



Fairstone[✕]
IRELAND

Revealed: The value of financial advice

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Financial advice can add real value to your life.

When you think of how financial advice helps you, it's likely that you think of it from a financial perspective first. Perhaps how it can help you invest to get the most out of your savings or making sure you're on track for retirement?

Financial advice can help in these areas, but it goes far beyond that too. It can help you live the life you want, feel more confident about the future and give you a chance to think about your goals.

When clients first approach a finance professional, it's often because they have a specific question or concern like:

- **How can I invest and minimise tax?**
- **What annual income will my pension provide?**
- **Can I reduce the impact of Inheritance Tax?**

While we can help you answer questions like those above, the process of financial planning is designed to deliver greater value.

WHAT DOES FINANCIAL PLANNING MEAN?

Financial planning starts with understanding your current situation and what you want to achieve in the short and long term. Through defining these goals, you can start to understand how your finances and the steps you take can help you meet aspirations.

It can answer initial questions but the value it delivers extends further. You may approach a financial planner asking: "Am I saving enough to retire at 65?"

You may be expecting a simple 'yes' or 'no' answer but financial planning will ask other questions too. For example:

- ✓ **Would you like to retire sooner if that were an option?**
- ✓ **What kind of retirement lifestyle do you want?**
- ✓ **What lifestyle experiences are on your bucket list?**
- ✓ **What are your other priorities?**

As a result, the advice you receive can exceed the reason you first approached a professional for financial advice.

So, how does this add value? The answer can be split into two areas: your finances and your lifestyle.

THE FINANCIAL BENEFIT OF ADVICE

Let's start with the financial benefit of working with a financial planner. After all, this is probably one of the key reasons you sought advice.

You may want advice on how you can maximise investments or what level of income is sustainable in retirement. The good news is that research shows that seeking financial advice can help your money to go further. In short, financial advice provides an opportunity to grow your wealth, and there are plenty of studies to back this claim up.

For example, research from VouchedFor, found the advised investors generate 27% higher returns over 12 months compared to those that choose to take a DIY approach.

These findings are reflected when it comes to pensions too. A study found those that took advice on pension saving near the start of their career saved an average of €38,380 (£34,300) more, not including tax relief or compound interest, than those who took no advice. The below table not only highlights how financial planning can add real monetary value but the value in seeking advice early too.

	Start at age 35	Start at age 25
Cost of advice on a €224 (£200) per month pension contribution	€559 (£500)	€559 (£500)
Boost to retirement savings	Extra €28,791 (£25,730) in pension	Extra €38,380 (£34,300) in pension
Return on the initial cost of investment	4,336%	5,813%

Source: Unbiased

The value of financial advice is also something think tank the International Longevity Centre has studied.

The study tracked individuals that received financial advice between 2001 and 2006 and then followed up to see how their wealth had changed by 2014/16. The findings demonstrated that professional advice can improve financial security in retirement, both in terms of pension savings and other assets. The 2019 report found:

- ✓ **Receiving professional financial advice between 2001 and 2006 resulted in an average total boost to wealth (in pensions and financial assets) of €53,381 (£47,706)**
- ✓ **The benefits of financial advice are potentially greater for those deemed 'just getting by'. This group saw a 24% increase in their pension wealth, compared to 11% for more affluent groups**
- ✓ **An ongoing relationship with a financial adviser lead to better financial outcomes. Those that were receiving advice at both points of the study had nearly 50% higher wealth than those only advised at the start.**

David Sinclair, Director at the International Longevity Centre, said: "The simple fact is that those who take advice are likely to be richer in retirement.

But it is still the case that far too many people who take out investments and pensions do not use financial advice. And only a minority of the population has seen a financial adviser." For those that don't seek financial advice, it's often the cost of a financial adviser that's cited as the reason why. Yet, this misses the financial value that advice brings. The research clearly shows that, for the majority of people, the gains they receive from taking financial advice far outweighs the initial and ongoing costs associated with advice.



HOW DOES FINANCIAL ADVICE HELP GROW YOUR WEALTH?

So, how does financial advice help increase your assets? After all, you can increase pension contributions and invest without taking financial advice and there's a plethora of information available.

While it's true you can take action yourself, the world of finance can be complex and filled with jargon. A financial adviser helps you cut through all this to formulate a financial plan that's right for you. With knowledge on regulations, allowances and legislation, a financial adviser can help you make the most of things like tax breaks to help your money go further.

