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Ask an expert - Investing

Is my adviser making investments work?

This is Money
31 January 2008
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How do I know if my financial adviser is making our investments work? We have investments of more than £250,000 but over the past six months we have lost over £23,000?

We are aware markets are unstable at the moment especially for commercial property. Who can we turn to for advice if we are no longer sure of our financial adviser?

*We are seriously thinking of withdrawing from our investments and putting it in a bank account where we would at least be making a small profit rather than a large loss. **B.R., Co Down***

Peter Chadborn, principal at CBK Colchester, an independent financial adviser says: This will depend upon the service agreement that you have with your adviser.

When they made their investment recommendations, there should have been dialogue about their management style and the degree of attention which your investment was going to receive. As an example of two opposing investment styles; they could either adopt a passive or active management method.

The former means that they select funds which track a particular index. This is a low cost option which requires very little ongoing management. In other words, your investment performance is largely reliant upon the performance of the selected index.

For the latter style, they would advocate the creation of a portfolio of selected funds. This option will incur more management costs because you are benefiting from the skills of fund managers. With either approach, you should have a well diversified portfolio with your 'eggs in many baskets'.

Your adviser should have had a thorough understanding of your attitude to risk, your timescales and your overall objectives. These will require reviewing periodically to ensure that everything is on track. In uncertain times such as these, I would expect your adviser to provide communication and reassurance.

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If you are uncertain of the degree of attention that your investment is getting, one very good indicator is the method of remuneration which your adviser received when the investment was set up.

If this was transparently disclosed and agreed, feels fair and ongoing remuneration is being received, then you can expect that they are monitoring your investment because they are being paid to do so. However, if all the remuneration was received upfront by way of a disproportionately large commission then regrettably, it is unlikely that there will be much on-going service.

Investments should be benchmarked to keep the performance in context. Your investment appears to have fallen approximately 9% in the last six months. Some sector averages over the same period have fallen as follows: Global Growth 5%, UK All Companies 7.8% and Balanced Managed sector average 4.3%.

I would urge you not to make any rash decisions without either requesting a review from your existing adviser or seeking the services of new one. Markets will recover. The biggest unknown factor is time. If time is on your side then, providing the structure of your portfolio is in keeping with your risk profile, the advice will probably be to ride out this period of volatility.

However, if your investment timescales are relatively short then a re-structure could be in order. I would recommend www.unbiased.co.uk to seek out a local **independent financial adviser**.

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