

The vital first step to staying afloat

MARCUS PADLEY
July 31, 2010 - 3:00AM

Let's say that out of circumstance, necessity or desire you need to get started in the sharemarket. Maybe you have been left alone. Maybe the prospect of living on the aged pension (\$36.48 a day) sounds like a labour rather than leisure. Or maybe you are already in the market but don't know what you are doing. What do you do? Where do you go for advice?

I had this very question recently from a bereaved non-investor with an inherited portfolio of some size. It went along the lines of "Do I let one of my family members take over (there have been plenty of offers), go on line and do it myself or go to a professional adviser?"

The answer? Well, let's deal with them in order.

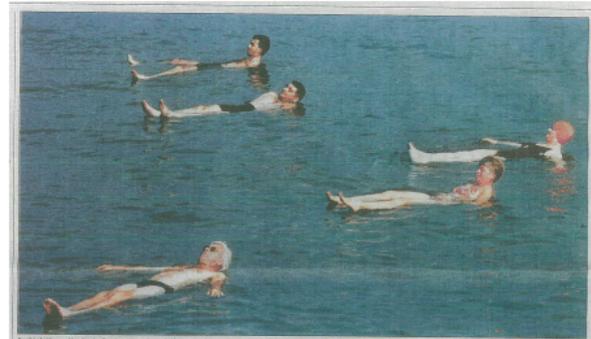
The family member: ah, not a good idea. Putting your future in the hands of an amateur. Sorry, but if you know nothing about the sharemarket you are in no position to judge whether a family member's investment style is appropriate, and it has to be. Especially, if that person is at a different stage of life.

And even if it is appropriate, you have no ability to judge whether, despite your trust and their best intentions, they actually know what they are doing. Putting your future in the hands of a well-meaning family member is about as risky as it gets. There is no legal framework. No reporting procedure. Too much trust. Too many relationship barriers to good governance. It is not practical. You need to politely refuse.

Do it yourself: this option is worse than going with the family member. Dump a lump sum in the bank account of a first-time investor, provide some software that allows you to buy this and sell that and expect the inevitable.

Going online without experience also opens you up to the advances of a host of predators, and there are some pretty nasty ones stomping around in our industry with their ridiculously inappropriate products, their hidden agendas, their promises of transformation, their representations of how easy it is, and their sheep's clothing seminars. It is dangerous out there.

The professional adviser: well, of course you need advice and financial planners, while they are the best top-down strategists and the most obvious first port of call, do tend to fit you up with managed funds. It's the same with all professional advisers. Brokers are focused on shares and accountants are prone to suggest a self-managed super fund. They all naturally sell you their product of choice when at this stage all you really need to know are your options.



And... sharing... the Australia Investors Association, a not-for-profit organisation, can help sharemarket novices. Photo: iStock

The vital first step to staying afloat

Let's say that out of circumstance, necessity or desire you need to get started in the sharemarket. Maybe you have been left alone. Maybe the prospect of living on the aged pension (\$36.48 a day) sounds like a labour rather than leisure. Or maybe you are already in the market but don't know what you are doing. What do you do? Where do you go for advice?

I had this very question recently from a bereaved non-investor with an inherited portfolio of some size. It went along the lines of "Do I let one of my family members take over (there have been plenty of offers), go on line and do it myself or go to a professional adviser?"

The answer? Well, let's deal with them in order.

The family member: ah, not a good idea. Putting your future in the hands of an amateur. Sorry, but if you know nothing about the sharemarket you are in no position to judge whether a family member's investment style is appropriate, and it has to be. Especially, if that person is at a different stage of life.

And even if it is appropriate, you have no ability to judge whether, despite your trust and their best intentions, they actually know what they are doing. Putting your future in the hands of a well-meaning family member is about as risky as it gets. There is no legal framework. No reporting procedure. Too much trust. Too many relationship barriers to good governance. It is not practical. You need to politely refuse.

Do it yourself: this option is worse than going with the family member. Dump a lump sum in the bank account of a first-time investor, provide some software that allows you to buy this and sell that and expect the inevitable.

Going online without experience also opens you up to the advances of a host of predators, and there are some pretty nasty ones stomping around in our industry with their ridiculously inappropriate products, their hidden agendas, their promises of transformation, their representations of how easy it is, and their sheep's clothing seminars. It is dangerous out there.

The professional adviser: well, of course you need advice and financial planners, while they are the best top-down strategists and the most obvious first port of call, do tend to fit you up with managed funds. It's the same with all professional advisers. Brokers are focused on shares and accountants are prone to suggest a self-managed super fund. They all naturally sell you their product of choice when at this stage all you really need to know are your options.

So which do you do? The most sensible approach is to go to a professional adviser. But before you do that, before you even meet, you first need to find people who can explain to you what you are doing, people who have been where you are, people who will help you understand what you are doing, people who will help you understand what you are doing.

Where do you find them? Well, you can find them in a number of places. You can find them in a number of places. You can find them in a number of places. You can find them in a number of places.

MARCUS PADLEY

Putting your future in the hands of a family member is about as risky as it gets.

There is no legal framework. No reporting procedure. Too much trust. Too many relationship barriers to good governance. It is not practical. You need to politely refuse.

Do it yourself: this option is worse than going with the family member. Dump a lump sum in the bank account of a first-time investor, provide some software that allows you to buy this and sell that and expect the inevitable.

Going online without experience also opens you up to the advances of a host of predators, and there are some pretty nasty ones stomping around in our industry with their ridiculously inappropriate products, their hidden agendas, their promises of transformation, their representations of how easy it is, and their sheep's clothing seminars. It is dangerous out there.

The professional adviser: well, of course you need advice and financial planners, while they are the best top-down strategists and the most obvious first port of call, do tend to fit you up with managed funds. It's the same with all professional advisers. Brokers are focused on shares and accountants are prone to suggest a self-managed super fund. They all naturally sell you their product of choice when at this stage all you really need to know are your options.

So which do you do? The most sensible approach is to go to a professional adviser. But before you do that, before you even meet, you first need to find people who can explain to you what you are doing, people who have been where you are, people who will help you understand what you are doing, people who will help you understand what you are doing.

Where do you find them? Well, you can find them in a number of places. You can find them in a number of places. You can find them in a number of places. You can find them in a number of places.

Marcus Padley is a stockbroker with Padley Securities and the author of the book *How to Buy Shares*.

So what do you do? The most essential commodity for anyone in a position of vulnerability seeking an answer to the riddle of where and how to invest is this empathy. Forget everything else. For anyone feeling a bit lost in the investment world, a bit exposed or a bit alone, taking up any of the options above is stage two.

Before that, before you even start, you first need to find people who can empathise with your circumstances, people who have been where you are, people with experience, people without an agenda, people who are only too glad to help without wanting anything off you.

Where do you find those? I'll tell you. I have just given my first talk to them at their national conference. They are at a not-for-profit, volunteer organisation called the Australian Investors Association. In an unadulterated plug can I tell you what a relief it has been to find a body of independent, intelligent, lively and life-loving investors moving around in our industry.

If you want empathy, if you want to make friends with an investment interest, then this is as good a start as you will find. You'll find them only too willing to help you, protect you and guide you. No \$1000 seminars on "You too can be a forex trader". Just \$130 a year for access to some of the best education in the industry. From people like you. Start there.

<http://www.investors.asn.au>

This story was found at: <http://www.smh.com.au/business/the-vital-first-step-to-staying-afloat-20100730-10zph.html>