

**Financial Adviser Education Standards
Consultation Paper
Feedback**

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7/9/2022

I am a financial adviser with 14 years experience, working for a large licensee, as an employee. I have met all current education standards.

I started out in advice in 2008. Many years ago it was clear to me that the RG146 education requirements were insufficient, and in time it seemed inevitable that a degree would be required. So post my advanced diploma, I commenced a part time bachelor degree whilst working full time in advice. I subsequently then also completed the CFP program.

The raft of legislation changes, increasing consumer protections and negative press around examples of poor adviser behaviour have been warning signs to advisers since the GFC that higher education standards would be inevitable. i.e. the introduction of the education standards on 1 January 2019 is unlikely to have been a surprise to anyone.

I strongly welcome a degree-level education standard for financial advisers. The path to professionalism necessitates this. It is critical for continuing to rebuild trust and respect of advisers.

1. Experienced Adviser Pathway: Opposed

I oppose the proposed experienced adviser pathway, on the following basis:

- It undermines efforts made thus far in raising professionalism, trust and respect for advisers and the advice industry/profession.
- It is almost 4 years since the education standards were introduced. Surely most advisers who needed to undertake further study (and were not very close to retirement) are already well under way in completing additional studies. Those who have not started the additional study may not have much to complete (given they now only have 3 years left) or perhaps intend to retire pre 1/1/2026.
- The proposal paper states “The Government understands **the importance of removing barriers to entry** into the financial advice profession and ensuring it continues to develop into a career of choice”.
 - I disagree that it is important for the Government to “remove barriers to entry” into financial advice. It has been an appropriate journey for higher barriers to entry to be introduced.
 - A more appropriate goal would be to ensure the barriers to entry remain appropriate, and comparable to other recognised professions (e.g. accounting and law).
 - I would contend that ensuring that financial advice continues to develop into a career of choice requires that:
 - High professional standards be maintained and
 - The legislative framework be untangled and simplified for those operating as financial advisers (as the Quality of Advice Review and Australian Law Reform Commission etc are seeking to do)
- The proposed experienced adviser pathway relies on the notion of a “clean record” however the framework for assessing this clean record is over-complicated, subjective and principally relies on self-assessment.

- Individuals who may be in their 30's or 40's could potentially satisfy the criteria for the experienced adviser pathway, and then continue operating as advisers for another 20-30 years, creating separate 'categories' of advisers with yet another framework for "remedies and enforcement tools" where there is future misconduct. The advice industry frameworks are fragmented enough!
- A simpler alternative is available, per below.

2. Potential alternative to the experienced adviser pathway

If any change is to be made to the current education standards for "existing providers", then I propose that the deadline for complying be extended from 1/1/2026 to 1/1/2029. This is on the following basis:

- It extends the window to comply from 7 years to 10 years.
- Recent years have been very difficult for financial advisers to operate their businesses:
 - Very challenging investment market and economic conditions due to COVID
 - Very challenging business conditions with significant legislative reforms requiring large scale business operation changes.
- Seeking to undertake significant additional study on top of full time work, and potentially running/owning advice business, throughout this period was difficult.
- Various pressures have contributed to reducing adviser numbers – it's not just the education requirements.
- Those within 10 years to retirement as at 1/1/2019 can see out the remaining decade without needing to comply.
- Beyond 10 years, it then creates a level playing field/consistent framework for supervising and monitoring advisers.
- The aims here are to
 - Avoid further overcomplicating the advice industry/profession
 - Maintain consumer trust, confidence and respect of the advice industry/profession
 - ensure an appropriate level of consumer protection is maintained and any potential harm is minimised
 - Work towards comparable levels of standards with reference to other recognised professions, in a reasonable timeframe

3. New entrants: Core subjects

- **I believe that reducing the core knowledge areas from 11 to 5 for an approved degree (which means no grad dip or further study is required) is going too far. I oppose this change.**
- **I believe a more appropriate balance would be a reduction in core knowledge areas from 11 to 8.**
- In addition to the 5 proposed areas, 3 additional fundamental topics are:
 - Investments
 - Superannuation
 - Insurance (and possible include fundamentals of estate planning)
- 8 topics would align more closely with other education paths:
 - Prior to a degree-level standard being introduced, many advisers completed an 8 subject advanced diploma covering the above topics.
 - If a new entrant was seeking to become an adviser and had an unrelated degree, they would need to complete an 8 subject graduate diploma.

4. New entrants: “top up units”

- Perhaps if an individual has a non-relevant degree, they would need to do a full Grad Dip, though if they have a related degree, **they could elect to complete individual units** to “top up” their qualification, where this made it a more suitable path for them compared to a full Grad Dip.

5. Professional Year

- **I am in agreement with** the proposals to create more flexibility around the timing and structure of the professional year, including when the exam is undertaken, and allowing work placements during tertiary education (ideally in the later year/s of the education) to contribute towards the PY.
- **Consideration should be given to the role of professional designation courses like the CFP course**, which includes elements of supervision and assessment at work.
 - The PY and CFP requirements should be considered together, and **where possible, overlap/duplication should be avoided.**
 - Can an association, such as the FPA, be given responsibility for setting PY requirements and be an assessing body, where at the end of the PY, CFP certification can be earned?
- How does it function in other recognised professions such as accountants. Who sets PY requirements?