

I recently completed yet another exam in order to keep my authority to advise clients regarding their money. It's not a lot of fun at my age; quite stressful in fact.

The object of the exams is to ensure that advisers are up to date in their knowledge and qualified to advise their clients correctly completely and accurately. This is very good for the client, but I was reminded of "the bad old days" when I met a potential client the following day.

Approaching her 80th birthday still sprightly and independent but needing to keep notes of conversations as her short-term memory is suffering a bit, she presented me with a pile of paper given to her by an adviser and asked if I would give her a second opinion before she did anything.

She was widowed seven years ago and had taken over an investment plan her late husband had made back in the 70's, which has remained untouched for over 30 years. Reading from her notes, she told me the company adviser said that the "fund" was too risky for these times and she should move her money.

After a few moments of looking at the paperwork, I pointed out to her that the advisers recommended fund on the new investment was the same fund she was already invested in, which make his reason to move the money complete nonsense.

I asked her if she was given any other reason to move the money and she studied her notes again saying that the new investment could be put in Trust for her Daughter & that was it.

I had to point out that the existing plan could be put in Trust for her Daughter so that was no reason to move the funds either. Furthermore the existing plan was completely free of income tax, she could take out what she liked when she liked with no liability whatsoever. The suggested new plan would be taxable.

There were no penalties, adjustments or anything obnoxious applying to the existing plan whereas the new one had penalties on withdrawals for the first five years.

Why then, she asked, did the company adviser want her to move the money? £8,400 commission I told her. A "churn" as we call it, moving money just to generate new commission.

So within a few days I had seen the best of the new world of professionalism in Financial Services and one of worst "sins" an adviser can commit, moving clients money for the advisers benefit and no other reason.

The moral of this tale, only deal with an Independent Financial Adviser and check out their qualifications, you can check ours on our website ifac.org.uk and click on who's who.

I passed by the way, and my new client has a tax-free fund in a Trust for her daughter, the cost £125.00.