

What's your money on?

Financial planning? Or some simple financial advice? Suzanne Allen of Heritage Financial Advisers explains the difference between each

It can be tricky to get good financial advice and that's primarily for two reasons: not selecting the right advisor for your specific requirements, or not taking any professional advice.

We are frequently asked to explain the difference between a financial advisor and a financial planner. With a financial advisor, there is usually a product sale involved but a financial-planning specialist will determine a plan, based on the client's objectives, that meets long-term goals and assists clients to form a clearer picture of their situation now and for the future.

A fee-based approach is the best way to ensure you have received truly impartial advice. While most IFAs are independent and aim to act in your interests, they may not always consider how a product meets with your long-term goals. Commission-based advisors rely on selling a product to earn a living, so it's difficult for them to be seen to be impartial, regardless of their best intentions. There is huge confusion regarding the various titles for financial advisors but the fundamental thing is, if you seek advice it should be impartial and this can only be proven via a fee-based rather than commission-based advisor.

Reactive or long-term?

It's a bit like the difference between an NHS dentist and a holistic private practitioner. The former is qualified to provide dental healthcare and does so on a primarily reactive basis, while the latter, an equally qualified practitioner will assist patients by assessing their current position and creating a strategy to achieve their long-term objectives.



A financial planner will work with you to clarify your priorities in any catastrophic situation

While a financial advisor can be defined as an IFA qualified to give financial advice on life assurance, pensions, investments, and other financial products; a financial planner is a qualified professional who works in partnership with you in the realisation of longer term goals. Whether it's dentistry or finance, the key difference is the long-term nature of the planning versus the reactive and – in the case of many financial advisors – the transaction-based approach.

Making a plan

Dentists would and do benefit from independent-financial-planning advice. The difficulty often comes at the initial stages when they want to be convinced of this. In our experience, there are three main objectives to working with a financial planning partner which we will deal with now.

Most financial advisors still rely on commissions to earn an

income and are dependent on selling products to make a living. If you aren't keen on this option, you could consider using a financial planner who charges fees either by the hour or who specifies a fixed cost for a specific project. While you should always be prepared to negotiate these charges, by working with a fee-based financial planner you can ensure that the fee you agree reflects the work.

Trawling the internet and finding competitive deals is easy enough, but are they the best products for you? For example, a number of specialist companies such as Dentists Provident Society for Income Protection will not come up in all the 'Best Buy' tables. And what are the underwriting approaches of these companies? Do they entice you through the door with the lowest premium, only to double it or even refuse cover when you disclose that harmless birthmark you asked your GP to check out 15 years ago?

Working out priorities

A financial planner will work with you to clarify your priorities in any catastrophic situation, such as the death or ill-health of you or your partner, and come up with a strategy that will take into account your future needs, your existing assets and liabilities, and your current insurance policies. They will meet you each year to review your strategy and assess if your current investments and policies continue to be appropriate and to represent the best value. They will also take away the administrative burden from you and look after the underwriting. Most importantly, a financial planner will structure the cover so that if a claim does occur, the policy proceeds will end up in the right hands at the right time. A policy that doesn't do what it's designed to do is as worthless as being uninsured.

Pick your own

If you like to choose your own investments, we have many clients who take a great interest in this and like to actively manage their pension and ISA portfolios. However, a financial planner still has a very important role to play to ensure that the vehicles you use for your investments are the most suitable and this will depend entirely on your personal position.

Thanks to the superb NHS pension scheme and the profession's excellent earning capacity, a dental specialist may be a higher-rate tax payer for life. Yet the spouse may have little or no income. A financial planner will work with you to identify and reap financial advantage wherever possible and

by utilising specific software packages, we can model things like cash flow and investment schemes to demonstrate the impact of certain decisions in the long term. These calculations take into account how much money you have now, how long you might live, future income and outgoings, and allow for inflation to create a plan that is adaptable to different situations.

The use of this specialist software helps clients to see how changes in circumstances and decisions can impact the future. They offer a degree of confidence that does not come from simplistic financial advisors or a 'do-it-yourself' approach. [DT](#)

About the author



Suzanne Allen

is managing director of Heritage Financial Advisers; a team of independent, fee-based financial planning specialists dedicated to the dental sector. She has over 12 years experience in the financial-planning industry, having spent half this time working with dentist clients. Suzanne holds a diploma in financial planning and possesses specialist knowledge of pensions, taxation and trusts.



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