

A foundation of trust vital when it comes to investing

By [Nick Battersby](#)

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"Trust and reputation are not discretionary. They are as necessary in business as the people in whom they reside."

We may not always be aware of it, but most of us echo the sentiments of Dr Tony Allesandra, acclaimed author and business strategist. It's why we'll seek out an authorised dealer when servicing our cars or why we'll ask for a referral when consulting a medical specialist.

However, trust becomes especially significant when it comes to the people and businesses looking after our money. Here, we have to consider three important layers of trust: The trust you are able to place in the Board of Trustees overseeing your investment (where relevant); in the product provider with which you have chosen to invest; and in the financial intermediary who guides your investment decisions.

In the first instance, you should feel confident that the trustees of the fund that you are invested in act in good faith towards the fund at all times and remain committed to serving the best interests of its members. In fact, in a recent discussion paper released by the National Treasury on strengthening the South African retirement industry: "Improving fund governance and the role of trustees" is one of the key proposals highlighted to address retirement reform. As stated in the discussion paper: "Good governance and trust are the foundation of any sound retirement system."

Consider the qualifications and experience

You should, therefore, consider the qualifications and experience of the individual trustees comprising the board that oversees your investment, their track record in doing so and whether there is a level of independent oversight.

Of course, whether an investment is overseen by a Board of Trustees or otherwise, you also require confidence in the company through which you invest.

When choosing an investment product provider, there are certain characteristics that should offer a basic level of comfort. For example, companies licensed as Financial Services Providers (FSPs) are regulated by South Africa's Financial Services Board (FSB) and are compelled to comply with all relevant industry legislation. Companies with a solid track record and established reputation may also evoke a certain level of trust.

However, it is necessary to look closer still and to consider the way in which a product provider communicates with its investors and discloses the information that may have an impact on your investment portfolio.

Ask yourself the following: Were the implications of your investment clearly set out or has your experience differed from what was explained to you? Were you informed of all the obligations you undertook when signing your investment contract?

A detailed fees schedule

Remember that you should be able to request and receive a detailed fees schedule - precisely how much you're paying, what you're paying for and exactly how much you're being charged for each fee category - at any time. Furthermore, this information (along with all other information pertinent to your portfolio) should be communicated to you proactively on at least a quarterly basis. It is also a positive indication when the information you need is available on a secure online facility to which you have instant access at all times.

Ultimately, when it comes to choosing your product provider, the question of trust comes down to transparency.

This choice, however, is often not made alone and so a third matter of trust arises: The trust you place in your financial intermediary.

Here, it is important to distinguish between an intermediary who acts as an agent for a specific company (and is contracted to sell the products of that particular product provider only) and an independent intermediary, who can advise you without this restriction. Should you already have decided on a product provider, advice from its own agency force may be sufficient for your needs. However, should you wish to compare product providers or evaluate a range of investment options, consulting an independent intermediary may be a more appropriate route.

Ultimately, trust should provide a foundation for any investment decision. You should be able to trust your financial intermediary for objective and appropriate advice, your product provider for access to clear and comprehensive communication and your Board of Trustees (where relevant) to serve your best interests unwaveringly.

How do you know for sure if the trust you extended was justly earned? In the words of author George David Miller: "Trust becomes solidified when words are consistently backed- up by deeds."

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