6 Questions you should always ask an Independent Financial Adviser (IFA) before appointing them:

1. What is your Fee Structure and how are fees paid?

All advisers are required to charge on a fee basis rather than commission. There are **initial** adviser fees when setting things up and then **ongoing** annual adviser fees.

An FCA survey carried out in 2020 found that the average UK financial planning firm charges an annual ongoing fee of 0.8% per annum. You should always check what this fee includes and does not include. As well as the adviser charges, there will be charges from the investment fund manager and the administering provider or platform. Sometimes advisers also charge to switch funds amongst other services, so be aware of other fees besides the annual ongoing adviser charge.

An example of typical annual fees are:

- Adviser fee – 0.8%
- Platform fee – 0.4%
- Investment fund fee – 1%

Total = 2.2%.

Ideally, the total annual charge should not be higher than 2% of the total amount invested.

A difference of 0.1% may not seem like much, but this can be significant when dealing with large sums.

Besides the annual fee, initial fees will often be charged for any new work, for example setting up a new pension or consolidating existing holdings. The initial charge will depend on the amount of work involved but will either be an agreed fixed flat fee or a percentage of the amounts involved.

You should check how these fees are paid; they will often be deducted from your investment and paid directly to the adviser.

A good adviser should offer an initial meeting free of charge and most importantly, the adviser should provide clarity about fees from outset and before any chargeable work goes ahead.

2. What Qualifications and Experience do your Advisers have?

There are many qualifications in the financial services industry, from Certificates to Advanced Diplomas, and it can confusing to know how well qualified an individual or firm may be.

A diploma allows an individual to give financial advice, but this is just an entry level qualification. Besides this, you should also take into account how many years they have held the qualification and if they have any additional qualifications.

A Chartered Financial Planner is the highest possible recognition awarded to professional financial planners and advisers, and signifies a public commitment to professional standards.

Corporate Chartered status is a symbol of a firms excellence and technical competence, and demonstrates firms that are at the forefront of the profession and sets them apart from competitors. It serves as a mark of trust for clients and is reviewed regularly against strict criteria.

You could also ask if advisers or paraplanners have any specialist qualifications in areas such as pensions, tax and trusts, if relevant to your situation.

3. Are you Advisory or Discretionary Advisers?

There are two types of financial advisers; advisory and discretionary.

Advisory firms discuss investments with clients and involve them in the decision making and require their approval before making any changes. This route often leads to a more bespoke service and outcome.

Discretionary advisers are permitted to make changes to your portfolios without your permission, and these firms are often suited to people who perhaps do not have the time or inclination to be closely involved with their financial planning. Typically, discretionary advisers use model portfolios rather than a bespoke approach.

4. Do you use create Bespoke Investment Portfolios or use Models?

Many IFAs will invest client money into a set investment strategy model, which saves them time. This can mean a less personal approach with minimal opportunity for tax planning and client input into the investment strategy on matters such as any particular needs, beliefs and preferences.

You should also ask how they conduct investment research, for example they may employ a third-party firm to research funds and investment themes rather than do it in house.

5. Do you have any Ethical Practices or Areas of Interest?

As the world becomes more aware of the impact we are having on the environment, the area of ESG (Environmental, Social and Governance) investing is becoming increasingly popular and relevant.

Ethical investing gives you the power to allocate funds towards companies whose practices and values align with your personal beliefs. A firm should take the time to listen to whether you have any strong ethical preferences or areas you would like to avoid and provide you with detailed information for each investment fund they recommend.

6. Have you had any complaints?

You have a right to ask if a firm or any individual advisers have been subject to any complaints.