



EDUCATING CONSUMERS

Ian Middleton

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Advisers have a significant interest in improving financial literacy among South Africans, in light of the benefits for their own practices, as well as for society in general, said Ian Middleton, managing director of Masthead.

Financial literacy, which is important in assisting consumers to make sensible and informed decisions about their finances, has received increasing attention in South Africa in recent years. Yet, in spite of initiatives such as Savings Month and education through the media, the level of financial literacy in the country is still not sufficient.

Studies continue to reflect that the average consumer is under-saving and under-insured. Many people are vulnerable because they do not have the right financial solutions in place to protect them from financial crises and ensure adequate provision for retirement.

Some consumers do nothing about their finances as they have no idea what to do. Others don't seek advice because they are not aware of the benefits of consulting an adviser. Advisers thus have a role to play in educating both consumers and their clients on financial issues.

Apart from the face-to-face work with customers, you can raise the level of financial literacy in groups through seminars and presentations. This will also help to overcome misconceptions they may have formed by overhearing distorted facts and opinions.

As they become financially literate, some consumers realise the need for good advice and may be more likely to consult a financial adviser. The growth potential for your practice improves and you gain by the business you acquire.

Keep in mind that financial literacy itself does not guarantee that consumers will seek advice. You may need to educate financially literate customers on issues such as the value proposition of advice – namely the link between price and value, as well as fees and

remuneration. In addition, you may have to address the trust gap, a barrier that prevents many consumers from seeking professional guidance due to their negative perceptions of the advice industry.

At an individual level, you have a duty to take care of your clients' financial literacy. In this way you empower your clients to feel comfortable with their financial affairs. This entails giving clients enough information so they can make informed decisions. It also means sharing as much as possible with clients on an ongoing basis so they stay informed. It's also about informing them of their progress towards meeting their objectives.

You should be able to build your reputation in this way as an accurate and willing source of financial information. If your clients have financial queries, they should know they can ask you for assistance and advice. If you are unable to provide a satisfactory reply, they should be aware you will consult another expert to obtain the answer.

To successfully fulfil the role of educator, it is crucial that you retain high levels of financial literacy, thoroughly understand the products you offer and keep your finger on the pulse of activity in the industry, markets and economy. The regulators have recognised this important aspect in providing relevant and accurate advice and encourage continuing education.

Masthead also plays a role in assisting advisers to stay abreast of developments. We facilitate seminars and workshops together with our product partners; host the annual Product Development Days; write educational articles; and arrange preferential rates for our members to study further through recognised institutions. Through these initiatives, we believe the industry will continue on the path of professionalism and clients will profit.

To ensure you remain informed to benefit your clients and your practice, please contact your regional Masthead consultant or visit www.masthead.co.za.