BRINGING YOUR FINANCES INTO LINE

■ **John Campbell, South Africa's top financial adviser of 2008, knows that the secret of success for flyfishing and retirement planning is the same: be patient and diligent, and avoid sudden reckless moves, which are likely to end in a dousing of cold water. Neesa Moodley-Isaacs chatted to him.**

WHAT DO YOU ENJOY MOST ABOUT YOUR WORK? EVERY DAY people from all walks of life come to see me for advice on their finances. When people arrive at our offices they are generally a little anxious. It's wonderful to see that after we run through the financial planning process with them, they leave our offices in a totally different frame of mind. A large part of what I do involves educating my clients, and that is really rewarding.

What advice would you give your children when they start their first job? I would recommend they join the company retirement fund and medical scheme if these benefits are available. They should then immediately get used to putting at least 10 percent of their salary into savings each month.

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>> In the current economic climate, many people are finding themselves over-indebted. What is your advice? Although it can be a very difficult move to make, they will have to cut back on expenses. This may even include selling their car or their house and going for something smaller and cheaper. It is very difficult to consolidate smaller expenses, but the extent of the client's over-indebtedness would also play a role in deciding how to move forward. If it is largely smaller debts that are causing the cash flow problem, then a good starting point would be to start settling your debt, starting with the debt with the highest interest rate.

Is your practice fee-based or commission-based? What are your views on the two different methods of billing clients? We are a fee-based business. This compensates us for looking after your financial affairs, because we earn a fee per consultation. Commission is generally only upfront or spread over a few years and this does not justify us looking after your affairs for the longer term.

What are the typical fees you would charge? We do not charge a fee for the first meeting. Following the first meeting, a client would sign a contract if he or she wanted to engage our services. On implementation of their financial plan, they would pay us a R14 000 implementation fee, which would cover the cost of drawing up the plan and the following four to five meetings. Our ongoing fee would be negotiated based on the service levels required and the size of the client's investments.

What are your criteria for accepting a client? I have specialised in retirement planning. Within this area I focus on the actual retirement plan and following through with the implementation of the plan. In this process we address estate planning, as well as investment and tax planning. I personally work only with people who are nearing retirement, or who are at retirement or in retirement.

However, our business caters for all financial planning needs and if a client does not fit my profile, I would refer the client to someone in the business who can assist him or her.

How would you advise a client who is about to retire? As a starting point, you should have a comprehensive financial plan drawn up. Then you work through the plan and establish what needs to be implemented.

A financial plan is not an investment proposal – it should address your lifestyle goals and objectives.

From your plan you will have established what your investment requirements are, and you will have a good idea of what returns you need to achieve on your investments.

You should obtain opinions from at least three reputable advisers and make a decision on which adviser to use based on your experience with them.

When you invest your retirement savings, it is important to view it as a long-term investment and not allow yourself to be swayed by short-term economic influences on the market.

How have you planned for your own retirement? I have a provident fund at work that is compulsory for all our staff, and I also save a set percentage of my salary every month. I put this money in various investments.

A provident fund has fantastic tax benefits. Essentially, if I pay, for example, R1 000 a month into the fund, my net pay cheque is reduced by only R600. So I only take home R600 less and the South African Revenue Service pays the balance of R400. This is 40 percent of the contribution, which is the marginal tax bracket I am in.

According to my financial plan, my retirement investments must aim to beat inflation by five percent during my working life in order for me to enjoy the retirement I have in mind, so I have selected a fund with this return.

I invest my discretionary money in unit trusts and a share portfolio.

Our staff have a choice of contributing between five percent and 20 percent of their salary to their retirement fund. The reason for this is that everyone is in a different situation regarding their retirement savings. Some may have preserved their previous pension or provident fund savings, while others may not have done this.

Your financial plan will show you how much you should be saving towards retirement. I am paying 10 percent of my salary into my retirement fund because that is what is required if I want to meet my retirement objectives.

Do you have your own financial adviser and how often do you review your financial plan? When we started the business, my business partner, Barclay Hoar, and I agreed that we would look after each other's financial plan. I aim to have a full review once a year, but having four children and making a number of changes within the business over the past several years have resulted in several reviews within the year.

Do you think the recent black economic empowerment share offers by MTN, Sasol and Vodacom represented good value for money? Buying a share in a single company is a higher risk than buying into a basket of shares. It is important that investors are aware that if the share price goes down, they run the risk of losing money. These types of offers do have a place in investment portfolios, as long as investors are fully aware of the risk involved. These are blue-chip shares and you should look at


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PROFILE

JOHN CAMPBELL, THE WINNER OF THE 2008 Personal Finance/Financial Planning Institute Financial Planner of the Year Award, specialises in retirement planning.

Campbell obtained a Bachelor of Commerce from Rhodes University and then joined Southern Life as a financial consultant before obtaining a Certified Financial Planner accreditation in 1995.

He set up his own business as a financial planner, and five years later merged his business with that of another financial adviser, Barclay Hoar, to form Chartered Wealth Solutions. He employs 30 staff and is also a director and shareholder in Chartered Employee Benefits and Kapara Insurance Brokers, which deals with short-term insurance.

Campbell was a finalist in the Financial Planner of the Year competition last year.

