How to ensure your assets are safe

Over the years there have been negatively impacting news reports such as Ross Asset Management Ltd. Like anyone with any knowledge of the circumstances, we are angered and disappointed by what we've read. We understand that this must all be a little unsettling, and perhaps more so because Mr Ross had an Authorised Financial Adviser (AFA) qualification.

It is for this reason that we have written this article on how to ensure your assets are safe.

Fortunately, the process is straightforward:

1. **Ensure an independent third party has custody of your assets**
   An adviser should never personally take control over their clients' funds. Rather, an independent third party (in our case, FNZ Custodians Limited) should hold all assets and conduct buy and sell transactions.

2. **Ensure the third party custodian is reputable**
   Our clients' accounts are held by FNZ Custodians Limited.

3. **Ensure that the third party custodian reports to you independent of your adviser**
   You should be able to determine what your account is worth 24 hours a day, 7 days a week, without needing to contact or notify your adviser.

4. **Ensure you know what you own**
   You should be able to easily and independently look up the investments in your portfolio, find them online and review their statements and prospectuses. This includes both individual shares and managed funds.

5. **Ensure what you own is highly diversified**
   If you look on your statement and find only a few shares all from the same industry, you have a problem. A few years ago, many regretted the fact that they had concentrated their portfolio in a few finance companies. Investment concentration is a horrible idea. You want diversification across industries, countries and investment types including shares, fixed interest and real estate.

If you can check off all of the above you still may not have a great *performing* portfolio, but at least you can be more confident that your portfolio is worth what you think it's worth.

Remember, the AFA letters only tell you that an adviser has the necessary training and expertise required to be a good adviser. While they also carry an implicit guarantee of prudence and client-first advice, it is a sad fact that fraudsters in any profession don't tend to care too much about best-practice. In the case of Ross Asset Management, there was sadly a big difference between understanding the appropriate ethical and moral standards for adviser behaviour, and actually putting them into practice.

Lastly, and perhaps most importantly, investments that seem *too good to be true,* often are. Those of us who do this work honestly have had a difficult time over the past 10 years. It's been a bumpy road involving many honest conversations with our clients. Ross was sailing along with great returns. How did he do that? Turns out he did it by lying. Investments provide return because they bear risk. It's a simple and true statement. Higher risk leads to higher return, but also more uncomfortable and frequent down periods.

There will always be charlatans that try to convince us otherwise. We just hope you don't believe them.