Lumin
VZ Group

Factsheet

How to choose a financial adviser or wealth manager

Outline

Numerous research studies have established that consumers who receive financial advice are significantly better off financially than those who don't seek expert help. But how can you choose the right financial services partner to match your specific needs, as well as be secure in the knowledge that they will always act in your best interests as efficient and proactive stewards of your wealth? This factsheet outlines some of the key things to consider when you're choosing a financial adviser or wealth manager.

The benefits of receiving financial advice

Material benefits of receiving financial advice can include: tax-efficient management of your invest-ments; matching your risk profile with your in-vestment choices (taking the level of investment risk that's right for you), preventing common behavioural mistakes (such as panicked or impulsive decision- making when markets experience sharp swings), portfolio rebalancing, and advice on how to fund your spending needs both before and during retirement.

Advised consumers can also benefit from saved time, reduced complexity, peace of mind, and long-term financial security. But how do you choose a wealth management partner in an advice market providing so many services and solutions?

Two services with one firm

It can be advantageous to appoint a wealth management firm that has both financial advice and investment management services. A clear financial plan, which can be provided by a financial adviser, signposts the level of investment risk you're willing to take, and this is a key determinant of return expectations over the long term.

Having determined the level of risk that's right for you, your investment manager can implement a strategy that reflects this, with quarterly 'rebalancing' ensuring portfolios remain true to the agreed asset allocation and risk profile. An investment manager should also look to optimise your investment returns after tax.

You should consider whether your adviser will proactively engage with you regarding your annual pension contributions, capital gains harvesting (utilising your Annual Exempt Amount in each tax year to avoid letting investment gains run away), and 'bed and ISA' strategies (selling units in a general investment account and repurchasing them within a tax-efficient ISA).

Advisory vs. discretionary

Advice firms operate two modes of investment management: advisory, and discretionary fund management, (DFM). Some advice firms that have achieved the necessary permissions stipulated by the Financial Conduct Authority (FCA), may operate their own in-house discretionary fund management services.

Discretionary fund management provides a number of advantages in comparison to an advisory model. Advice firms that have discretionary fund management permissions can implement changes to investment portfolios – in line with the predefined risk profile and investment strategy – without seeking client approval (with any actions reported to the client after completion). This allows trades to be made promptly and efficiently, providing a clear benefit amid fluctuating investment markets.

An in-house discretionary fund management service provides a number of other advantages. This can include more frequent monitoring of investments, integrated ongoing financial planning and investment advice, and a reduced time burden for clients, with no need to spend time managing and overseeing investments.

Under some discretionary fund management models, cost savings can be achieved by pooling investments across clients who have the same investment holdings.

Discretionary fund management vs. advisory services

	Advisory	Discretionary
Decision-maker	Client, with input from adviser	Investment manager, within set of agreed parameters
Time commitment by client	Greater	Delegated (investment manager can make portfolio changes without client approval)
Timeliness of investment decisions	Some delay, due to client approval being required	Investment decisions can be implemented when opportune; frequent rebalancing
Monitoring of investments	Often less frequent	Full-time/ongoing via dedicated investment team
Tax planning (eg. capital gains harvesting and bed and ISA)	Personalised	Can be personalised if DFM is integrated with financial advice

Ongoing advice and services

A financial plan is only as good as its implementation, so ongoing advice is an integral part of a coordinated wealth management strategy. When providing an integrated financial and investment plan, both sides of the coin need to be monitored to ensure they continue to meet client goals.

People want to be sure their investments are in safe hands, so alongside strong investment returns, clear and proactive communication and a personalised service via dedicated advisers and paraplanners are important elements of ongoing advice.

