year in 2004.

For this experiment she is working with insurer Axa, which has named the project Axa Avenue. The study takes independent advice to a group of people who might not normally use it.

Laura says: 'We'd never sat down with an adviser before. And when Saran started off it was almost as if she was talking an alien language about things like APRs and PPI (annual percentage rates and payment protection insurance). But after meeting her I realised I didn't want to stumble into my thirties burdened with debt and still renting.'

Laura and Paul returned to the UK in 2004 from a year's travelling in Australia. They already had debts from their travels. The time it took to find new jobs in Brighton and the expense of getting set up together in a flat added to these.

Allott-Davey has helped the couple restructure their debts, switching some to credit cards with zero per cent balance transfer deals. This frees up money to cut the sum outstanding. They have assessed monthly spending and worked out where cash was leaking away.

Laura, a graphic designer, says: 'We've cut back and for the first time I know what I have to spend each month.'

Allott-Davey says: 'Good financial planning is not just about cutting back. It also means highlighting opportunities to increase earnings and giving people a true sense of what they are worth.'

Paul, who works in a music store, has enhanced his income by trading classic records through eBay and he has been inspired to do DJ shifts at a local club, which subsidise nights out for him and Laura.

Allott-Davey, who charges fees but allows clients to pay in monthly instalments, says: 'I can save a client more each month than the fees I charge.'

A review and ongoing help from the adviser would typically cost £600 - or £50 per month.

David Elms, chief executive of adviser group IFA Promotion, says: 'There is an advice shortage. We find it too easy to bury our heads in the sand when it comes to long-term financial planning. Sitting down regularly with an adviser can help prick your conscience.'

This regular reminder has helped Ben Cox, another member of the Axa Avenue project. Ben, 32, who works for an illustrators' agency, admits: 'I have always been hopeless with money. I would carry on spending until there is nothing left and the bank kept increasing the overdraft.'

Previous meetings with Allott-Davey have helped him identify ways to cut spending, including reducing his socialising with commuters who take the train back to Brighton from London, where he works. This was costing hundreds of pounds each month.

Ben has consolidated debt into a cheaper loan and is more discerning about his spending. Allott-Davey encouraged him to talk to his boss about his role at work and Ben has been given a pay rise.

Their next session will concentrate on Ben's long-term goals.

Ben, who is single, says: 'I have no pension, no investments, no mortgage. I don't want to be working for ever and I need to start addressing these issues.'

Five key questions before you pay the experts

TO have a good relationship with a financial adviser, it helps to do your homework.

David Elms of IFA Promotion says: 'You will need to do a little research to find the right person.' The key questions to ask include:

What kind of adviser are you?

Financial advisers come in three varieties. Independent advisers have to offer you products from across the whole market. IFAs offer the widest choice and unbiased advice, but this sort of research may cost more than other options. Tied advisers sell the products of only a single company. Many banks and building societies operate this way. These advisers are governed by the same sales rules as IFAs, and can only sell a policy that suits a client's needs.

But they do not have to sell the best product in the market, only the best in their range. A multi-tie adviser offers products from a limited range of financial companies.

How do I pay you?

Advice is never free. Someone has to pay the salary of the adviser, cover their office and insurance costs and pay regulatory fees. Traditionally, most advisers have been paid by commission, taken from the value of an investor's fund or pension.

Alternatively, advisers can charge a fee. This can vary from £50 to £200 an hour, depending on the experience and location of the adviser and the type of work.

A halfway house is to calculate fees on an hourly rate, but pay by commission. The regulations say IFAs have to offer a menu of charges, allowing you to pay by fees, commission or a combination of both. Tied advisers may let you pay by fees but do not have to.

Tell me about your business

If you want to work with an adviser over a long period, it is sensible to understand the company and their role within it. How long has the firm been established? What sort of backup is there if the person you are seeing quits?

Equally, you need to be on the same wavelength as an adviser. Elms says: 'The acid test is - do you feel comfortable with them.'

This is crucial for recruitment consultant Charley Gremo, from Blackheath, south-east London, who is working through a full financial review with independent adviser Adrian Kidd of Mint Financial Services, based in nearby Lee.

Charley, 30, who has a long-term partner Darren Gilham, 32, says: 'I am looking for someone to work with me over a long period. Adrian relates to me in a way I understand. He doesn't use jargon and talks in language that makes sense.'

What are your qualifications?

All advisers have to complete the Certificate in Financial Planning, or an equivalent qualification. But many choose to go further.

There are a range of exams focusing on different areas of advice, with specialist papers on pensions, investment and long-term care, for example.

Those who pass at least three can qualify for the AFPC - the Advanced Financial Planning Certificate. At the top end, advisers can work towards the title of Chartered Financial Planner, a qualification that puts them on a par with accountants.

Do you specialise?

Some types of advice are specialist, focusing on ethical investments or releasing equity from homes, for example. A generalist adviser may handle only one or two types of these cases each year.

You might prefer to use an adviser who targets this kind of work and can fall back on the experience of working for hundreds of clients.

•• For details on qualifications or to find a local adviser contact IFA Promotion on 0800 085 3250 or visit unbiased.co.uk. You can also visit The Personal Finance Society website at thepfs.org.uk.