Goal based advice increases in popularity

Regulatory changes are providing advisers with an opportunity to re-set clients' investment portfolios towards a goals-based approach.

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by Benn Bathgate

NZ Funds Management has reported a shift in its clients towards goal-based advice and believes this is a trend that is set to continue as advisers, prompted by new regulations, re-document their clients' investment plans.

The company said goals-based advice has more than doubled for clients of advisers using their investment portfolios, with clients with assets of $31 million shifting from traditionally structured portfolios to those built around client goals in the last quarter to December 31.

"Our expectation is that over time, the majority of clients in New Zealand - individuals, families and family trusts, will, with the assistance of advisers move to some form of goal based advice and investment - away from the disappointment of traditional approaches," said NZ Funds principal Glenn Wright.

Unlike traditional portfolio approaches, described by Wright as driven by a pension fund type mentality where a single diversified portfolio is constructed with performance measured against market benchmarks, a goals based approach links peoples' individual finance goals to several separate investment portfolios.

"A goal based approach essentially applies the principles and insights gained from research in the field of behavioural finance by taking into account how people, their money, and their behaviour intersect as their assets and lives change throughout life," Wright said.

Okke Hansen, director and partner at Resource Financial Planning, is one adviser who has revisited his clients' portfolios using a goals-based advice process.

"I want to build on the values based discovery process we have used successfully with clients," he said.

"The key for me is to apply risk management and downside protection across all of our clients' portfolios.

"The combination of a searching discussion with clients about their goals and needs, and implementing several discrete portfolios as a result of these discussions, each with a 'client purpose' appeals to the individuals and families that we work with."

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