

# Third Time Lucky

**It took Craig Pudig nearly a decade to find good financial advice, as Lynn Elsey discovers.**

Craig Pudig, a managing partner at the Sydney law firm, Clayton Utz, is familiar with receiving financial advice. More specifically, he's familiar with advice derived from a commission-based planner. Although his portfolio is still littered with remnants from the various product driven recommendations he received over the years, Pudig now describes himself as "enlightened", having experienced the proverbial light with his current, fee-based planner.

During the early stages of his life and career, Pudig only dabbled with the financial industry on a peripheral basis, via an insurance broker. Busy with work, Pudig didn't perceive a need for financial planning.

However, in his mid 30s, things changed. Following a divorce, Pudig found himself "starting from scratch with a new wife. The combination of his newly evolved circumstances with a wife who had worked in the investment industry soon led to serious thoughts about financial advice.

Pudig turned to some of his partners in the law firm for their recommendations and in 1996 made contact with a commission-based planner.

In retrospect, Pudig realises his experience with this planner was less than stellar. "He didn't do a lot" Pudig recounts. Pudig describes a relationship based around a planner promoting a few products, mostly focused on minimising tax and nothing more.

Pudig admits at the time, he was fairly naive about what a financial planner could, or should, do. "I didn't consider what benefit I was getting out of it," he says, "or where a planner could add value: The issue of actual fees, commissions and charges were never much of a consideration: On the plus side, Pudig says that, at least, it was the first time he did ever make a budget.



## CLIENT CASE STUDY

Pudig continued with the planner for a few years. They met annually, in May or June, with a goal of reducing Pudig's tax liabilities. Pudig says the planner's main input was to provide Pudig with a calculation of the amount of money he could put into his super for that tax year.

"We did discuss getting into equities" Pudig says, but it was left to Pudig to proceed on his own. So Pudig did a bit of research and hooked up with a stockbroker; a relationship that continues today.

### ROUND TWO

Eventually, the planner moved on. The group he worked for had been bought out by another group, and, as Pudig was starting to hear negative comments about the new organisation, he decided to look elsewhere for advice. Again, he selected a planner who was recommended by partners in his law firm.

The second planner worked as a sole agent, but still under a commission-based structure. Pudig describes the planner and his advice as similar to his first., product-driven, albeit a bit more proactive about recommendations. One of the adviser's recommendations, into a "managed investment scheme", was one of the high profile loss-invoking schemes recently attracting headlines in the news. Pudig feels fortunate that he didn't take this particular bit of advice.

However, Pudig did follow the advice to buy a unit in Balmain; an investment which Pudig disarmingly describes as "not good". With the luxury of hindsight, Pudig realises that this and other recommendations from the planner were reactive rather than proactive. "He was just riding the surf", Pudig remarks, feeling that that the planner was simply going along with yesterday's strategies and ideas rather than actually taking a proactive and future-looking stance.

And when it came to equities or other, non-product driven options, Pudig says that, like the first, the second adviser "didn't seem interested" and said that equities "were risky". So Pudig continued to manage his own stocks through his broker.

### BETTER DAYS.

As time went on, Pudig began to question the second planner's tax advice. His concerns were reinforced by a recommendation of a scheme that took me beyond age 60; so that I would still be in debt at

60". Pudig began to realise that the 'advice' he had been receiving was all widely available in the press and decided it was time to end the relationship.

Following the advice of a friend, Pudig contacted David Price, who was then working as a planner with mid-sized planning firm (and subsequently has started his own practice).

Pudig quickly realised that Price's philosophy toward planning was quite different than his previous experiences. For starters, David came to see him in his office. But it was one of David's first questions, "tell me what you want to do," that really made an impact. "I'd never heard that, Pudig says. Rather than advice being a process-driven exercise, Price was suggesting something entirely new: an outcome driven process.

In the intervening three and a half years, Pudig has found that Price's advice strategy has resulted in a true understanding of the value of "good" advice along with a marked improvement in his financial circumstances.

"The thing I liked about David is that he is always thinking" Pudig explains. Plus "he has integrity and honesty. He explains everything and he's interested in the whole Pudig portfolio" Pudig credits Price with his complete change in attitude about financial planning.

"Until I met David" Pudig says, "I had a pretty dim view of planners. Looking back, I was ripped off. I should have questioned them, asked what I was getting out of this".

Price initially charged Pudig an hourly rate for advice, but as the process evolved, he changed his fee structure to a retainer basis; a process that Pudig agrees helps provide more "rigour of discipline" as it involves a continual review of his entire portfolio and circumstance. Pudig still uses his original broker for equity investing but the difference is that with Price, "we've developed a longer term strategy".

### VALUING ADVICE

Pudig obviously finds his meetings with Price enjoyable as well as productive. "I like it because I can go and have a beer with him and talk about anything. When we go out, it isn't just about my portfolio but can be about what is happening in the market".

The value of Price's advice is such that Pudig says that, even in the recent roller coaster-ish market, "I haven't even worried about the volatility".

And he happily refers Price to his colleagues.

Pudig feels that his experience with and attitude toward commission-based planners is probably quite widespread. "I think there is a perception that if you are clever enough, you could put up your shingle and say 'I can provide financial advice'".

Pudig says that before he met Price, "I didn't know what I wanted, but I knew I wasn't getting what I wanted." Today, Pudig astonishes Price to set his annual retainer high - a true convert to the value of good advice.

#### THE PLANNER - David Price



*Strategy First Financial Planning Pty Ltd,  
Brookvale, NSW*

**Nuts and Bolts:** Price is the founding director, a representative and financial planner for Strategy First. A licensed financial planner since June 2000, price previously worked in the funds management industry. He holds a graduate diploma in financial planning from Deakin University and other postgraduate qualifications from the Securities Institute of Australia and University of Technology Sydney.

**Advice Structure:** Price and his team operate on a fee-based only basis; product-related commissions, brokerages and volume rebates are not accepted. Clients initially are charged on an hourly basis but eventually are switched to a retainer basis.

**History:** "Craig was a referral from a good source, which made the initial relationship much easier" Price says. "His case was already quite complicated including a second marriage and family trust, so there was a lot involved in order to fully understand his situation, which included meeting his accountant and his broker.

**Strategy:** "Focusing on what was important to Craig and his wife, rather than on any specific topic. This included a strategy for the next 7-10 years, based on setting targets and working backwards to achieve them. This included putting money into super, building up the family trust and tax planning. Craig's previous advisers offered tax products but no real advice. Once we had a strategy, I spent the next 12-18 months putting the plan into place. At present, we are in a management situation. We get together three or four times a year to review issues; we always have a meeting that is tax-related and another, which is investment-related.