ARROWSTONE
WEALTH PLANNING
CREATING A CLEARER FUTURE

1 June 2022

Quality of Advice Review Secretariat
Financial System Division
The Treasury
By Email: AdviceReview@treasury.gov.au

To Whom it may concern,

Re: Submission Quality of Advice Review

Whilst I have also provided feedback via my AFSL regarding a range of the issues outlined in the Quality of Advice Review Issues Paper, I specifically wanted to address the following –

Issue 5. Other measures to improve the quality, affordability and accessibility of advice -

- **What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility or affordability of financial advice?**

Whilst it was an unintended consequence, the cost of providing advice has been drastically impacted in recent years by the increasing complexity of the compliance and legislation that governs the provision of advice. I understand that this review hopes to address this problem and establish what might be some practical improvements, to assist in quality financial planning advice becoming more available and affordable to a broader section of the Australian public, to assist them in achieving their financial goals and be more self-sufficient.

The increase in costs to provide advice combined with the revised Professional Standards requiring existing advisers to re-educate, has created a perfect storm such that 22% of the advisers previously providing advice have left the industry since June 2020. "Rainmaker" predicts that by the end of 2023, adviser numbers could be as low as 13,000 (down 40% from 21,631 in June 2020) which will leave the Australian public with even less choice and access to financial advice.

The additional paradox in this, is that due to the increased compliance requirements and costs, an existing adviser with 100 clients does not have the physical capacity to assist the many clients who have lost their advisers, unless they increase their administration staff capacity, which in turns continues to increase the cost of advice and places personal financial advice even further beyond the reach of the Australian public.

Ironically those advisers that have been advising clients for a longer period of time in the industry like myself and have more established clients bases and reliable revenue, have the best chance of absorbing the increase in compliance costs. However, it is this segment of the remaining advisers that have been most affected by the education changes and are being forced out of the industry unless they re-educate on the back of the findings of the Haynes Royal Commission and the Professional Standards of Financial Advisers Act 2017.

There is little doubt that the industry has and will continue to benefit from the refocus and clarity on the fundamental ethical considerations that should rightly drive the financial advice industry via the introduction of the FASEA Code of Ethics. However, the additional compliance and re-education outcomes have lost sight of what was trying to be achieved and this has resulted in the problems the industry has and continues to experience.

There is a small window of opportunity to reduce the number of existing advisors leaving the industry, before they are forced to make a decision with enough lead time prior to the deadline re-education deadline of 1 January 2026.

The Education Standards for Financial Advisers Policy Paper 2021 has considered and outlined the following under an alternative Experience pathway. This is certainly a step in the right direction; however, it still places unnecessary pressure on existing experienced advisers -

- Financial advisers with 10 or more years' experience will no longer need to complete up to an 8-unit graduate diploma by 1 January 2026.
- Financial advisers will still need to complete an Ethics unit by 1 January 2026 **(this does not make sense given the topic material was already covered in the FASEA Financial Adviser Examination).**

In the AFSL I operate under, there are 21% of the advisors that have been operating for longer than 10 years (even though it has a very young average adviser age) who will be required to re-educate either partially of fully under the current education standards, regardless of them passing the FASEA Financial Adviser Examination and previous Certified Financial Planner Examination that specifically deals with many of the topics covered in the Approved Graduate Diploma. **The point being is that the exodus of advisers will accelerate as the 1 January 2026 deadline draws nearer from the 20% that have left so far, increasing to the predicted 40% as that date approaches.**
Using myself as an example, the following re-education scenario applies –

Proposed re-education topics based on Approved Graduate Diploma	**Topics already covered in previous education**	**Existing experience overlay that makes re-education unnecessary**
Economic and Legal Context for Financial Planning	Was already covered in the FASEA Financial Adviser Examination. Covered in Certified Financial Planner Special Entry Examination and ongoing required education as legislation has changed.	Changes across these topics has always been provided via AFSL compliance and ongoing knowledge requirements.
Ethics and Professionalism in Financial Advice	Was already covered in the FASEA Financial Adviser Examination	I have sat and passed the FASEA Financial Adviser Examination and have never been subject to a client or regulator complaint in 37 years.
Superannuation and Retirement Advice	Covered in previous SMSF Specialists Advisors Examination and my knowledge continues to be current from annual CPD and technical education requirements.	Advice on this topic has been provided for the 37 years I have been licenced and continues to be a core knowledge area that I have maintained, in order to provide effective financial planning.
Insurance Advice	My knowledge continues to be current from annual CPD and technical education requirements. Covered in previous Certified Financial Planner Special Entry Examination	Advice on this topic has been provided for the 37 years I have been licenced and continues to be provided where appropriate.
Estate and Succession Planning	Estate Planning knowledge continues to be current from annual CPD and technical education requirements, especially associated with the SMSF Association ongoing education designed for specialist SMSF advisers.	Estate Planning has been a core and proactive focus in my practice for at least the last 15 years as my client base has aged.
Taxation for Financial Planning	I have maintained and operated under the Tax Agent Services (TASA) registration and ongoing education process since it was introduced. This was covered in previous	Tax Knowledge has always been and will continue to be a core knowledge area that I have maintained, in order to provide effective financial planning.

