A word of caution

Over the past few months the Securities Commission has been prominent in the news, most recently in relation to investment advisers, schemes and practices it is concerned about.

The Commission's increased profile reflects not so much that there has been an increase in these issues compared with a year ago – rather that it has stepped up its activities, committing to a more proactive approach.

In some cases, the Commission is able to step in before these investment schemes go awry, while in others, it can only be there to pick up the pieces. Either way, the message from the Commission is clear: regulators and consumer watchdogs can only do so much – the investing public also need to take steps to protect themselves.

One way to do this is to make sure you deal only with reputable people promoting reputable products. Of course, that's easier said than done. However, as the saying goes, you can tell a lot about people by the company they keep!

You should ask if the person presenting themselves as a professional adviser is a member of a professional association, such as the Financial Planners and Insurance Advisers Association, the Society of Independent Financial Advisers, the Law Society, Institute of Chartered Accountants, Stock Exchange, etc. – and if not, why not?

Presumably, you wouldn't buy a used car off an unlicensed motor vehicle dealer or see an unregistered doctor. So why risk your financial health by dealing with an adviser standing outside his or her industry body?

Once you've assured yourself about the reliability of the person you're dealing with, ask about the products they recommend. If they mention a term or structure you're unfamiliar with, or if they refer to an entity you've never heard of, make sure you check these things thoroughly before pulling out your chequebook. For example, in respect of investment products, one useful measure is whether it has been rated or recommended by a research house, ratings agency or consumer watchdog.

Most importantly, make sure you receive an Investment Statement – and read it carefully. All genuine investment offers must, by law, have one of these documents, which covers details such as the risks and costs involved in the investment. Also, check if the company running the scheme is a member of an ombudsman scheme. That means, in the event something does go wrong, you can appeal to a third party (assuming you can't sort out any problems with the company directly).

Finally, remember that if anything looks too good to be true – it probably is!

ENDS

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