Do I ask an accountant or financial planner?

A recent survey we conducted suggested 60% of people that do not have a relationship with a financial planner went to their accountant for financial advice. Another survey I read a few months ago said that accountants are the most trusted advisors we have. Therefore, it stands to reason that accountants would be one of the first people we turn to for financial advice. However, when do you need a financial planner? Can an accountant answer all financial questions you may have?

I'll make one thing clear right from the start. The intent of this article is not to 'bad mouth' accountants or financial planners. The reason I wrote this article is because people are often confused about whether to go and see an accountant or financial planner. Hopefully, I can highlight some of the pros and cons of the roles of each professional.

Role of accountants

The traditional role of an accountant is to prepare your accounts and complete your tax returns at the end of each financial year. Often, due to busy workloads, many accountants spend most of their time focusing on the financial past and present – and very little time thinking about the future. This is not meant to be a criticism of accountants, as most of them are doing their best and there are only so many hours in the day. Proactive planning for the future isn't necessarily a role filled by all accountants.

Role of financial planners

A financial planner's role is very different to an accountant. Firstly, let me define what I mean by financial planner. To me, a financial planner is someone who spends most of his time working with clients to develop a good financial strategy and proportionally less time on 'tactics'. Advising someone to tax-effectively divert income into a family trust to invest in shares is a strategy. Selling someone a new "high-growth, capital guaranteed investment with 100% gearing" (be quick because there are only limited funds available… need to invest today. You've heard it before!) is a tactic, not a strategy. Too many "financial planners" spend their time on tactics (i.e. selling products) and not nearly enough time on strategy. Therefore, in this article, I am going to assume that a financial planner is someone who focuses on providing strategic advice.

A financial planner's role is very much to look out into the future and plan for expected events. They shouldn't spend a lot of time thinking about the past and the present (unlike an accountant). They also need to plan (as much as they can) for unexpected changes. Of course, by definition, we can't plan for unexpected changes because they are just that – unexpected. Therefore, more correctly, financial planners need to develop a strategy that is flexible enough to adapt to the constant 'change' in our lives.

For example, two mistakes we see

I would much rather see people seek advice from their accountant, than go to a "product-based" financial planner (product salesman). Many accountants tend to be independent, which is a good step in the right direction to receiving unbiased advice. However, here are a couple of examples of common oversights made by accountants:

- **Own an investment property in your personal name** – many accountants often recommend to their clients to own investment property in the highest income earner's personal name. The reason for this is so that they can save tax in the short term (negative gearing benefits). However, often, owning investment property in a discretionary trust can work out better from an after-tax perspective – particularly when comparing over periods of 10 or more years. Plus, there's the added asset protection and estate planning benefits. Structuring for short-term tax benefits only might not be the best approach.

- **Overusing Self Managed Super Funds (SMSF)** – SMSFs are fantastic vehicles that suit many people – particularly high net worth individuals. They can often be tax-effective structures. However, they aren't always the best way to go. There are some very cost effective, commission-free investment platforms and industry funds that can provide similar levels of flexibility in a cost-effective and simple manner. One common negative with a SMSF is the lack of strategic investment planning. People that manage their own SMSF often make ad hoc investment decisions. However, using a platform or industry fund often forces the investor to adopt an investment strategy.

Does your accountant know enough about property investing?

If you are a property investor and you are seeking advice from your accountant, please ascertain your

ProSolution Private Clients | National 1300 880 224 | Web www.prosolution.com.au | Email advice@prosolution.com.au

accountant's knowledge of property investing. I have heard accountants tell our clients "not to buy a property, because it doesn't have any significant depreciation deductions". Depreciation tax deductions alone don't make a property a good or bad investment. In fact, I would argue that large depreciation deductions suggest you've bought a property with a low land value component and that's probably a poor quality property.

By the way, the same applied to financial planners. They should have a very good knowledge of property and strategies too.

What about investment strategies, asset protection, superannuation, retirement and estate planning?

There is more to successful investing than just maximising your tax benefits. Accountants can be very tax focused (and so they should be as that's their job). However, a financial planner will consider many other areas including investment strategies, asset protection, superannuation, retirement and estate planning? Plus, they will make more longer-term decisions.

Accountants could be both however...

These days many accountants have financial planning qualifications and authorisations – I'm one of them. This often makes for a very well-rounded advisor (if I may say so myself!) and allows accountants to identify and appreciate financial planning issues. Unfortunately, some accountants harbour negative opinions of financial planners and can often disregard their concerns – maybe because of past bad experiences. However, a good financial planner (again, remember my comments above. I am talking about a strategic financial planner, not a product salesman) can create a significant amount of value.

I acknowledge that it's possible for a professional to be both a financial planner and accountant. However, in most situations, I think it's impractical due to the amount of continuing education required to stay at the top of your game. It would be difficult to maintain a good level of knowledge of both professions – which is why I don't practice accounting, only financial planning. In fact, in our practice each Advisor has a specialisation such as estate planning, insurance and so on, so that we can, as a team, deliver quality advice. We take this approach so we can spend adequate time and focus on professional development. Therefore, finding an accountant that does offer financial and accounting advice might not be the Holy Grail we expect.

If you're an accountant, don't send me an angry email just yet

This article might come across a bit 'anti-accountant'. I remind you that I'm a Chartered Accountant, so I do appreciate the role that accountants play. Accountants offer a very valuable service. The only point I want to make is that accountants are not financial planners. It might seem obvious, but it seems many people treat them as such. Financial planners will never replace accountants and vice versa. I believe the highest quality advice is delivered when financial planners and accountants work closely together to deliver holistic, well-rounded advice. This is important, as while tax strategies are only one element of an investment plan, they do often represent a material part of a client's strategy.

Interview with Stuart Wemyss on Foxtel

Click the link below to watch Stuart Wemyss' interview on the Business Channel's 'Read and Profit' show. Stuart was interviewed about property investing, lenders and his second book, *The Property Puzzle*.

>> Part 1 - Stuart Wemyss Interview
>> Part 2 - Stuart Wemyss Interview

Current Interest Rates

Basic variable (LVR < 65%)	5.95%
Offset ($700k—$1.1m)	5.94% (0.80% disc.)
Offset (> $1.5 million)	5.84% (0.90% disc.)
2 years fixed	6.69%
3 years fixed	6.99%
5 years fixed	7.79%
10 years fixed	8.24%

Rates current as at 01/04/10 and are subject to change without notice. Standard lenders terms and conditions

ProSolution Private Clients | National 1300 880 224 | Web www.prosolution.com.au | Email advice@prosolution.com.au