	Certified Financial Planner Special Entry Examination and ongoing required education as taxation legislation has changed.	
Client Engagement Skills	The was already covered at the ethics level in the FASEA Financial Adviser Examination.	I have mentored and supported my clients and their families for 37 years through every conceivable financial and personal life event they encountered. Most existing experienced advisers have better skills in this area than many new entrants.
Investment Advice	My knowledge continues to be current from annual CPD and technical education requirements. Covered in previous Certified Financial Planner Special Entry Examination and ongoing required education.	Advice on this topic has been provided for the 37 years I have been licenced and continues to be provided to all clients. I have managed circa $150 mil of client's funds for many years.

Summary –

- Existing experienced advisers are being forced to re-educate to a redetermined level of degree qualification, when they have already met a range of previously set education levels established during their career, in addition to attaining the knowledge and experience over many years. There is no real avenue for recognition of prior learning, practical work experience, or regulatory compliance.

- When typically already working 60 hours p/w, the time pressure to continue providing an appropriate level of service to existing clients, manage staff and a business, maintain existing ongoing education requirements and compliance, plus balancing family obligations, means it is not practically possible to redirect time to study and complete an additional level of degree qualification for advisors in established financial planning businesses (especially single AR businesses). For experienced advisers who have maintained their knowledge levels in the areas they advise on and will continue to do so, this additional education hurdle will do more damage than good to their clients, their businesses and their families. As a result, many have chosen and will continue to choose to leave the industry early.

- Whilst there has been an extension of time to 1 Jan 2026 to complete these degree qualifications, it has simply delayed the problem, rather than solved it.

- Typically, older advisers like myself will have older clients. Elderly clients, need more of an adviser's time, as they and their families face new challenges ranging from their care, how to keep them in their own homes, coping with technology challenges, Centrelink, estate planning, succession planning and significant investment portfolios. The best use of my remaining years in the industry would be far more productive continuing to support many of my elderly clients, who now need more of my time than they ever have.

- Staff associated with a departing AR also often lose their employment.

- Less advisors means less advice and support is available to the Australian public.

- The cost of increased compliance requirements will continue to increase the cost of financial advice beyond the reach of many Australians.

Part of the solution –
Provide an exemption to the additional degree qualifications proposed under the Professional Standards of Financial Advisers Act 2017 if –

- An AR has been registered and continually advising for more than 10 years.
- Has met all previous industry and regulator set education levels prior to 2017.
- Is and continues to be a member of a professional body such as the FPA to continue driving annual education requirements.
- Has achieved a previous high education benchmark or designation (such as Certified Financial Planner CFP via the Special Entry Exam as a minimum).
- Has passed the FASEA Financial Adviser Examination.
- Continues to meet all ongoing annual education requirements.
- Has not previously had an ASIC banning order.
- Intends to remain an AR past the 1 January 2026 FASEA deadline.

Such an exemption will significantly reduce the premature exiting of older advisers (and some may return), which will help maintain the level of support to existing clients, allow support for additional clients and provide an important mentoring resource to new advisers during a more timely and extended succession timeframe not driven by new education requirements.

The most constructive use of an experienced adviser's time is –

- To mentor and support the next generation of advisers in finding their way in the industry, as well as pass on the soft skills (that are not taught at university) and technical knowledge, both which are necessary to effectively support clients.
- To continue supporting and gradually transitioning their existing clients over a longer period of time to the new generation of advisers, so they don't simply feel abandoned.
- To continue providing stable financial advice practices, so that support staff and junior advisers have a home to grow and develop in (rather than be forced to close them down prematurely).

I hope this information provides some clarity surrounding the problem that is facing existing experienced advisers, as it is probable that unless some form of workable re-education exemption is provided to these advisers, that the trend of exiting from the industry of this segment of adviser will accelerate as the 1 January 2026 deadline draws nearer. **In practice, existing experienced advisers considering if to remain in the industry, will need to have started Graduate Diploma studies by 1 January 2023, to have any chance of completing them part time to continue providing advice past 1 January 2026. As a result, this issue needs to be addressed in the next six months as a priority by the relevant regulator.**

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