He has been married to Angela for 10 years. When he is not helping his clients make sure they are financially secure in their retirement, Campbell has his hands full with four young children, ranging in age from one to eight years. In his precious spare time, he enjoys golf, tennis and flyfishing.

holding them for the longer term.

Where would be the best place for a medium-term investment that would take advantage of high interest rates? Although interest rates are high at the moment, so is inflation. Your investments should always aim to beat inflation after tax and costs. In the medium term (three to five years), I would recommend you invest in a fund that aims to beat inflation by three to four percent. This investment should have an equity exposure of about 25 percent.

What would you consider a poor investment? I would consider any investment where you are not beating inflation after tax and costs over the medium to long term to be a poor investment.

What is the worst investment you have made? Although a car is not an investment, my worst financial experience was buying a Mercedes Benz at its trade-in price from my father. I assumed that a trade-in price was a good price to buy at and I bought the car for R270 000. But a year later, after doing only 10 000km, I sold it for R180 000. It was a real waste of money.

What is the best investment you have made? In my first year out of university in 1994, I formed an investment club with 10 friends. We each put R100 a month on the stock market. We only broke even after seven years because the end of the nineties was not the best time for the stock market, but we have seen returns of more than 50 percent a year over the past six years. I know this is not sustainable, but it has been a fantastic investment over the term that I have held it.

As the winner of the Financial Planner of the Year award, you can choose to attend an international financial planning conference. Have you decided where you want to go? I have decided to go to the Financial Planning Association's annual conference in Boston. I spent some time in Australia last year visiting some of their top financial planning practices and have not been to the United States for 22 years. They have many great financial planning businesses, and I am sure I >>

>> will learn a lot from the experience.

What problems can you identify in the local financial planning industry? You need to distinguish between the greater industry and the financial planning industry. Not every adviser can class himself as a financial planner, so when you say "financial planning industry" I feel you are referring to the select few who have embraced this concept and are true financial planners.

From a greater industry point of view, my foundation in the industry was in insurance sales. What I disliked most about my job was that you were rewarded for sales only.

Due to the nature of the remuneration structure in the industry, advisers often see the big carrot of commission as their incentive and therefore advise their clients incorrectly in order to maximise their own earnings. Fortunately, current draft regulations should resolve this problem in time to come, but we still live with the problem of sales.

I have a few friends working for the big life assurers who still have big white boards outside their offices with production figures and where they are positioned for the month. I still receive emails from life assurers informing me how much more "production" I have to do to get to "gold status" and qualify for incentive trips.

Getting new people to join the industry is also difficult. In the past, this involved dangling the huge commissions carrot, but people who join the industry now will need to start on salaries. Previously, it was possible for financial advisers to get a salary that was structured as an advance on their commission, and this was treated as a loan.

Another problem is that many of the product providers still produce products based on people's emotions, and I find this often causes clients to stray from their financial plan.

How do you think these issues could be resolved? Focus needs to shift from product distribution, production and commissions to ensuring that every client has a financial plan. The financial plan should be the product. Once the financial plan is in place, financial planners can go about sourcing the most appropriate investment and insurance to ensure that the key areas of the financial plan are addressed.

What should consumers expect from their financial planner? The Financial Planning Standards Board in the US has put together a competency profile for a financial planner. It breaks up a financial planner's functions into three categories: abilities, professional skills and knowledge. It is the combination of these three categories that defines a financial planner's performance as competent. I would recommend that everyone – financial planners and clients alike – read this document. It is available on the Financial Planning Institute website, www.fpi.co.za

How would a consumer go about reporting a financial planner who has acted fraudulently? There are two complaint routes you can use. If it is urgent – if you feel the adviser's actions are fraudulent or could affect other people – your first action should be to lodge a complaint at the Financial Services Board. You can contact it on 0800 110 443 or visit www.fsb.co.za. You can also send complaints to Charles Pillai, the Ombud for Financial Services Providers. You can contact his office on 0860 324 766 or info@faisombud.co.za

When you were growing up, what was your dream career? My dad is a chartered accountant and has spent his whole working life in big corporates. I aspired to be like him and my intention when going to university was to become a CA, but I quickly learned that accounts were not for me. As a father of three little boys myself, I am now well aware of how little boys aspire to be like their dads.

What book are you reading? I have just finished reading *The Speed of Trust* by Stephen Covey. Although it has value for everyone, this book has been especially helpful to me because trust between a financial planner and his client is so important.

Do you and Angela set a budget and do you stick to it? We do have a budget that we stick to quite religiously. I have found that adopting the wants versus needs philosophy has made it much easier to stick to our budget. It is generally the wants that take you off track.

Would you use money in an access mortgage bond to buy a car? I feel that you should only buy a car that you can afford to buy. Using your access bond may be one way of doing it and is probably the better way because you would be paying cash.

However, you must have the discipline to pay back the loan on the bond over four or five years and not over 20 years. It is a better option than falling for a fancy car lease option, but you need to consider the different interest rates on the two options. You should also take your self-discipline into account.

What made you take up the sport of flyfishing? My dad bought shares in a trout farm about 17 years ago and I've been hooked ever since. I go fishing about four times a year, although it's not quite as peaceful as it used to be when you have four young children tearing around! We often go out to Dullstroom or the Drakensberg. I'm quite chuffed because my six-year-old son seems to be getting the hang of it and recently caught his first fish. ❑