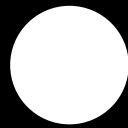




Financial **SAFEGUARD**



FINANCIAL ASSISTANCE: GETTING FINANCIAL ADVICE



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Words and meanings •

Bank

A bank is more than just a place to save money.

A bank is an institution. Banks make and receive payments on behalf of their clients. Banks accept deposits and offer loans and different types of banking products to clients.

Commission

Is the money that is paid to a Financial Advisor when they sell you a specific financial product.

Financial Services Provider (FSP)

An FSP is licensed and authorised by the Financial Sector Conduct Authority (FSCA) in terms of the FAIS Act to give financial advice or to provide you with intermediary services.

Policy fee

Is the amount that is added to your monthly insurance policy premium, a charge for handling your policy.



Where to get advice? ●



What FSCA does?

The FSCA is the market conduct regulator of financial institutions, that provide financial products and financial services, financial institutions that are licensed in terms of a financial sector law. This means that FSCA makes sure that these licensed financial institutions follow the law. Examples of these financial institutions include:

- Banks
- Insurers
- Retirement funds and administrators
- Market infrastructures

Responsibilities

Market conduct regulation and supervision.

Aim

- To enhance and support the efficiency and honesty of financial markets
- To protect financial customers by promoting their fair treatment by financial institutions
- To provide financial customers with financial education

The FSCA will further assist in maintaining financial stability in South Africa.



Online advice

There is a lot of information online that can help you with questions about your finances.

Banks

Bank staff can also be a good source of free factual information about ways to save such as in a savings account and/or term deposit accounts.

Employee retirement fund

Your employee retirement fund can provide factual information about investment options within your current situation.

Cost of Financial Advice ●



Thabiso

Betty is an authorised Financial Advisor.

Betty represents three different companies which offer similar life insurance products.

Betty gets paid commission when she sells these products.

Betty can earn more commission when she sells company A's life insurance policy.

Thabiso calls Betty for advice on which life insurance policy would best suit his needs.

Betty unfortunately behaves unethically by recommending company A's policy over the others.

Thabiso trusts Betty and decides to go with what she recommends. The policy from Company A does not meet Thabiso's needs.

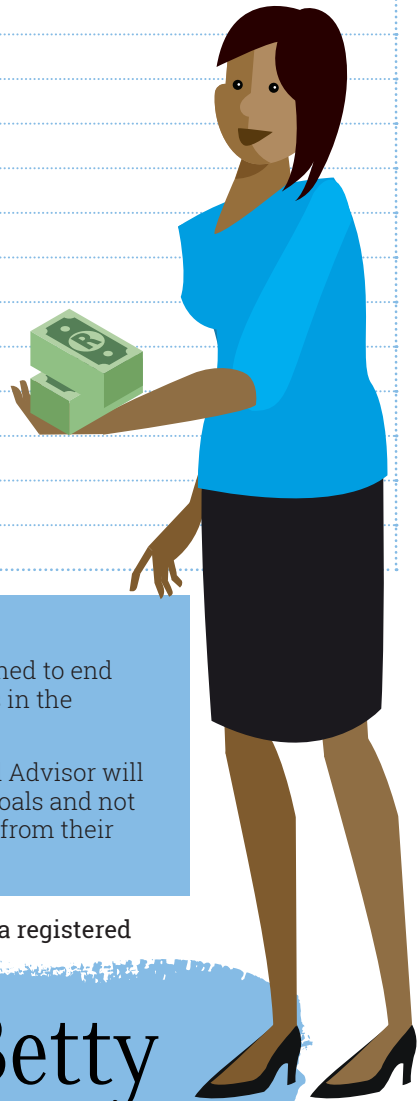
Thabiso does not know that the policy does not meet his needs.

Betty receives her large commission (pay out) from Company A.



What is wrong with this situation?

A large rectangular area with horizontal dashed lines, intended for writing an answer to the question above.



Retail Distribution Review

Retail Distribution Review (RDR) has been designed to end retail investors receiving bad financial advice as in the example of Betty and Thabiso.

If you pay for your financial advice the Financial Advisor will give you the best product to suit your financial goals and not the product that will give them the most money from their commission payout.

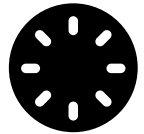
Note: Professional financial advice received from a registered financial advisor comes at a cost.

Betty

What you are paying for •



financial advisor





Do you know what you are paying for?

Commission

Commission is what your Financial Advisor gets paid for selling a product.

Fees for managing your investments

This is money that is taken off your investments by the investment house (the people managing your investment) and paid to your Financial Advisor.

Their time

A Financial Advisor will charge you an amount per hour for their time for servicing your financial needs and requirements.

Activity-based

A fee charged for each thing your Financial Advisor does for you.

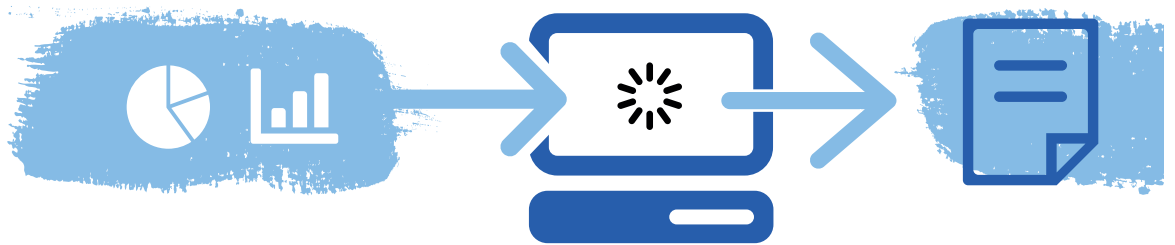
Retainer

You would regularly pay an agreed amount to your advisor to cover all fees, regardless of the time those tasks take to complete and how many tasks there are.

Robo advice •

What is Robo advice?

Robo advice is computer generated financial advice with **little** or **no human interaction**.



How does Robo advice work?

A typical robo-advisor collects information from clients about their financial situation and future goals through an online survey, and then uses this information to offer advice.

What if I need to speak to a human?

Most robo-advisors offer access to a call centre if required, but the help provided is limited in nature.

Questions

&

Answers

1. **What is the difference between a Financial Advisor and a Financial Services Provider?**
2. **What if I need to speak to a human when receiving robo advice?**
3. **What does RDR focus on?**
4. **What is the risk of not using an authorised Financial Services Provider?**

A Financial Advisor can work independently or for a Financial Services Provider like an insurance company for example.

Both have to be authorised and licensed to provide you with financial advice, services or products.

Most robo-advisors offer access to a call centre if required, but the help provided is limited in nature.

RDR stands for Retail Distribution review and focuses on enforcing certain rules for Financial Advisors with respect to financial products and financial advice.

You may purchase a financial product that is not suited to your needs, goals or budget. You will then take on the responsibility for what could be very complex and financially risky decisions. You also run the risk of losing your hard-earned money.

Notes ●

A series of horizontal dotted lines for writing notes.

Notes ●

A series of horizontal dotted lines for writing notes.



Getting Financial Advice



The purpose of this booklet is to help you identify the different forms of financial advice.



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