Taking the leap –
10 vital questions you should ask wealth managers before investing

There are hundreds of wealth management businesses in the UK that will recommend an investment portfolio for your investible cash. However, far from being replicas of each other, each of these operations will specialise in different client types and offer different propositions where, service, solutions, costs and investment philosophy can all vary significantly.

With these differences in mind, choosing the right outfit becomes a much more complicated process than simply picking the one that charges the least for its services. Here are some key questions that will help you to identify whether a wealth manager can provide a service that meets all of your needs.

01 What's the background to your business?

02 What can you tell me about your team?

03 How will you help me to achieve my financial goals?

04 How do you invest?

05 What is your investment style?

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1. What's the background to your business?

Wealth management companies range from small boutique outfits to large operations. A key difference will be if they offer independent advice, selecting suitable products from the whole market or if their service is restricted to one or a few providers. Useful areas to examine are when the organisation was established and who owns it, as this could provide some insight into the longevity of the business into the future.

It is also critical that you know how they manage your investments; on an advisory or discretionary basis. In the case of the former they will need to take your instructions before making any changes, while discretionary managers agree an initial mandate and they are then able to make changes in accordance with that mandate, without seeking permission.

2. What can you tell me about your team?

The first area to look at here is how the company remunerates its employees. If you discover that the person you have been in contact with is mainly incentivised for taking on new clients, it could alter your perception of their pitch.

Beyond pay, it is also vital that you get a sense of how qualified the money managers are at any given wealth management operation. Regulations stipulate that all investment managers must have achieved a base level of qualification.

3. How will you help me to achieve my financial goals?

An important part of this relationship will be how the wealth manager creates a solution, which fits your needs. To that end you should be asking about the process they go through to make a recommendation. Features to look out for are a free discovery meeting or fact-find, where they will ask you detailed questions about your financial circumstances, needs and objectives.

It is extremely important that their service includes a process to assess your personal tolerance for investment risk, capacity for loss and investment experience. The results of this are critical to ensure any investment solution meets your expectations.

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5. What is your investment style?

Wealth managers commonly favour one particular style but some will take a blended approach. The two most popular styles are active management and passive investing.

Active management is a process where the managers of collective investments, make decisions on the companies or other assets in which they invest. The decisions are made as part of a structured investment process.

Passive investment is a style that simple tracks a market or index. Investors in these holdings will broadly experience performance that replicates the market they are tracking, such as the FTSE All-Share index. There is no human intervention and as a consequence the cost of these investments is lower than active funds.

6. What is your asset allocation strategy?

Regardless of how your money is invested you must make sure you understand the asset classes to which you will be exposed. This is important for two reasons.

Firstly, different asset classes have various risks attached to them – for example, equities are seen typically as riskier than bonds.

Secondly, spreading your money across different asset classes ensures that your portfolio is diversified. This means that your investments will perform independently of each other rather than rising and falling at the same time. For this reason, diversification can be a great way of reducing what is known as 'concentration risk' in your portfolio.

7. Do you provide a regular review?

Your circumstances and needs will change over time. External factors can impact even the most carefully designed investment solutions. It is therefore important to understand what process is in place to check in with you to ensure the continued suitability of your investment.

8. Can you evidence long-term performance?

Although an investor may be impressed by a wealth management firm's asset allocation process and downside protection methods, these points mean very little if they have consistently delivered underwhelming returns.

Whilst past performance is not a guide to future returns, potential clients should ask a wealth manager for an assessment of their historical investment performance to judge returns but also the track record through volatile conditions.

9. What is your approach to client management?

You should have a clear idea of how a wealth manager keeps in contact with their clients. Investing your money wisely and profitably is one thing, but being there for you when you are concerned about a market issue or want to know how your portfolios are performing is another.

Areas to look at here include who your main point of contact will be whether a client relationship manager or an investment manager. You should also find out if you can monitor your investments online and how often you will receive written valuation statements.

10. How much do I have to pay for your services?

Finally, and arguably most importantly, you must find out exactly how much a wealth management business will charge you and what for. Authorised advisers are required to provide a disclosure of costa before you make an investment and then every twelve months. Generally fees breakdown into the 'product charges' which relate the costs associated with holding an investment such a unit trust and 'service charges' which can include custody charges, advice costs and an investment management charge. You should certainly make sure you are aware of any fees that would arise if you encash all or part of your portfolio.

If you want to know more or have any questions on the information provided, contact us on:

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You can also email us at **enquiries@church-house.co.uk**