

16 September 2022

Ms. Melissa Bray
Assistant Secretary
Advice and Investment Branch
The Treasury
Langton Crescent
PARKES ACT 2600

By email: FinancialAdvice@treasury.gov.au

Dear Ms Bray,

Submission to Financial Adviser Education Standards Consultation Paper

TAL Life Limited (TAL) welcomes the opportunity to provide a submission to the Financial Adviser Education Standards Consultation Paper (the Paper).

TAL supports the Australian Government's examination of the current requirements for new entrants to the financial advice sector. The primary objective should be to preserve and improve consumer access to high quality advice. To achieve that, it is important unnecessary barriers to entry into the financial advice profession are minimised to ensure there is a sufficient supply of new advisers

TAL has a deep and multifaceted relationship with financial advice and financial advisers. Through our life insurance business, we have well established and strong commercial relationships with thousands of advisers Australia wide. Through our subsidiary financial advice licensee, *Affinia Financial Advisers Limited*, we also directly license and work with authorised representative advisers providing holistic financial advice.

Over and above each of these elements is the TAL Risk Academy, our unique and industry leading education program helping financial advisers develop a range of technical and soft skills to support their engagement with their customers. Through the TAL Risk Academy we have supported over 7,000 advisers to prepare for the Financial Adviser Exam, with a combination of workshops, practice tests, webinars and 1:1 support. We have also supported over 150 new entrants with their Professional Year requirements for training, and conducted additional research into the ways licensees are managing the Professional Year, providing us valuable insight into how advisers and licensees are experiencing this aspect of the education standards.

Our conclusion is that, unfortunately, the requirements confronting new advisers and their supervising licensees are contributing to a severe undersupply of new entrants into the sector. There are currently

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509 provisional advisers on the Financial Advisers Register¹, which at first glance looks positive and a significant step up from 2021 and 2020. However, for context, Wealth Data calculates that so far in calendar year 2022, the number of advisers on the Register has decreased by 825². The reduction in registered advisers this year follows several years of even greater reductions. If this shortfall in new advisers relative to exiting advisers continues to persist over the medium to long term, it represents a threat to the supply of financial advice for consumers.

Reforming the requirements for new advisers is therefore necessary and important. Doing so is also consistent with the goals of the parallel Quality of Advice Review, which seeks for Australians to have access to high quality, affordable and accessible financial advice. The challenge is that, even if the Quality of Advice Review is able to deliver on its goals, if the supply of new advisers is not increased to sustainable levels, advice affordability and access will continue to decline.

We also note the current system requires new advisers to obtain and be examined on a generalist education. We strongly believe consumers would benefit if the system also facilitated new advisers to opt for a more specialist education, in particular for fields such as risk advice and stockbroking.

Overpage we make some comments relevant to the structure and operation of new adviser education requirements and the Professional Year and that we believe would make it more responsive to consumer, adviser and licensee need.

About TAL

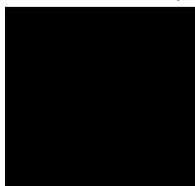
TAL is one of Australia's leading life insurers. Together with our partners, we protect 4.9 million Australians against the risks of death, disability, and illness. In 2020-21 we paid more than \$2.7 billion in claims to 39,000 customers and their families. We provide life insurance cover in several different ways – through our partnerships with superannuation funds, via financial advisers, and directly to consumers through digital and other platforms.

TAL is a part of the Japan based Dai-ichi Life Group. Starting with the Dai-ichi Life Insurance Company, which was established in 1902 as Japan's first mutual insurance company, today the Dai-ichi Life Group is one of the world's largest life insurance groups. Dai-ichi Life Group is also one of the world's leading providers of retirement income products.

For further information

Should you have any questions regarding the information in this submission, or about TAL generally, we would be pleased to assist. Please contact in the first instance Mr James Connors, Head of Corporate and Government Affairs, on 0484 083 208.

