Investing

No investment is without risk, so get clear about how much risk you're prepared to take and do your research before handing over your money.

Our experience with investment-related complaints during the global financial crisis highlighted the fact that many complainants did not understand the products they were investing in, or the level of risk that came with the investment.

Every investment comes with some degree of risk. As a rule of thumb, the higher the return, the higher the risk. Consider the following when looking at where to invest your money:

Shop around for a financial adviser

Financial advisers have built up specialist knowledge and expertise you are unlikely to have. It pays to use one. However, advice can vary markedly from one adviser to another. They will also recommend different investment products. Look around before you settle on one.

Be forthcoming

Tell your adviser as much as you can about your investment goals and attitudes. The clearer your adviser is about your investment timeframe, goals and tolerance for risk, the more closely he or she can tailor the advice to your requirements. Be sure to insist on advice in writing. It should be easy for the average person to understand.

Understand your investment

Understand where and how your money is invested and who is managing it. At the very least you should know:

- whether your money is invested in cash, fixed interest, property, shares or a combination of these
- whether your money is invested in managed funds or direct investments
- who the fund manager is
- whether your money is invested in New Zealand or overseas
- what industries your money is invested in or exposed to
- what the risks are.

You should also know how the investment earns a return. A term deposit, for example, earns interest as payment for the use of your money. Shares give you a slice of a company's profits in dividends and share price growth. Property gives you rent and growth in the property's value. Other investments are more complex and can be riskier than they seem. Don't invest if you don't understand where the returns come from.

Sort out fees

You will probably have to pay a fee for the advice. Find out whether:

- your adviser charges a fee to prepare an investment plan
- you have to pay a fee to implement the plan if you proceed
- you will have to continue to pay fees.

Some advisers charge a very small fee or no fee at all. That's because they make their living from commissions paid by providers of the products they advise their clients to invest in. These products may not be the best for your purposes. Alternatively, if they are employees, they put your money into products offered by their employer, and it takes fees out of your returns. Again, the products may not necessarily be best for you. Always tell your adviser to put in writing how he or she will be rewarded for the advice you receive.

Avoid on-the-spot decisions

Make a considered decision about where to invest your money. Impulsiveness has no place in such decisions. Take your time, read the information you've been given, including investment statements and the adviser's disclosure statement, and make sure you understand the advice and reasons for it. Never hesitate to ask questions.

Consider asking someone you trust to look at the advice if you're an inexperienced investor. Ultimately, it's for you, not your financial adviser, to decide how you invest your money.

Get clear on duration of service

Some advisers' service ends when you hand over your money; others offer more than that. Find out what service you will receive beyond the original advice, such as performance reports and portfolio reviews. If you receive these, ask how frequently. And find out how else you can obtain information about your investment. Is it, for example, on the fund manager's website?

Withdrawing your money

Make sure you know how long it will take to withdraw your money. This may not seem important at the time, especially if you are saving for retirement, but circumstances can change and you may want your money sooner than planned. The time can vary from several days to a month or more. Some investments are locked in until a certain date.

Complaints

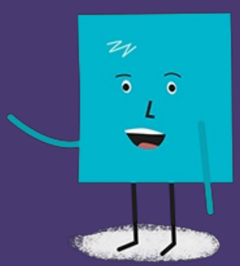
Consumers can complain to their adviser's dispute resolution service if something goes wrong. It will be shown on the adviser's disclosure statement. Alternatively, you can find it on the **Financial Service Providers Register**. You can also complain to the **Financial Markets Authority**, which has the power to take disciplinary action against advisers.

More information

Sorted and the **Financial Markets Authority** both have tips on their websites about getting financial advice.

Investment companies have investing guide tools on their websites. Research agencies such as **Fundsource** and **Morningstar** offer independent verification of fund managers' performance.

The law regulating financial advice changed on 1 May 2022 - see the **Financial Markets Authority**'s website for more information.



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