News release from GTC

Discarding your financial advisor today may cost you dearly in the future

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With new technology in the form of “robo-advisors” making its way to South Africa, investor empowerment on the increase, alongside the popularity of index funds instead of active strategies, many investors are wondering whether there is still a need for a traditional financial advisor.

While it may be tempting to save a few rands by doing away with financial advice, it may cost investors dearly in the long run, says Martin Wagenaar, wealth management consultant at leading financial advisory business GTC.

“We would argue that even with the modern tools and information we have available, investors still need the expertise of a qualified financial advisor to help them reach their long-term financial goals.”

Wagenaar offers investors some general pointers to ensure they get the most from their advisor:

Learn to value good advice – see it as an investment in your future financial wellbeing
One of the most pressing issues for many investors relates to the cost of advice. This has perhaps become more prominent recently, as the Financial Services Board has encouraged ‘clean pricing’, where product providers have to disclose the individual items in the value chain. This has made it more clear what portion of an investor’s overall cost goes towards the advice received.

“In the past, the advice component might have been bundled as part of an overall fee (if it was seen at all), but now that investors are seeing what they are paying for advice, some are not so keen to fork out for this,” he says.

He believes this is an element investors must learn to value. “While it may be tempting to go for the cheaper option, or discard paid-for advice altogether, investors must bear in mind that this is a small price towards their future financial wellbeing,” says Wagenaar.

“Just as you would like the best specialist to advise you on matters of your health – as opposed to Googling your condition and treating yourself – would you not pay the same attention to your financial health?” he asks.

He also warns against blindly opting for cheaper options, such as “robo-advisors”. “The trend of simplified advice is slowly making its way to South Africa and while one may find value for simpler investment transactions, a programme cannot replace an individual’s expertise in advising on more complex matters entailing multiple investment products or major financial events example when one is retiring. No two individuals’ goals and circumstances are the same, and this is where an advisor is extremely valuable to navigate regulations, taxation and a myriad of products.”

Have a good idea of your investment goals and expectations and make sure your advisor is on the same page
Many investors question the advice they receive when their portfolios experience negative returns. "Investors tend to get more uncomfortable with negative returns during periods of market volatility or during bear markets," says Wagenaar.

"One thing that investors tend to forget is that higher-risk strategies, such as equity investments, often show negative returns over the short term. Advisors need to explain this risk very clearly when agreeing on the portfolio structure."

Negative returns over the short term are a small price to pay for long-term growth. Wagenaar explains that strategies less likely to experience an initial negative return are low-risk and will probably offer lower returns.

"Such a strategy is not suitable if an individual wants long-term capital growth or if they want their money to beat inflation. Experienced advisors would know how to effectively and rationally deal with negative returns in a portfolio." he says.

Stick to your investment goals – not the market movements
It has been repeated many times, but one of the biggest investment sins is opting out of an investment strategy in favour of one that has performed better.

"Investors often question their advisors on the choices of their portfolio when another fund or portfolio manager is performing better than the one they are in or with. While the grass may look greener on the other side of the fence, investors should guard against switching into a portfolio at the wrong time, much like chasing a horse that has already bolted." says Wagenaar.

He urges investors to rather ensure that they keep a clear idea of their financial goals by discussing these issues with their advisor. "By all means, keep advisors on their toes by taking an active interest in your financial future and meet with them regularly – not only for life changing events.

Wagenaar believes the advice industry is changing for the benefit of the consumer. "The regulators have taken great care to ensure that all certified financial planners are equipped with a certain level of knowledge on legislation, taxation, investments and products, so that investors can have peace of mind about the quality of advice. This expertise is vital in constructing a solid and effective financial plan for an investor."

He also believes investors are protected more than before. "Globally there is a move towards greater transparency, lower fees and treating customers fairly. This will go a long way to ensuring a robust advisory industry."

ENDS (842 words)

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About GTC Holdings
GTC, formerly Grant Thornton Capital is a well-established, leading financial advisory business, established in 1991 from within the Grant Thornton Johannesburg audit practice, itself part of Grant Thornton International. The Johannesburg practice was established in 1920.

Effective late 2012 GTC was obliged to separate itself from the audit practice as a result of various international regulations separating the asset management capability of any business from that of Grant Thornton.

This resulted in the business changing its name from that of Grant Thornton Capital to GTC. Gary Mockler, the founder of GTC, remains the Chief Executive Officer and a key shareholder. The association between GTC and Grant Thornton continues within the parameters permitted by international regulation.

GTC is nationally represented with offices in Johannesburg, Cape Town, Durban and Kuruman.
GTC specialises in the areas of retirement fund administration and consulting, healthcare consulting, private client wealth management, short term risk solutions, investment management, stockbroking, derivatives trading, fiduciary services and other areas of financial advice. GTC also operates a unit trust management company.

GTC is an advisory business holding the necessary licenses including FAIS, and has recently been awarded a PMR Diamond Arrow Award for having the highest ranking in the category of 'medium-sized pension fund administrators and consultants' in the recently completed 2016 PMR Survey.

Collectively the Group employs some 120 staff in four offices. Assets under management and administration total some R32 billion. There are 2 500 private clients and about 85 000 participating members of retirement funds through some 300 participating employer schemes, most of these structured through one of several GTC umbrella funds.