HERE'S SOME ADVICE

To avoid disaster, read it, grasp it or just don't sign

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Comment

Before you agree to implement advice given to you by a financial planner you must be given a document called a statement of advice or SOA.

Near the end of the SOA there will be a page headed Authority to Proceed. This page will have a list of statements about the circumstances in which the SOA has been given to you. If you sign this page you are both authorising your financial planner to implement the advice set out in the SOA and are saying that the statements are true. The statements are put in the SOA to help financial planers defend claims made against them by their clients. It seems an obvious thing to say, but before you sign, you must read the statements and if they aren't true you must not sign. However, I often see clients who sign even though the statements are clearly wrong. Doing this makes it a lot more difficult to successfully claim against your financial planner, whatever the real merits of your claim.

In reading the statements you need to look out for some important issues.

Make sure that you have actually been given an SOA. Some clients are just given an authority to proceed page to sign and never receive an SOA. The SOA is an important document which can help you but can also be used against you if you complain about your financial planner. You should never agree to implement financial advice until you receive an SOA.

Don't sign unless you have actually read and understood the SOA. Poor financial advice will have disastrous consequences for you. You should never agree to financial advice being implemented until you understand what you are doing and the risks you are taking. That means that you must read and understand the SOA.

It is important that the advice in the SOA is the same as the advice given to you prior to receiving the SOA.

Make sure that what the SOA says about you and your financial circumstances is correct.

You should be sure you understand the qualifications that apply to the advice set out in the SOA. Often an SOA will contain detailed information about what your future returns will be, but there will be a statement that says that you cannot rely on these projections. You need to think carefully about the implications if it those projections are wrong.

The SOA may have a document called a Product Disclosure Statement (PDS) attached to it. There will be a statement that you have received and understood the PDS.

The PDS explains how the financial product referred to in the SOA works and explains the risks associated with the financial product. The fact that this information is in the PDS will be used as a defence in just about every claim that is made against a financial planner.

You must actually read and understand the PDS. Clients almost never do so and if they try they don't understand what they are reading.

If you can't understand the PDS, you need to think very carefully about whether you should be buying the financial product.

Whatever you do, you must get your financial planner or someone else to explain what the PDS means before you sign the authority to proceed.

■ David Huggins is a lawyer who specialises in resolving disputes about poor financial advice