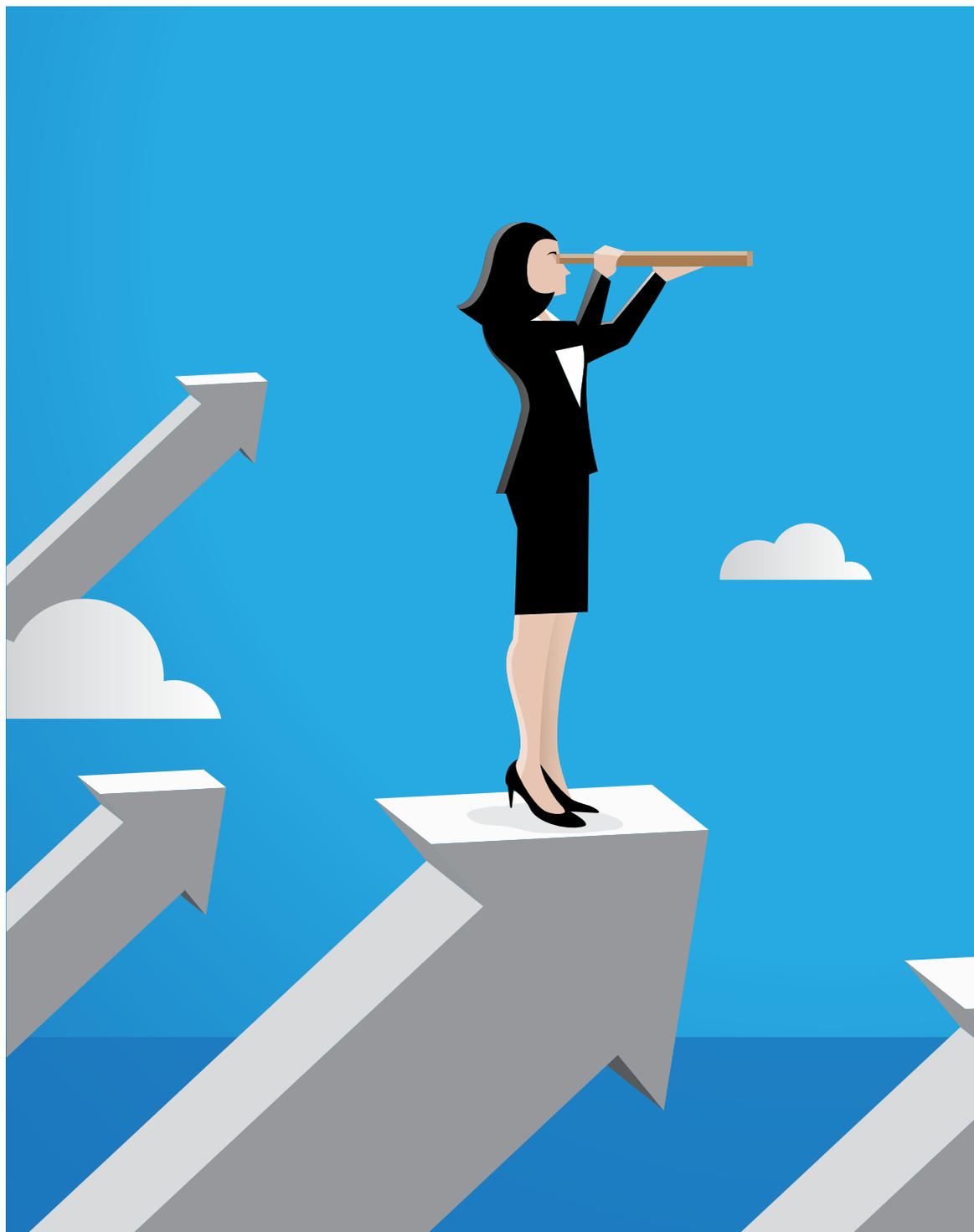


# PROFESSIONAL STANDARDS: *Opportunities on the horizon*

Financial advisers must prioritise education as they move toward a new era of professionalism.

**Emma Rapaport** writes.



After years of public scandals, special investigations, and allegations of sub-par qualification standards, negotiations between Canberra and a 23,000 strong financial adviser industry have come to a head in the form of the professional standards legislation.

Passed through the House of Representatives and the Senate in November last year, the government also created an independent body that will be given broad powers to govern the professional standards of financial advisers.

