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Headline: Finding the right investment advice

Finding the right investment advice

If you are more financial savvy and want some ideas on how to invest rather than having someone else manage your money, you can turn to online investment sites.

People who are not experienced investors or feel they do not have enough investment knowledge often look for advice. There are potential pitfalls when selecting a source for financial advice, though, so it is important to evaluate your options carefully.

Investment advice isn't always independent

A key reason many individuals prefer to invest with the help of financial advisers may be that only 18 per cent of investors here are very confident in their ability to make good investment decisions, according to a recent Investor Trust in Financial Services in Singapore survey by the CFA Institute.

Many people head to insurance agents or bankers for advice. These options may work well if you want an insurance policy or a bank account.

However, if you want broader investment advice, you may need something more.

As the Financial Planning Association of Singapore (FPAS) explains, it is important not to confuse a financial planner with a stockbroker, insurance agent, banker or accountant.

Even if these individuals say they are planners, they may focus on just one aspect of your financial life.

It is important to know, too, that regulations here only require advisers to provide recommendations that are suitable, and not necessarily to work in your best interest.

Although the difference can seem subtle, it is important, as an investment that is suitable may not be the best one for you. While retirement-focused insurance products or mutual funds may be suitable, for example, they may incur higher costs or risks that are not in your best interest.

Some financial advisers also receive commissions for the products they sell you, which may lead them to suggest products which earn them a higher fee rather than less lucrative products that could be better for you.

Perhaps these factors help explain why the CFA Institute survey also showed that only 10 per cent of Singapore retail investors believe their investment adviser always puts their interests first.

How to get better advice

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With so many challenges in finding good advice, many investors wonder what to do. Fortunately, there are other options.

One is to use technology, which has expanded the range of support for investing.

Investors who want independent advice and someone else to manage their investments can use a robo-advisor, for example, such as Smartly or Stashaway. Once you provide your risk profile and time horizon and goals, robo-advisors use algorithms to buy and sell unit trusts that fit your profile and to rebalance your portfolio.

Research at the Pension Research Council at the University of Pennsylvania concluded that robo-advisors can provide financial advice to people who cannot afford it from traditional financial advisers and may be less likely to have conflicts of interest.

Additionally, robo-advisors can steer young people who are just starting out away from poor decisions, and costs are relatively low.

Singapore Management University associate professor Paul Griffin similarly noted that, “assuming that an investor can provide accurate and complete answers to investment questions, then the robo-advisor can do a good job to provide relevant and good advice and products.”

If you are more financial savvy and want some ideas on how to invest rather than having someone else manage your money, you can turn to online investment sites.

The Motley Fool Singapore is one of a number that provide free advice and also have subscription services, for instance, while Investment Moats is one of many sites that provide individuals’ insights on investing.

Banks and other financial platforms have come up with digital tools as well.

OCBC, for example, says its OneWealth app provides “the information you need to make the most of your investments”. Users can get equity insights and invest via the app in unit trusts, shares and Singapore government securities.

DBS says its Nav solution offers articles, videos and podcasts to guide your decision-making and actively analyse your financial health to offer personalised suggestions.

And upstarts such as Saxo Bank are rolling out intuitive investor platforms which use data about your risk appetite, news you read and portfolios to give timely information about investments.

These and similar firms here that offer digital solutions say they provide independent solutions and act in the interest of the customer.

Downsides, however, include the fact that you may not be able to talk with a person if you have questions and the actual financial advice is currently limited. Many robo-advisers are also new, so they have a limited track record

An alternative if you want to talk with a person is to find an independent financial advisor, albeit potentially with a fee. These people can offer a tailored experience and specialised expertise. To avoid the potential pitfalls, you should still to find out how they are compensated, what experience and credentials they have, and how they will educate you about investing.

Understand benefits and pitfalls

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Whether you choose digital tools for your investments or work with a financial adviser, you can benefit from the support, especially if your investment knowledge is limited.

It is important, though, to understand the potential benefits and pitfalls of the types of advice you may receive. The key, of course, is following through on your plan and investing regularly so that you can achieve your financial goals.