Yours sincerely,



¹ Money Management, Adviser growth ends six weeks of losses, https://www.moneymanagement.com.au/news/financial-planning/adviser-growth-ends-six-weeks-losses?utm_source=newsletter&utm_medium=email, accessed 9 September 2022.

² Wealth Data, Weekly Financial Adviser Movement Dashboard, <https://wealthdata.com.au/adviser-movement-fast-facts>, accessed 6 September 2022.

1. Requirements for new entrants are onerous

While we see the consumer benefit in new entrants having a degree and completing a professional year, the feedback we hear from advice firms and new entrants is they find it challenging to achieve the existing requirements to:

- **Be degree qualified with an approved degree.** From a new adviser perspective, some find the time taken to complete the degree, and the cost to study, to be an obstacle to joining the industry. Degrees can also be somewhat hard to find - less than half of Australian universities offer financial planning degrees or post-graduate study, and none of the institutions comprising the “sandstone” grouping of universities offer the degree.
- **Log 1,500 work hours** in the professional year, demonstrating the necessary competencies and requirements. There are specific quarterly requirements that candidates must meet and log. New advisers report uncertainty that data being logged is correct and matching the requirements. Under the tools originally provided under FASEA this was a manual, time consuming and repetitive process taking time and effort away from the new advisers’ daily workflow. TAL notes the introduction of digital tools (such as TAL’s PY Manager) is making this an easier process to manage.
- **Complete 100 hours** of structured training in the professional year. 100 hours is a substantial time commitment, especially when compared to the ongoing Continual Professional Development for existing advisers, which is only 40 hours. Some new advisers manage the time commitment by counting hours studying for their degree towards the 100 hours requirement. For advisers that are already degree qualified this is not possible, so for these people the hours could potentially be decreased to 50 hours.

TAL PY Manager

Through the TAL Risk Academy, TAL has developed a digital platform to help new advisers navigate the professional year. The platform is aimed at providing new advisers, supervisors and licensees a professional year management system that makes the year easier for all involved. The platform incorporates planning tools, a dashboard and diarises key checkpoints and milestones. We also offer structured training options.

There are currently 30 new entrants piloting our system, which is receiving positive feedback. We would be pleased to expand on the support that this system provides if it would be of interest.

The content of the professional year is prescribed within the *Corporations (Work and Training Professional Year Standard) Determination 2018*. This instrument rigidly sets out the requirements for new advisers and their supervisors, including:

- the work actions required in each quarter of the year
- the supervisory requirements
- the criteria for assessment
- the courses that may be undertaken as part of the structured training.

This level of prescription contrasts with the education standards applying to other professions, such as surgeons, where standards function more as guidelines supporting the achievement of competencies³,

³ Royal Australasian College of Surgeons, *Training standards for Surgeons*, https://www.surgeons.org/-/media/Project/RACS/surgeons-org/files/professional-development/mnl_2012-02-24_training_standards_final_formatted.pdf?rev=49725f917b8240ebb890f80f7b70a82c&hash=E8F4330C9CBE3BE60D9A24F52F4867C1, 2012, accessed 08/09/2022

and accountants, where education requirements feature a mix of core and elective subject areas⁴, giving candidates greater choice and control.

Supervision of new advisers

Using experienced advisers to supervise and mentor new advisers during their professional year is a sound concept. However, in practice, this system inevitably imposes a significant time impost on the supervising adviser and the responsible licensee. The supervising adviser must assess whether the new adviser has correctly completed and maintained their logbook for the quarter, if they have undertaken the required work and training hours to a satisfactory standard, and sign off on advice provided to clients. This seems to be input rather than outcome focused, which would be of more benefit to consumers.

Shifting the supervisory focus of the professional year from ensuring the logging of work hours to ensuring the achievement of the core competencies would be a better use of the supervisor's time. This would involve the supervisor observing and assessing the development of the new adviser's knowledge, skills and behaviours, and providing feedback and coaching that supports the adviser develop to the required level of competence. In particular supervisors should observe the new adviser working with customers and focus assessment on the outcomes for consumers.

