

READ THE DISCLOSURE STATEMENT CAREFULLY

Choice of investments

Some advisers offer a wider range of investments than others. Some specialise in certain types of investment. Some advisers only offer products they are paid to sell and may not suggest other investments that could suit your needs.

Check the Disclosure Statement and ask about the range of investments available before you decide whether to take their advice.

What it will cost you

You may have to pay an adviser:

- a fee from the sum you ask the adviser to invest;
- a brokerage fee if you buy shares;
- a fee for advice;
- a combination of these.

You may also have to pay fees to the fund manager or company that you invest in.

How an adviser gets paid

Advisers may be paid commissions by the investment product provider whose products you buy. Advisers may receive other rewards, such as bonuses, free software, or overseas trips.

When advisers are paid a commission for selling an investment product they may have a vested interest in recommending that product. Some investment products carry bigger commissions than others.

The arrangements for paying fees and/or commissions for investments vary greatly and some are very complicated.

Four main types are:

- up front commissions – paid by the funds manager or company to the adviser when you invest;
- trailing commissions – paid by the funds manager to the adviser each year you stay with that product;
- establishment fees – paid by you to the adviser based on the amount you invest;
- monitoring fees – paid by you to the adviser based on the amount you maintain as an ongoing investment.

An adviser must disclose the remuneration they will get if you follow their recommendations.

WHAT TO LOOK FOR IN AN INVESTMENT ADVISER

As well as giving you a comprehensive Disclosure Statement an investment adviser should:

- understand your financial circumstances and your investment goals;
- recommend investments that suit your needs and situation;
- explain the risks of an investment, as well as the possible rewards;
- explain the investments to you and answer your questions in plain English; and
- give you time to decide on an investment.

An adviser should not:

- make you feel embarrassed to ask questions in case you look stupid or naive;
- make you feel out of your depth so that you give up trying to understand, and rely unquestioningly on their advice; or
- encourage you to move money from one investment to another, just so they can earn new commissions.

A good adviser should:

- thoroughly understand the investments they recommend;
- understand the laws and regulations covering investments;
- be able to recognise scams and illegal investment offers; and
- prepare an investment plan that suits you.

ADVISER ASSOCIATIONS

Some advisers belong to professional associations that require them to have certain qualifications. Members must also abide by their association's ethical standards. An adviser must tell whether they belong to an association and you might like to take this into account when choosing an adviser.

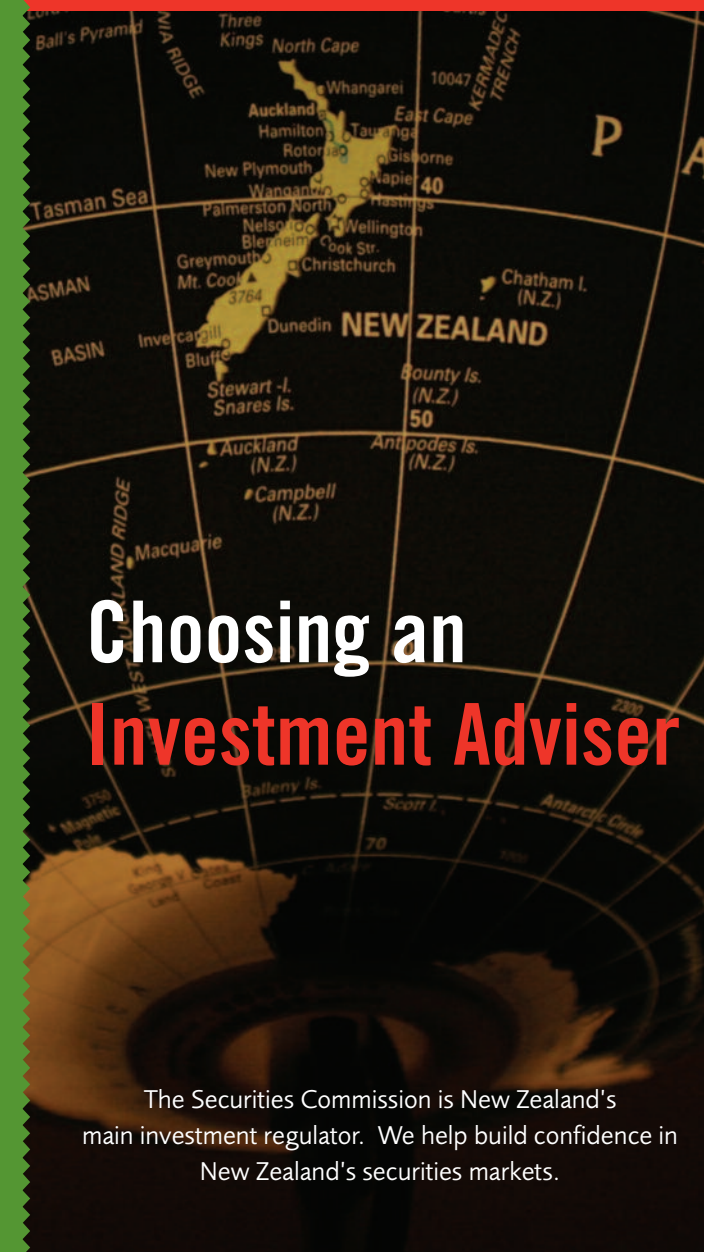
HOW TO CONTACT THE SECURITIES COMMISSION

