

# MORTGAGE & INSURANCE ADVISORS FACING REGULATION - Allistar Walker



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A recent mystery shop of Investment Advisers by Consumer NZ found that out of 33 financial advisers 'shopped' only three rated 'good', six rated 'disappointing' and eight were 'rejected' – including plans from some high profile advisory firms. This is a really scary prospect for the consumer, who could well wonder who do they trust to prudently advise them.

The investment industry is about to face statutory regulation which will force minimum standards of competence, knowledge and skills for authorised Financial Advisers. Mortgage and Insurance Advisers are to be similarly regulated. The requirements for Insurance Advisers may not be as stringent as for Investment Advisers. However, the New Zealand Mortgage Brokers Association has indicated that they want to have high standards of competence knowledge and skills placed on them, as they see themselves playing in a similar space to Investment Advisers. A mortgage after all, is the biggest liability that most people ever take on and the discipline and efficiency that is needed to reduce it faster are skills that are taken forward to the investment process. Furthermore a Mortgage Brokers value is in the advice they are able to give regarding structure of borrowing, appropriate product, forward strategy for reduction, setting of interest rates and ongoing personal assistance. They also may act as an investment adviser if you are purchasing investment properties. It is critical that they have adequate ongoing education to allow best practice policies toward the public.

Some brokers/advisers like us, will provide you with a written plan that encompasses not just the Mortgage, but Insurances, Goal Setting and Estate Planning. As a member of the public, you want to be sure that what you are being told and recommended is in your interests and not the brokers or advisers interests.

## **What should you look for?**

Ask questions like:

1. Are you truly independent or which banks or insurers don't you put business to?
2. What qualifications do you have? Have you proof of these and any industry associations? Next year the minimum qualifications for every sector of financial service will be confirmed and your adviser will have to disclose this qualification.
3. How long have you been in the industry?
4. Is there a fee for your services? What other fees are there likely to be?
5. Do you have a strategy for the current interest rate outlook? Look at our website under [www.mortgagehelp.co.nz/latesteco.html](http://www.mortgagehelp.co.nz/latesteco.html) where we publish our strategy. Does your adviser do the same?
6. How will you look after me during and after the loan process.
7. Do you have testimonials or people I can ring?

A good Adviser will be looking out for your interests not the banks or insurers. Before taking a loan application they will do a 'Needs Analysis', which essentially is finding out about your attitude/knowledge of borrowing, your aspirations, how quickly you want to reduce the loan, which lenders you particularly like or dislike and more. All this leads on to how to structure your debt to suit you but also to help you think forward into the future and make sure you are insulated from interest rate rises and put on a firm financial footing.

## **Will Regulation be good for the consumer?**

We think so, although many consumers will notice no difference and often don't really care. Hopefully, it will offer better protection for the consumer and certainly it will make Advisers more careful about the advice that they give. Any advice they give must be well documented and their records are liable to be audited by an Independent Watchdog from time to time. Always ask for an adviser to justify their advice and if you feel uneasy, walk away.

It should be the end of the sharks in the industry, although somehow these cretins still find a way to raise their heads above the parapet even if only briefly, before they are run out of town.

**Can we get in touch with you?**

Certainly. Our business is restricted to Mortgages, Insurances and KiwiSaver. We are only too happy to do a free check on what people have and make any recommendations or simply confirm you are already receiving good advice. Note that if any charges (due to complexity) are involved you will be told beforehand.

*Allistar Walker is a Senior Fellow of Financial Services Institute of Australasia and an accredited mortgage/insurance advisor. His full disclosure is available at [www.mortgagehelp.co.nz](http://www.mortgagehelp.co.nz) or he can be contacted at 410 6023 and [enquiry@mortgagehelp.co.nz](mailto:enquiry@mortgagehelp.co.nz).*