Before the legislation passed, Minister for Revenue and Financial Services Kelly O'Dwyer<sup>01</sup> said requirements had allowed some financial advisers to become qualified to provide financial advice to retail consumers "after only four days of training."

The Government's reforms will significantly increase the education, training and ethical standards of financial advisers, who will need to be qualified to a standard equivalent to a degree," she added at the time.

Industry associations welcomed the new standards, saying their passage ushers in a new era for the sector as it strives for a professional future.

The industry has celebrated it as a significant step forward for the profession and will help it to build trust amongst the community. The new standards are also a stepping stone for the profession to grow its reach beyond the 16 to 20% of Australians who currently receive financial advice.

Now, leaders are urging the advice community to take the reforms seriously and work together to lift professional standards.

## What are the new legislative requirements?

Under the new professional standards legislation, all financial advisers, both new and existing, will see a series of changes to the manner in which their profession is governed. From 1 July 2017, the newly established Financial Adviser Standards and Ethics Authority (FASEA) will be responsible for governing the conduct of financial advisers through mandatory educational and training requirements, the development and setting of an exam, and the creation of a Code of Ethics that all advisers will be required to adopt.

FASEA comprises three financial services professionals including former AFA president Deborah Kent and former FPA chairman Matthew Rowe; three consumer advocacy experts, an ethicist and an academic. Former NAB director Catherine Walter has been appointed as the inaugural chair.

From the outset the board's agenda will be defining what is meant by a 'relevant degree', a 'professional year', and an 'exam' for new advisers, who are required to comply with the new legislation from 1 January 2019. As per the accompanying explanatory materials, a professional year will mean at least one year of work and training that meets the requirements set by the body; and a compliant degree will be set at AQF Level 7 – a standard administrated nationally by the Australian Government's Department of Industry. It defines Level 7 as a bachelor degree of three to four years.

"Graduates at this level will have broad and coherent knowledge and skills for professional work and/or further learning," the Australian Qualifications Framework Council says.

By 1 January 2019, the board will also set, for both new and existing financial planners, what will be required to undertake continuing professional development (CPD).



**01:**  
**Kelly O'Dwyer**  
Minister for  
Revenue and  
Financial  
Services



**02:**  
**Wayne Wilson**  
director  
knowITdigital



**03:**  
**Nick Hakes**  
general manager,  
member services,  
partnerships,  
and campus  
AFA

Rainmaker professional standards officer Sean Finn says that while CPD is already a part of every financial adviser's education requirement, the board will look to codify the amount of points an adviser will be required to accumulate and report to ASIC to retain their AFSL license.

"As it stands now, every licensee and industry association is able to set their own requirements for CPD, and there is little standardisation across the industry. I hope the board will adopt a more common sense approach to CPD," Finn says.

For existing advisers, the board's obligations are written with the understanding that many will need additional time to reach the new education standards. Before 1 January 2021, all existing advisers will be required to pass an exam approved by the standards board; from 1 January 2020 they will be subject to a code of ethics; and before 1 January 2024 they must meet the new education requirements – a bachelor or higher degree, or equivalent AQF level 7 qualification.

**Will I be affected?**

As advisers wait for FASEA to reach their determinations, speculation is rife across the industry, with many worrying about what will be considered degree relevant, what will be included in the exam, and whether they'll be forced to upskill.

In a recent survey of the top 25% of financial adviser practices, digital consulting firm knowITdigital found while 96% of advisers hold memberships of professional associations such as the AFA, FPA or SMSFA, less than half are FChFP or CFP certified.

"Imagine what it's like for those in the bottom 50% of practices," knowITdigital director Wayne Wilson <sup>02</sup> says.

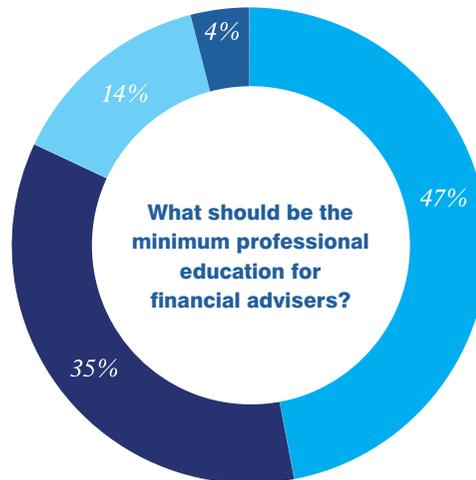
Additionally, Wilson expressed concern that many CFP advisers have received their professional designation through grandfathering, which he says may not be recognised by the FASEA as degree relevant.