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2008

SECURITIES COMMISSION
NEW ZEALAND
Helping **people** make **better investment decisions**

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Choosing an Investment Adviser

The Securities Commission is New Zealand's main investment regulator. We help build confidence in New Zealand's securities markets.

It's your money. Invest only when you understand the investment and the risks involved.

Some people are happy to make their own decisions about investing. Others prefer to get help. If you want help with investing you can consult an investment adviser.

This brochure explains who offers investment advice, the rules that apply to them, and what an adviser must tell you before you pay any money.

WHO GIVES INVESTMENT ADVICE?

Many people including financial planners, financial advisers, share brokers, and some accountants and lawyers offer investment advice.

The key is to find the best investment adviser for you and your circumstances. This brochure explains what an adviser must tell you and what to look for in an adviser. It will help you decide on the best adviser for you.

RULES FOR INVESTMENT ADVISERS

An investment adviser is someone who gives advice on investing as part of their job.

In New Zealand anyone can be an investment adviser. They don't need any special qualification and don't have to be licensed (except share brokers who are licensed by the District Court).

However, advisers do have to comply with the law by giving you a Disclosure Statement which tells you about themselves, the investments they advise on, and how they are paid.

The Disclosure Statement must be in writing, be dated, and give the contact details of the adviser.

It must be given to you in person, or sent to your postal, email or fax address. It is not enough for an adviser to refer you to a website for the Disclosure Statement.

You must be given the Disclosure Statement before the adviser gives you investment advice and before you pay any money.

WHAT AN ADVISER MUST TELL YOU

Information about the adviser

The Disclosure Statement must include:

- the adviser's qualifications and experience for giving investment advice; and
- whether the adviser
 - is a member of a professional body;
 - has professional indemnity insurance;
 - has facilities for resolving disputes with clients.

It must disclose if the adviser has criminal convictions in their professional capacity, or has been:

- made bankrupt;
- prohibited from managing a company;
- placed in receivership or statutory management; or
- prohibited by a professional body.

The types of investment an adviser gives advice on

The Disclosure Statement must state the types of investment the adviser gives advice on. These include securities such as shares, unit trusts, group investment funds, time shares, superannuation schemes, life insurance policies, contributory schemes, and deposits with banks, finance companies and building societies.

If, for example, the adviser only advises about life insurance policies, then the Disclosure Statement must state this. Also if the adviser gives advice only on investments offered by particular investment product providers, the Disclosure Statement must state this and name each provider.

Fees charged by the adviser

The fees you will be charged for investment advice must be stated. For example:

- the hourly rate, if the adviser charges on an hourly basis;
- the way the fee is calculated, if the fee is based on the amount invested;
- any costs that will be passed on to you e.g. brokerage.

The Disclosure Statement must say when fees are to be paid.

The adviser's interests and relationships

The Disclosure Statement must state any remuneration the adviser will receive from anyone other than you in connection with the advice given. For example:

- commissions from the investment product provider;
- bonuses;
- soft commissions e.g. overseas trips, goods, sponsorships; and
- support services, e.g. software and technology services.

Relationships that the adviser must disclose include:

- a family connection or business relationship with another person connected with the investment;
- a business relationship with the investment product provider;
- any relationship with a person who could influence the advice the adviser gives you.

If no relationships or remuneration need to be disclosed, the adviser must state that there is no interest or relationship likely to influence the advice given.

Investment brokers

An investment broker must give you a Disclosure Statement before you pay any money to them to invest for you.

It must say if the broker has criminal convictions in their professional capacity, or has been:

- made bankrupt;
- prohibited from managing a company;
- placed in receivership or statutory management; or
- prohibited by a professional body.

A broker's Disclosure Statement must explain the procedures for handling your investment money or investment property, including:

- how you are to pay money to the broker;
- how you are to deliver property to the broker;
- the arrangements the broker has for holding your money or property in trust;
- records that will be kept and how you can access them;
- whether or not the broker's handling of client money is audited; and
- how, if at all, the broker can use your money or property.