



Rob Carrick: Just 6 per cent of clients say their adviser provides this vital service

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There's a bigger problem in the investment advisory business right now than the bad returns your portfolio produced last year.

The unusual twin drops in the stock and bond markets last year hit portfolios hard, and investors are unhappy about it. The analytics company J.D. Power reports in its 2023 Canada Full-Service Investor Satisfaction Study that satisfaction levels are down 17 points from last year to 652 on a 1,000-point scale.

It's natural to question your adviser when your investment returns disappoint, and there's no doubt that deft advisory input could have blunted the worst of last year's decline. But we need to focus on a bigger issue in the advice business that was highlighted by J.D. Power.

The company's investor satisfaction survey was based on responses from 4,803 investors who work with a full-service adviser. Only 6 per cent of these investors were receiving comprehensive advice and service from their adviser. Comprehensive advice was defined as providing personalized guidance covering all financial investing needs, understanding client lifestyle and goals, putting client interests first, providing a financial plan and making sure clients understand the fees they pay. The net result of this relationship should be that the adviser is a key part of the client's life.

That's a lot for an adviser to deliver. And, let's be realistic about the typical adviser's division of labour. Small accounts are not going to get the J.D. Power version of comprehensive advice in most cases. But it does seem as if a lot of advisers are mostly about handling investments, which puts them directly in the firing line of their clients in bad years for the markets.

Only 57 per cent of full-service clients said they had a financial plan from their adviser, and 38 per cent of investors who actually have a plan don't think their adviser understands their goals and needs. An even more alarming finding is that 43 per cent don't agree their adviser's recommendations are in their best interest.

In assessing returns last year from your account with an adviser, ask these questions

- Were short-term bonds or bond funds recommended to limit the damage in the bond market?
- Were guaranteed investment certificates mentioned as a bond alternative?
- If you have cash on hand, has it been earning a competitive rate of return?
- Are your stock holdings well diversified and not focused on guesses about best-performing sectors?
- How did your returns vary from the benchmark stock and bond indexes applicable to your holdings?

Next, move on to the more important question of whether you're getting comprehensive advice. If you are, you almost certainly know the story of why your portfolio performed the way it did in the tough times of the past year or so.

J.D. Power ranked 15 investment companies by customer satisfaction. Edward Jones was the top-ranked company with a score of 699, while Raymond James and National Bank Financial were next at 697 and 677.

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