"They were given CFP status without the additional requirement of passing an exam or course. It remains unclear whether the certification of these advisers will be recognised by the FASEA board, thereby leaving them with the

**Financial Standard Spot Poll**

- Tertiary/University degree **47%**
- Certified Financial Planner (CFP) or Fellow Chartered Financial Practitioner (FChFP) **35%**
- RG 146 **14%**
- No minimum **4%**

Source: Financial Standard Spot Poll  
Publishing Date 03 January 2017



RG146 qualification only."

While he and many others in the industry will have to wait and see what the new board prescribes, Wilson envisages a rush by many financial advisers to upskill to a degree at AQF Level 7 before 2024.

However, according to FPA chief executive Dante De Gori, <sup>02</sup> advisers who have obtained a professional designation may breathe a little easier. Speaking at the association's national roadshow in Sydney earlier this month, De Gori unveiled the FPA's draft proposal to FASEA, which outlined how advisers who have obtained a number of industry qualifications will comply with the education standards.

"Everyone is this room has gone down a different pathway to get into the financial advice profession and we recognise that. We're proposing a 100-point plan – much like a bank statement or Medicare card is assigned a value when verifying people's identification – to measure degree equivalence," De Gori says.

"Under the plan, each unit of study completed by an adviser will be worth a certain number of points and provided you can get to 100 points, in our minds that's meeting a degree equivalent standard."

By way of example, advisers who have obtained a diploma of financial planning, an advanced diploma of financial planning, the CFP

designation, and completed and recorded seven years' worth of CDP whilst practicing, will reach the AQF Level 7 degree equivalent requirement under the FPA's proposal.

While the FPA's proposal is only that – a proposal – De Gori is confident FASEA will take the proposal into consideration over the next decision making phase.

"The CFP course is already recognised academically as exceeding AQF Level 7 for the purposes of recognition and exemptions from Master's programs," De Gori says.

**How can I upskill?**

The road towards professionalism may appear littered with obstacles, but industry associations and education providers alike have stepped up to assist advisers to reach their professional standards goals. From advanced diplomas to master's degrees, there is a course out there for every adviser to upskill by the 2024 cutoff date.

**Professional designation + Master's program**

Professional designations such as the AFA's Fellow Chartered Financial Practitioner (FChFP) are built to be progressive, flexible, and immediately transferable to practice. Curated in conjunction with advisers and industry experts, the courses are designed to equip advisers with the tools and know-how to get ahead of the rapidly changing financial advice landscape.

"The feedback we get from advisers is that they're all for going back and investing in further education, but they want real value, not just a certificate hanging on the wall," AFA general manager, member services, partnerships, and campus Nick Hakes <sup>03</sup> says.

"We've developed an education journey which will give advisers practical knowledge in areas such as enhancing the client experience and developing a deeper client understanding so they can operate in the complex environment that they find themselves in and grow the demand for their professional services.

"If advisers can coach clients to engage deeply with and understand the strategies presented to them, that's where the profession can start to build



*As it stands now, every licensee and industry association is able to set their own requirements for CPD.*



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**04:**  
**Steve Nielsen**  
financial adviser  
Ascent Wealth  
Management



**05:**  
**Brian Knight**  
chief executive  
Kaplan Professional



**06:**  
**Liz Ward**  
head of education  
SMSFA

real trust with the community and empower clients' to own their financial future. Ultimately, it's about creating a sense of personal wellbeing."

The four FChFP units; business strategy, client experience strategy, advanced advice solutions, and professional conduct and governance, typically take 12 weeks each to complete, and each is divided into formal learning and practical business project components. Financial advisers who hold an undergraduate degree or an Advanced Diploma of Financial Planning (ADFP) or equivalent and who have at least three years' industry experience may be eligible for the course.

FChFP course graduate Steve Nielsen <sup>04</sup> says that for him, the courses put much of what he had gained in his Bachelor's degree into perspective, and gave him the practical skills to effectively communicate with clients.

"An undergraduate degree is the building blocks upon which to base a career in financial planning, but a pathway with master's level thinking puts it all the knowledge together, and provided for a deeper understanding of the profession," Nielsen says.

