What is independent financial advice and does anyone need it? If they do, how do they go about finding it and ensuring its quality?

The concept of independent financial advice was established by the 1986 Financial Services Act (FSA), the cornerstone on which investment regulation and investor protection in the UK is now based. The FSA was enacted following a series of financial scandals which highlighted the fact that regulation in the investment markets was not all that it should have been.

One of its main provisions was to 'polarise' the financial services market between 'tied' and 'independent' advisers. Tied agents can only recommend the products provided by the company they are connected with; whereas independent advisers are able – indeed they have an obligation under the law – to provide objective advice upon the whole range of products available.

This distinction is very important. Anyone buying an insurance policy for example, will have well over 100 companies to choose from, each offering a wide range of contracts. There may not seem to be much choice between the various offices policies, but insurance policies are normally long term contracts, and, as countless surveys have shown, the difference which results from choosing a contract from a poorly performing life company compared with one from a top performing office can amount to tens of thousands of pounds.

Expert help is essential, both in assessing the precise needs of the individual and then having sufficient in-depth knowledge of the marketplace to be able to select the most suitable product available. This is where the independent financial adviser (IFA) comes in. He is not employed by a company selling financial products so he has no conflict of interest. The IFA's role is to survey the whole market, selecting the best product and company for each client's particular needs.

It is now illegal to advise on investments without being properly authorised. Scrupulous checks are made to ensure that every IFA is a 'fit and proper person' to carry out this role. IFAs such as accountants and solicitors can obtain authorisation through their own professional bodies, but the majority of IFAs will be members of FIMBRA (the Financial Intermediaries and Brokers Regulatory Association).

There are different categories of authorisation and not all IFAs are able to advise in all areas, so it is essential to ensure that your particular IFA is fully authorised to conduct the type of business that you are interested in. Extra safeguards have been built into the system to protect the public. All clients of IFAs are now covered by compensation schemes run by the regulatory bodies. Additionally, IFAs are required by law to carry Professional Indemnity Insurance giving extra protection to both the company and to the client.

To do their job properly an IFA will want full details of a client's individual situation. They are required to conduct a complete 'fact find' and ask questions about age, family circumstances, health, tax status and existing savings, investments and pension arrangements.

The IFA will need to know about your particular requirements. Are you happy for your money to be tied up for a number of years earning higher interest, or will you need ready access? What is your attitude to risk? Do you plan to retire early? If your adviser does not request this sort of information, then you should be concerned. If there is something you do not understand, ask questions. If you still do not understand, back away. Take as much time as you want to think things over. You should never be pressurised into taking on a commitment that you are not 100% happy with or fully understand.

The relationship with an IFA is potentially a long term one. The individual must therefore, be totally happy with the adviser ultimately selected. Trust is an essential ingredient. We suggest five questions you should ask yourself before choosing an IFA.

• First, is the adviser technically competent and able to demonstrate experience in his field. If he is a specialist in a particular area, make sure his specialisation fits your requirements?

• Second, do you think your adviser is enthusiastic and you feel you are able to get on with?

• Third, are you sure you feel comfortable with him, as it is in your interests to build a rapport with your adviser?

• Fourth, will you have continuity of contact with the same person and ask what back-up services he provides?

• Finally, the adviser will take his remuneration by either commission or by a fee. This should be disclosed at the outset. Do you understand the basis of your adviser's remuneration as this will avoid any misunderstandings arising later on?

Much has been made of the commission versus fees argument, but as long as the question is discussed openly, the client should be able to find an IFA operating a remuneration system that is suitable for you. The real issues for the client are an understanding of the product purchased, the status of the adviser and having the confidence to deal with that adviser.

Today's advisers are regulated, and their clients protected, to a greater degree than at any time in the past. While better trained and more qualified than ever before, new training and competence procedures being brought in will ensure that tomorrow's advisers will be raised to an even higher professional level.

The field of personal finance is complex. Decisions made today could well determine the future financial prosperity and security of both yourself and that of your dependants. Remember, it pays to take an independent view!

For further information complete and return the reply-paid card in this issue.

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