Ongoing services can include:

- Engaging with clients regarding their pension contributions
- Timely end-of-tax-year ISA contribution reminders
- Implementing a capital gains 'harvesting' strategy for each client
- Incorporating 'bed and ISA' strategies
- Portfolio rebalancing each quarter
- Clear investment reporting and commentary
- Cashflow planning services

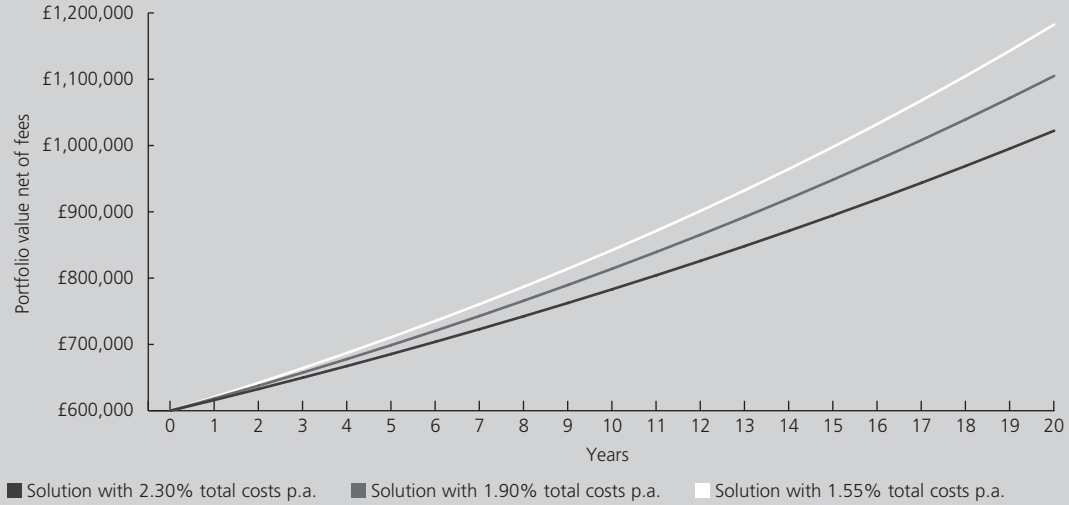
Compare costs and charges

Excessive fees or costs can be a significant drag on investment performance over a long period of time, so it's important to calculate the total costs and charges you would pay with each provider. According to the FCA, the total cost of ongoing advice services (including underlying product and portfolio charges) averages 1.90% annually.

The chart below highlights the impact that higher costs and charges can have on an investment portfolio over time, compared to the FCA average of 1.90%, or lower costs of 1.55%, which are in line with Lumin's ongoing advice charges. Paying excessive fees is the equivalent of driving with the handbrake on.

Costs and charges: Don't drive with the handbrake on

Example: £600,000 portfolio; 5% gross annual return.



Checklist

Consider the following when choosing a financial adviser/investment manager:

- The quality and depth of the services on offer.
- Is the adviser independent, or are they restricted and thereby only able to offer a limited selection of products/providers?
- Is the service advisory, or discretionary (where investment decisions are made on your behalf by experts)?
- What is the nature of the ongoing service? For example, will you have dedicated personal touchpoints and receive timely communication and support?
- How does the adviser incorporate your personal circumstances and needs?
- Is your adviser proactive?
- What is the quality of the investment reporting?

Lumin's approach to financial advice

Lumin services span both discretionary investment management services alongside ongoing financial planning advice. By providing an integrated ongoing service, Lumin is able to deliver a streamlined offering that leads to lower total costs, resulting in a highly competitive fee model in comparison to the UK market.

In expert hands with Lumin

Lumin is a leading independent financial advice firm headquartered in St Albans, with particular reach across London and the South East. We offer trusted and professional advice on pensions and retirement, investments, inheritance and tax planning, financial protection for individuals and businesses, and mort-gages. Lumin's financial plans are geared toward growing, or protecting, wealth by optimising our clients' income, assets, tax burden and financial security. What ever your financial ambitions, you can count on our expertise to provide peace of mind. We are backed by VZ Group, the leading independ-ent financial services provider in Switzerland.

Financial advice made easy: Scan the QR code to arrange a complimentary meeting over a coffee.

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LM005-082026-V1

Lumin Wealth, nominal fee £2