

# Goods Returns readers unimpressed with the Consumer survey.



Jenha White, Tuesday, 10 November 2009 20:32

Many financial advisers are unimpressed with the [Consumer survey](#) released last week which describes the financial adviser sector as "scandalously poor."

NZ's financial adviser news website [www.goodreturns.co.nz](http://www.goodreturns.co.nz) has been swamped with [comments](#) over the past week and many concerns have been voiced over the compilation of the expert panel, the lack of empirical evidence from the survey, the effect of regulations and how commission works.

A main concern for *Good Returns* readers is how the survey was conducted.

Many comments say that *Consumer* needs to lift its game if it wants to gain and keep any credibility in this field.

NZ Funds Management chief executive Richard James says the survey is "a disgrace to research."

"The perversity of *Consumer* being critical of the lack of quality research and analysis by advisers in an article long on premeditated sensationalism and woefully short on empirical evidence defies belief.

"That is not to roundly commend advisers. But any analysis must surely be research based, by non-competitors and those who actually understand advice and investment."

Many questioned missing adviser plans. Consumer approached 33 advisers but ended up with only 17 plans.

*Consumer* chief executive Sue Chetwin was also a popular cause of debate with many outraged that she didn't know how the legislation would work.

Chetwin says: "We're concerned that skill levels are low and will remain low, unless competency standards are included as part of the adviser authorisation process due to come into force next year".

One reader commented saying he is concerned that Chetwin as the leader of a consumer organisation does not know how the new financial services legislation will work.

"One of the major parts of this legislation (along with membership of a dispute resolution scheme) is the requirement that advisers must reach a certain level of competency before being able to be registered. I would have thought this is pretty common knowledge."

Chetwin's comment about how unbiased advice won't become an industry norm until commissions are banned also sparked with *Good Returns* readers who believe that commissions are necessary.

Another reader says 80% of New Zealanders will not pay for financial advice up front. He suggests commission should be on a regular spread basis, with no up-front.

Neil Smith says any adviser worth his title can tell you it takes hours to prepare a personalised risk and financial plan for insurance, taking into account a range of things. He says trail commission is needed.

"How is Joe Average going to pay \$1200 every one to two years to have a comprehensive review of their insurance in relation to their situation. Or their KiwiSaver contributions, or their retirement plan? It's not going to happen - not for 80% of the market, or more.

"So the consumer misses out, in the name of an idea that suits the 1%- 2% of the population who can afford such advice."

Readers also believe that regulation is a bad idea which will add risk to investors.

Michael Donovan commented saying if you think these 'regulations' are going to be the answer to the woes battering the profession, be well aware that 'regulations' have actually failed to achieve their purpose for investors.

"It has already been proven overseas that heavier regulations have actually resulted in riskier investments being accepted by investors because they perceive that the increased regulations have somehow magically provided safer investments for them," Donovan says.

On the positive side, some people were looking at how value could come from the survey.

Richard Holden said he would like to see the good plans circulated.

"For there to be any value out of this exercise I would like to see Consumer "white label" and circulate the good plans through the auspices of the Institute of Financial Advisers so they can be used as benchmarks."

However Holden also recognised the shortcomings of this saying the trouble with such a small sample is that it may be skewed and not representative of advisers as a whole.

"The result is that all other advisers, apart from the three named and those on the panel, have negative aspersions cast on them."

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