

Inside Money : Lifestyle change for adviser body

By [David Chaplin](#)

9:30 AM Friday Jan 21, 2011

"Financial advisers secure access to funds management resources," [blurred the press release headline](#), which, in my experience of the industry, hardly counts as news.

However, the decision by the Institute of Financial Advisers (IFA) – an industry body claiming a membership of about 1,200 – to hook up with local boutique investment firm New Zealand Funds Management (NZ Funds) to provide certain, vaguely defined, services to its members was interesting enough.



Individuals are not the completely rational investors of commonly accepted investment theory, says NZ Funds. Photo / Thinkstock

"This will result in NZ Funds contributing professional expertise to members in the area of financial advice including investment and behavioural finance," the IFA release states.

And while the deal is pitched as a "professional development partnership" this is really a good, old-fashioned sponsorship arrangement: the IFA needs money; NZ Funds needs financial advisers to feed its clients.

'Funds management firm secures access to financial advisers', would work just as well as the original to headline this story.

NZ Funds, at least, has a unique proposition to put to IFA members.

Over the last few years the firm has been developing a new advice and investment 'model' that takes into account the latest findings in the nascent field of behavioural finance.

Richard James, NZ Funds CEO, told me in 2009 that commonly accepted investment theory, which assumes a completely rational investor, "may work for institutions but it has consistently failed for individual investors".

"Individual investors are highly susceptible to act in response to behavioural biases which, more often than not, are detrimental to their financial health," James said.

He said NZ Funds hopes to overcome some of those human financial foibles by restructuring its funds and converting financial advisers into something more like "lifestyle" managers rather than investment experts.

With the full force of regulation [due to hit New Zealand's financial advisers later this year](#) that 'lifestyle' story might start to sound appealing.

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