"The main focus for me throughout the FChFP was understanding that advice and technical knowledge is one part of the overall picture, and equally important is to be able to articulate advice in a way that clients will understand.

"The FChFP taught me how to effectively navigate through the changing landscape of financial advice, how to effectively communicate with clients, and how to drive my business forward."

Following designation approval, FChCP students will be eligible to continue their education journey by enrolling in Kaplan Professional's Master of Financial Planning (MFP). Designed and developed in partnership with industry professionals, the master's program is intended to build on adviser's knowledge gained through previous education and skills attained while working within the industry. FChFP designation students will have 4 of the 12 subjects credited as prior learning, and must also undertake a final year research project.

Since the course's inception in 2014, enrolments into the Master of Financial Planning program have increased every year. The course experienced record enrolments last year, and this number has been equalled in the first-half of 2017. The number of women enrolled in the program is also at the highest level ever, making up 40% of participants, up from 25% in 2015.

"A lot of degrees out there are made up of subjects including economics, mathematics, and taxation – subjects which financial advisers have already done in their advanced diplomas," Kaplan Professional chief executive Brian Knight <sup>05</sup> says.

"The Kaplan Professional Master of Financial Planning is completely financial planning centric – for the industry, by the industry. We're here to support advisers through their education journey with relevant subjects, manageable study plans, and online tutorials."

Since the course started in 2015, enrolments into the Master of Financial Planning program have increased by 20% year on year, with enrolments increasing 25% overall since the introduction of the professional standards legislation to parliament last November. The number of women enrolled in the program is also at the highest level ever, making up 40% of participants, up from 25% in 2015.

"Advisers are positively embracing the professional standard reforms ... even before the legislation was introduced to parliament last year, we were inundated with advisers coming to us and telling us 'I want to be at that level ... how do I get there, and what do I need to do?'"

Knight said the feedback they're getting is that advisers want to make sure they're part of a program that stands up with its academic and technical rigour (see Case Study on page 20).

"It's obvious they're taking this very seriously and have pride in the development of the profession. It shows they're treating higher education and professional development as a crucial pillar in elevating their performance."

#### Master's degree – University qualification

Master's degrees, such as Deakin University's Master of Financial Planning, give advisers theoretical and practical knowledge for professional work. Taking between 1.5 to two years to complete, students undertake a number of industry relevant subjects including building client relationships, investment valuation, and superannuation and planning.

While many advisers view Master's degrees as a time consuming and on-campus intensive, senior lecturer in financial planning and course co-ordinator Dr Adrian Raftery explains that a lot has changed since advisers were last at university. Master's programs are specifically designed to take work schedules into account by providing online and weekend classes.

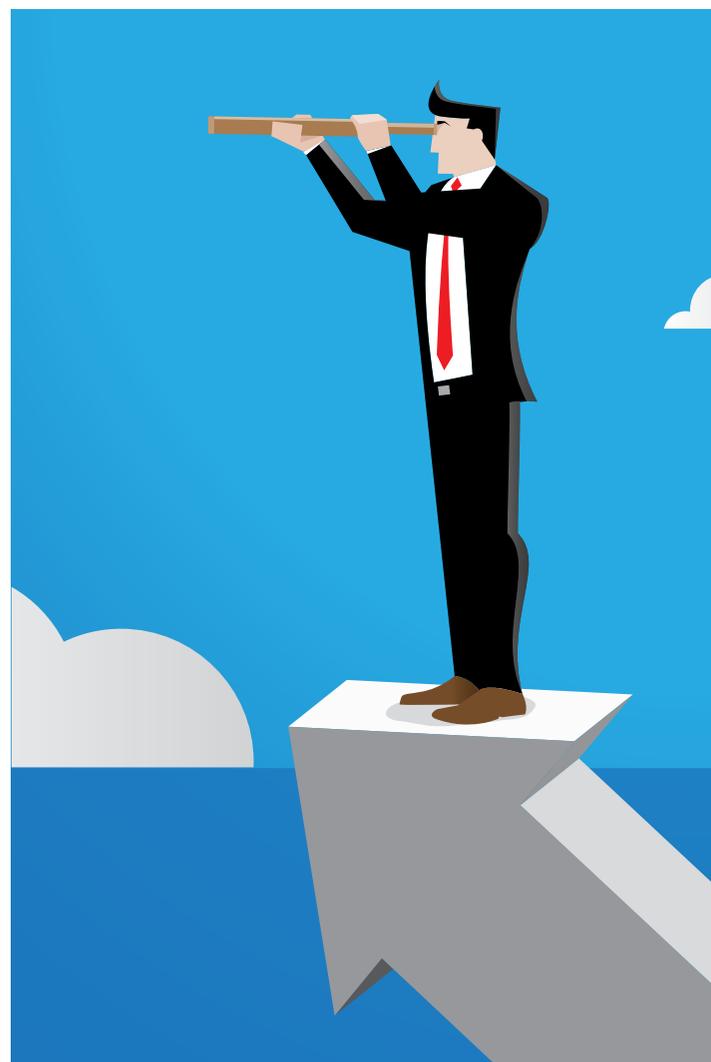
"The biggest things for advisers going forward will be working through the psychological hurdle and anxiety of going back to university," Raftery says.