Even if you're confident handling your own finances, having a professional to speak to about your plan can be useful. A financial adviser will be able to offer a different perspective and help you avoid common mistakes. Take investing for example, how would you calculate your risk profile? Taking too much or too little risk can have a negative impact. But your risk profile needs to consider a vast range of factors, some of which can be difficult to assess yourself when you're emotionally involved in the investments.

Finally, while you can find plenty of financial advice and tips from other sources, this isn't tailored to you. What suits one person, may not be appropriate for you.

A financial adviser will make recommendations and create a long-term plan with your current circumstances and aspirations at the centre. As a result, the final plan can help you move forward in a way that takes you towards your goals.



THE OTHER BENEFITS OF FINANCIAL ADVICE

As we've already mentioned, the benefits of financial advice aren't just about investment performance and asset growth. But the other emotional and wellbeing benefits are harder to quantify. Despite this, they play an important role in the value financial advice delivers. For many people, these benefits are just as valuable as increasing pension wealth or an investment portfolio.

These benefits may include:

1. Understanding your goals and priorities

Financial planners don't just offer you advice about a single area of finances. Instead, they take the time to understand what you want to achieve, what your priorities are and how your existing assets or income can help you meet these goals.

It's a process that can help give you some direction and realise dreams you may have previously thought were out of reach.

You might be diligently saving into a pension, for instance. But when do you want to retire and what kind of lifestyle do you want to enjoy after giving up work? Often while paying into a pension we have a vague idea about when we'd like to retire and some of the things we hope to experience in retirement, such as a once in a lifetime holiday. However, financial planning can help focus these goals and give you a chance to think and talk about what you really want.

- **What does your day-to-day ideal retirement lifestyle look like?**
- **If financially feasible, when would you choose to retire?**
- **Do you want to continue working in some way in retirement?**
- **What are your other goals in retirement, for example, providing financial support to loved ones?**

By giving you an opportunity to set out long-term goals, financial advisers can add more value to the service they deliver. So, while you may have approached an adviser to see if you're on track to be able to sustainably take a retirement income of €31,331 (£28,000) a year, you come away with more than you sought and your initial plans may have changed drastically.

For instance, if you found you have enough to retire now but take a slightly lower income that would still allow you to meet lifestyle goals, would you take it?

Financial advice focuses on the long term and the process can help you get more out of your assets with your aspirations in mind.

2. Focus on what's important to you

It is possible for individuals to effectively manage their money with a DIY approach. But it can be time-consuming and complex. Do you really want to spend your time researching investment opportunities and keeping up to date with legislation changes?

Financial advice can improve your wellbeing by allowing you to focus on what's really important. That might be a hobby, spending time with family or career development.

Financial planning allows you to take a hands-off approach if that's what you choose, with regular reviews and updates so you know your financial plans are on track. If you prefer to be more involved with your financial planning, an adviser can be on hand to point you in the right direction and offer advice when you need.

As a result, financial advice can improve your wellbeing and give you time to focus on the areas of your life that are a priority.

3. Have confidence in your financial plan

Having confidence in the financial steps you're taking is essential for getting the most out of your assets.

With so many different options and other factors to consider, you may be unsure about what options make sense with your goals in mind.

This is a key area where financial advice can add value. You'll be working with a regulated professional that can help you avoid common mistakes and have confidence in the path you choose. A range of tools can help you understand how the decisions you make today will have an impact in 20 years or even longer. It's a step that can help put your current options into perspective and deliver peace of mind.

While we often think of accumulating wealth when seeking financial advice, one of the hardest things to do can be to start spending the assets you've built up. After a lifetime of saving, it can be difficult to change your mindset and start to deplete assets in retirement, for example.

Financial planning can provide the confidence you need to enjoy retirement, safe in the knowledge that you're still financially secure and able to meet other commitments.



To book a no-obligation financial planning consultation, contact Fairstone Ireland.

Let's talk



www.fairstone.ie



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Please note: A pension is a long-term investment. The fund value may fluctuate and can go down, which would have an impact on the level of pension benefits available. Your pension income could also be affected by the interest rates at the time you take your benefits. The tax implications of pension withdrawals will be based on your individual circumstances, tax legislation and regulation which are subject to change in the future. The value of your investment can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. All figures calculated at 28/9/22 exchange rate of £1 = €1.12



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