Who's Who in Financial Advice Services

A range of financial advice services are available, many with similar names. However, each has a specific focus and varying levels of expertise. Some services are free; others have hefty fees attached. It is important to choose the service that best meets your needs and to be aware of the pitfalls. Following is an explanation of the various services.

Financial Counsellors

Financial counsellors provide advice and support to people in financial difficulty. They usually work in community organisations and their services, which are largely government funded, are free, independent and confidential.

Financial counsellors have an extensive knowledge of a range of areas of law and policy, including consumer credit law, debt enforcement practices, bankruptcy, industry hardship policies and government concession frameworks. Financial counsellors are required to work in your best interests. They do not provide investment advice, sell products, or receive any commissions.

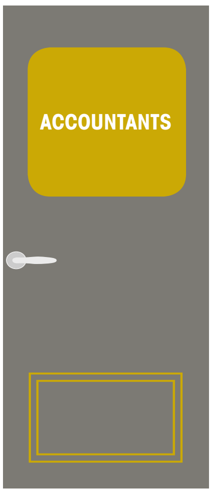
Financial counsellors can negotiate repayment arrangements with creditors; explain the options for tackling debts; explain the effects of bankruptcy; and explain how debt collection works. They can represent people in disputes with industry and in complaints resolution processes (for example, industry ombudsmen). Financial counsellors have a minimum qualification of a Diploma of Financial Counselling. They must be eligible for membership of their state financial counselling association. Among other things, this requires ongoing training and meeting accreditation standards. Visit the website.

Financial Advisers/Planners

Financial planners/advisers work with people with money to invest. They are paid by the fees they charge clients, commissions, or in some cases both.

The government regulator ASIC advises people to look for a planner with a diploma, an advanced diploma or a degree in a relevant discipline such as finance, economics, accounting or financial planning.

ASIC's Financial Advisers Register lists qualified financial advisers; where they have worked, their qualifications; their level of training; their memberships of professional bodies; and what products they can advise on. See also Financial Planning Association of Australia website.



Accountants

Accountants prepare tax returns but can also offer other services. To prepare tax returns, accountants must be registered with the Tax Practitioners Board. Check the tax and BAS agent register to see if your accountant is registered.

If accountants have an Australian Financial Services (AFS) licence they can offer investment advice. ASIC's Financial Advisers Register documents which accountants also have an AFS licence.

Accountants must have appropriate tertiary qualifications and be a member of a professional association such as the Institute of Chartered Accountants in Australia, Certified Practicing Accountants Australia and the Institute of Public Accountants.

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Debt Management Firms

This catch-all title includes various services for which people pay a fee. The services include credit repair; personal budgeting; debt negotiating; and arranging debt agreements. Financial counsellors offer many of these services free of charge.

Credit repair companies

A person pays a company to challenge listings on their credit reports. High administration fees are typically charged, up to $1000, plus fees for each 'success' (default removed from their credit history). However, listings generally cannot be removed unless they are incorrect or there has been procedural failure by the creditor. People can often fix the problem themselves or with help from a financial counsellor.

Personal budgeting services

People direct their whole income to a company that gives them a 'budgeted' amount to live on. The company then pays the person's bills and debts. However, a person may sometimes find they can't live on the amount they are given and the fees are high, sometimes more than $1000 in establishment fees plus weekly fees. Again, a financial counsellor can support people to work out a money plan to get back on track.

Debt negotiator

A person uses a company to negotiate with creditors to reduce the person's debts. People may be advised to stop paying debts 1) so creditors are more inclined to negotiate; and 2) to save money to put towards a lump sum to offer creditors. However, when people stop paying debts, debt collection can restart, defaults may be listed on credit reports and enforcement proceedings/ repossession of assets may occur. Again, a financial counsellor can negotiate with creditors to work out affordable payment plans.

Debt agreement brokers

A debt agreement is a binding agreement between a person and their creditors, who agree to accept an amount the person can afford for a set period of time to settle the debts. Proposing a debt agreement is committing an act of bankruptcy so if the debt agreement proposal is not accepted by creditors and doesn't proceed, a creditor can use the proposal to force the person into bankruptcy.

Debt agreements often last five years or more. When administrators' fees are added, debtors often pay back more than 100 per cent of what was owed. The payments may not be affordable from the start or circumstances may change, leading to clients having to terminate the agreement. Creditors can then restart debt collection on the full amount owed and backdate interest charges. The administration fees and the payments already made towards the debt aren't refunded.

Debt agreements may be appropriate in very limited circumstances—if there is a house to protect; where someone cannot work in their preferred job if they are a bankrupt; where someone wants to retain a position as a company director; and where it is impossible to negotiate with a creditor or achieve a result via an ombudsman scheme. Even then, people should get independent advice on their options. Financial counsellors can advise on what other options are available.

financial counselling australia