

16 September 2022

Assistant Secretary  
Advice and Investment Branch  
The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [FinancialAdvice@treasury.gov.au](mailto:FinancialAdvice@treasury.gov.au)

Dear Assistant Secretary,

**Re. Financial Adviser Education Standards**

Industry Fund Services (IFS) welcomes the opportunity to provide feedback to Treasury on the consultation papers of August 2022 in relation to the financial adviser education standards.

We would welcome the opportunity to discuss with Treasury any matters raised in our submission. If you have any questions, please contact [REDACTED]

Yours sincerely,

[REDACTED]  
[REDACTED]  
[REDACTED]

## Brief

- IFS does not support an experience pathway as we believe it undermines the professionalization of the financial planning industry
- Should an experience pathway be introduced, the experience time period should be changed to be more appropriate and encompass critical regulatory developments since 2014
- Assessment of eligibility for any experience pathway should be undertaken by an independent professional body, rather than self-assessed by a person who has a self interest in the assessment outcome
- The core knowledge areas required for financial planning qualifications should not be streamlined as proposed, as it would remove knowledge areas which are relevant to and fundamental for all financial advisers
- Financial advice qualifications should not be self-assessed by education providers. They should be treated the same as other professions, and be assessed by an independent industry body such as the Financial Planning Education Council
- IFS supports the simplification of the professional year to reduce barriers to entry into the profession

## Submission

IFS supports the provision of high-quality, affordable and accessible financial advice for all Australians by appropriately qualified and experienced financial advisers. IFS also understands that a key enabler of this will be an increase in supply of financial advisers to the industry, and that changes to the existing financial adviser education requirements is one key lever that can be utilized to assist in that goal.

IFS does however think that it is critical that changes to the the financial adviser education standards are considered with, rather than concurrently but independently of, the Quality of Advice Review also being undertaken by Treasury.

Any changes arising from the Quality of Advice Review, may have significant impact on what the appropriate, if any, changes to the financial adviser education standards are. Consequently, we urge Treasury to undertake further review of those standards in light of the Quality of Advice Review's final report later this year.

### 1. Existing Advisers – Experience Adviser Pathway

#### (a) Experience

##### **IFS does not support an experience pathway**

IFS does not support an experience pathway for persons to become, and continue to be Relevant Providers.

Financial Advisers were first informed of the current education standards in 2017 which were needed to be met by 2024. This was later extended to 2026. We believe that this has been, and is a sufficient period of time for existing financial advisers to attain the required qualifications and meet the current standard.

We believe that offering an experience pathway, which would allow financial advisers to be essentially grandfathered into the profession, without ever then attaining recognized qualifications, undermines the professionalization of the financial planning industry as a whole, and erodes consumer confidence.

### **Alternate Experience Pathway**

Whilst IFS does not support an experience pathway, should one be put into place – we feel that the currently proposed structure is inappropriate.

The current proposal would enable persons who may have been financial advisers at once stage, but have been out of the industry for up to 8 years – to be rejoin and be grandfathered into the profession for life. Such a person would have largely missed operating as a financial adviser in a post-FOFA industry and entirely missed the Financial System Inquiry 2014, the financial services Royal Commission in 2019 and the myriad of regulatory and industry changes since then, including the creation of a Code of Ethics. Such a person would be woefully unqualified and unprepared to provide financial advice in 2022 – yet would be classed as a Relevant Provider with a self-assessment and grandfathered in for life.

We feel that a more appropriate time period for recognition as part of an experience pathway, would be 10 years of practice between 2012 – 2026. Additionally, those entering or remaining in the profession through an experience pathway, should not be grandfathered in for life. Consequently, we feel that for those using the experience pathway, they should be required to meet the education standards in place at, and by the year 2030.

Prior to 2030, some formal competency framework should still apply, with some education or professional designation requirements required.

### **(b) Clean Record**

Should an experience pathway be introduced, a ‘clean record’ requirement is appropriate, with an unlimited look back period. The sources of information proposed appear appropriate and practical, however an adviser’s standing with any professional association (i.e. FPA, AFA etc) should be checked and considered.

### **(c) Eligibility**

IFS feels that self-assessment and self-declaration of eligibility is entirely inappropriate. The proposed solution, whilst freeing a potential regulator from administrative work, provides no assurance, consistency nor confidence that an adviser in the profession through the proposed experience pathway is validly there. A statutory declaration will provide little to no benefit in this respect.

Entry or maintenance in the profession through this pathway, should be subject to independent assessment by a regulatory or other industry body – not left to self assessment which is inherently an activity in self-interest.

## 2. New Entrants – Formal Education and Exam

### (a) Core Knowledge Areas

IFS feels that the current core knowledge areas (save for Commercial Law which offers little practical value) are critical to the creation of a well educated, well rounded and capable financial adviser able to serve their clients well.

Consequently, IFS does not support the proposed streamlining of the core knowledge areas for adviser qualifications. Of particular concern, is the proposed removal of 'Superannuation and retirement planning', 'Insurance planning and risk management' and 'Investments'. IFS regards these as fundamental knowledge that are relevant to, and should be possessed by all financial advisers.

### (b) Education Provider Self Assessment

IFS does not support the proposed self-assessment of core knowledge areas by education providers. Under the current framework, education providers assess only to what AQF level a course is set at – not whether it meets the requirements of a particular profession. This is true for all other professional courses including law degrees, medical degrees and accounting degrees. The content of those degrees are assessed by the individual professional bodies of those professions.

We do not understand why the financial planning profession is proposed to be treated differently than every other profession.

Consequently, we recommend that a financial advice industry body such as the Financial Planning Education Council independently assess whether a course meets the required core knowledge areas.

A list of approved degrees should then be publically available to inform prospective students and entrants into the profession.

### (c) Professional Year

IFS supports the proposed changes to the professional year which will make it easier for new entrants to join the profession and for employers to take on those individuals. Integrating a work experience component into tertiary study and making it form part of the professional year will have a significant impact.

Similarly, allowing a career changer to commence a professional year whilst completing their study alongside of work will also provide additional flexibility and allow more experienced individuals to join the profession.