As a university, we've worked hard to understand the needs of financial advisers to make them feel as comfortable as possible returning to study including scheduling classes and assessments online, placing face-to-face seminars on the weekend, and building a course which will directly benefit advisers in practice."

He also speaks the benefits a highly educated cohort will have on the profession, noting how student's will have opportunity to directly influence government policy through the publication of academic white papers and submissions.

To get the most out of the degree, Raftery advises students to take the opportunity to interact with lecturers, participate in classes, and share knowledge with the group.

Advisers who have already obtained a CFP or FChFP designation in the last 10 years, can up-



grade to a Master's degree faster by having prior learning credits recognised.

#### Specialisation

A number of industry associations have partnered with universities and business schools to give their members access to specialist training and accreditations. These accreditations give advisers access to specialist knowledge and reflect the need in the sector to continually upgrade skills.

By way of example, the self-managed super fund association (SMSFA), in collaboration with the University of Adelaide International Centre for Financial Services, has launched a qualification offering SMSF specialists an academic recognition and industry designations including SMSF Specialist Adviser and SMSF Specialist Auditor.

Each of the four courses offered will be completed predominately online, although there will be an option for face-to-face sessions.

SMSFA head of education Liz Ward <sup>06</sup> said the association recognised a gap in the market to offer SMSF specialisation and hopes the course will lift the standards across the SMSF sector.

"Our members are highly qualified professions who have demonstrated to us that they want to improve their knowledge and under-



*Everyone is this room has gone down a different pathway to get into the financial advice profession.*

stand as much about the sector as possible to be helpful to their clients,” Ward said.

“This is an incredibly positive demonstration of the state of the SMSF sector. Through this joint venture we’ve gathered subject matter experts and industry professionals to develop the curriculum and deliver high level education.”

According to the SMSFA, more than 30 students have enrolled in the whole degree or stand-alone subjects, with more expected to sign-up as the professional standards requirements draw closer.

### What should I do next?

If Adrian Raftery could give advisers one piece of advice it would be to start their education journey now, as opportunities are present for those who recognise the underlining market trends driving the legislative approach.

“I’m of the opinion we’re going to see 5000 to 8000 advisers give up, retire, or leave the industry by 2024, leaving their client books and practices behind,” Raftery boldly states.

“This opens an amazing opportunity for well-educated advisers who will gain from purchasing book at a quarter of their fair value. Would you rather spend 2022-23 doing last minute studies for compliance purposes, or hunting for good deals?”

“Even if you don’t exactly know what the new education requirements will be – start thinking about it now, do one subject, get ahead of the pack, because you’ll be much better off in a few years from now.”

Wayne Wilson seconds this point, citing an important figure from the knowITdigital survey.

“Of those surveyed, the average age of a financial advice principal is 65. If they’re sitting there with grandfathered CFPs, or no CFP at all; a full time AQF7 degree will be the last straw. I believe the new professional standards will cause an exodus of older advisers over the next five to seven years, leaving the door wide open for savvy, well-educated advisers.”

Don’t shy away from the challenge; embrace it, advises Wilson.

“The new professional standards are going to be a revolution, a fantastic revolution. They will improve the quality of advice across Australia, and inspire the confidence of the general public in the profession. This means that more consumers who need financial advice will receive it and they will receive the best quality.” **FS**



*It’s evident that financial advisers are serious about this and take pride in the development of their profession.*

## Meet your professional standards body: FASEA

The much-anticipated standards body for financial advice was established in April 2017, setting in motion the implementation of the professional standards legislation.

Minister for Revenue and Financial Services Kelly O’Dwyer named the directors appointed to the Financial Adviser Standards and Ethics Authority (FASEA), responsible for governing the conduct of those in the financial advice sector through mandatory educational and training requirements, the development and setting of an industry exam,

and the creation of a Code of Ethics that all advisers will be required to obey.

Featuring a number of well-known financial services personalities, FASEA comprises three financial services professionals, three consumer advocacy experts, an ethicist and an academic.

The new body will commence 1 July 2017, with a key objective to appoint a chief executive to be accountable for the Authority’s strategic decisions.

<b>Catherine Walter</b>	Catherine Walter is the deputy chairman of Victorian Funds Management Corporation and a member of the Reserve Bank of Australia’s Payment Systems Board. She is also the chair of the Melbourne Genomics Health Alliance, trustee of the Helen Macpherson Smith Trust and a director of the Australian Foundation Investment Company.
<b>Matthew Rowe</b>	Matthew Rowe is the chief executive and managing director of Countplus Limited. He is a former chair for the Financial Planning Association and former managing director of the financial planning business Hood Sweeney.
<b>Deborah Kent</b>	Deborah Kent is the managing director and founder of Integra Financial Services Pty Ltd. She is also a former president of the Association of Financial Advisers.
<b>Steve Somogyi</b>	Stephen Somogyi is a director at Guild Group and UniSuper and an advisor at Monash University, Victoria University and University of Melbourne. He is also a former executive member of the Australian Prudential Regulation Authority.
<b>Catriona Lowe</b>	Catriona Lowe is a director of the Financial Ombudsman Service, Legal Practice Liability Committee (Vic) and Telecommunications Industry Ombudsman and a co-chair of the ACCC Consumer Consultative Committee. She is also the former chair of the Consumers’ Federation of Australia.
<b>Carolyn Bond</b>	Carolyn Bond is a director of the Legal Services Board (Victoria), Debt Repayment Service Board and Jan Pentland Foundation. She is also an adjunct professor at Deakin University and a former co-chief executive of the Consumer Action Law Centre.
<b>Michael O’Neill</b>	Michael O’Neill is the former chief executive of National Seniors Australia. He is also a former chief executive of the Australian Gold Council and AgForce Queensland.

## CASE STUDY: Kaplan Professional Master of Financial Planning

Kaplan Professional’s Master of Financial Planning is a purpose-built qualification that is set at Australian Qualifications Framework (AQF) level 9 (AQF Level 7 is considered a Bachelor’s Degree level). The course is designed and developed in consultation with industry experts, and combines advanced technical rigour with practical and relevant performance-focused learning outcomes.

Advisers are required to complete 12 subjects, comprising nine core financial planning subjects, two electives and a Capstone Project that’s designed to allow advisers to bring together all of the knowledge and skills they have accumulated during their studies and work experience, and apply it in a practical way which is relevant to their professional practice.

“We have seen some first-class research conducted by our graduates, which we believe demonstrates practical and academic rigour, and a depth of knowledge to the sector,” said Brian Knight, chief executive at Kaplan Professional.

“This is particularly important as it extends the sector’s collective knowledge and we are confident it will contribute to the broader community acknowledging financial planning as a profession,” he added.

Interesting research topics have included financial planning for families with a disabled child; financial literacy and debt management; the value of networking in financial planning; underinsurance in Australia; financial advice and generation X; and the cognitive biases of professional

athletes in financial decision-making.

Advanced problem-solving and research methodology skills are required throughout, and each subject requires approximately 120 hours of effort.

This includes time spent reading subject materials, participating in e-learning activities, and assessment preparation and review.

“We acknowledge rigorous assessment methodology is critical to the whole teaching and learning process, so we have implemented the most innovative and contemporary processes to actively stimulate and engage each individual,” said Knight.

For example, each practice-based assessment progressively builds on the previous assessment, which enables

advisers to formulate a deep understanding of the area of knowledge.

Kaplan Professional has also invested heavily in building a structure to support advisers through the journey to professionalism, and this includes comprehensive support ranging from tailored study plans built for every individual; access to industry experts; online webinars; and online study groups.

The formula is working: Kaplan saw record enrolments last year and it has already reached that same number in the first-half of 2017.

“It’s evident that financial advisers are serious about this and take pride in the development of their profession,” he said.