Regardless of the approach taken, the provision of supervision and support comes at the expense of the supervising adviser's own ability to manage their clients and business. This not a good consumer outcome. It is not surprising, therefore, that many advisers are reluctant to supervise new advisers. We hope the development and take up of digital support tools such as TAL's PY Manager encourages more advisers and licensees to take on the supervision of new advisers. This should be closely monitored.

If the supply of willing supervisors becomes a constraint, we suggest the Government look to the approach taken in other industries and occupations, where direct government support is provided to employers of trainees. For example, employers of trade apprentices receive state and federal funded incentives that include wage subsidies, hiring incentives, workers compensation premium reductions and publicly funded training. TAL would welcome the deployment of similar initiatives within the advice sector.

2. Options to reform new entry requirements

Streamline core knowledge areas

TAL supports the proposal to reduce the core knowledge areas from eleven to five. We also think the added flexibility is more likely to attract students, in particular students who have already commenced their degree under a different major and who wish to change to financial planning mid-degree without excessively lengthening their course. The enhanced flexibility for knowledge areas also supports more rounded education (rather than a narrow focus) – something other professions have introduced (e.g. law).

In respect of the possibility of new entrants "topping up" existing qualifications that don't meet the education standard, TAL believes this idea has merit and is worth exploring. With less core units being required there may be a greater role for Graduate Diplomas to be used as the mechanism of topping up.

We consider that there may need to be conditions on this, for example specifying that the degree being topped up is a commerce or business studies type degree, capping the number of top up courses permitted.

Education provider self-declaration

⁴ CPA Australia, *Subjects and course guide*, <https://www.cpaustralia.com.au/become-a-cpa/completing-the-cpa-program/subjects-and-course-guide>, accessed 08/09/2022

While we understand the potential efficiencies that self-declaration of courses brings, including encouraging education providers to offer financial planning degrees, TAL has reservations around the extent of deregulation proposed in the paper. One risk is that, in an entirely deregulated model, prospective new advisers will find it more difficult to determine the quality of the course offered. Course providers will also face a conflict of interest when self-declaring courses meet the relevant requirements, leading to a risk of sub-standard course quality and content.

In order to maintain sound educational standards and, ultimately, good advice, we consider it important for there to be mechanisms to prevent sub-standard courses from being offered. This could be via an accreditation process, but rather than the current process there could be a role for adviser associations to play in the accreditation process. For example, the Financial Planning Association (FPA) accredits TAL Risk Academy courses for CPD purposes, in doing so signalling to advisers that the courses are credible and robust and that an independent body has approved the CPD learning areas.

Alternatively, the Australian Government could publish minimum standards guidelines that providers must meet, and spot check a sample each year to ensure standards are maintained.

Specialist pathway

Currently there is no choice for new advisers other than to take a generalist approach to their education and training. This approach sees new advisers required to study and be examined on a broad range of subjects, a process which produces well-rounded advisers with the wide range of skills needed to provide holistic financial advice.

While this approach and outcome has merit, consumers and new advisers would benefit if there was an additional, alternate education pathway that studied and examined a narrower range of specialist subjects. This would allow new advisers to choose to specialise and gain a greater depth of knowledge in a particular field, with the benefits this brings for both the adviser and for consumers. With the trend to advisers working in larger practices, better quality advice could be delivered from a wider range of specialisms as is common in all other professions, such as doctors and lawyers.

Specialist advice fields that would benefit from this approach include risk advice and stockbroking. New advisers who wish to focus on these fields do not need to spend as much time and effort learning broader knowledge and skill areas in order to provide good advice relevant to their client's particular need. For example, in risk advice, a specialist education pathway could allow the new adviser to focus on areas not covered in the generalist course and exam, such as:

- Personal and business risk management strategies
- Complex product structures
- Underwriting
- Medical technologies and expertise
- Claims processes and technicalities
- Lump sum Insurance products
- Income insurance products
- Re-insurance treaties and practices

In the absence of study and examination in these subjects, new advisers entering the risk advice field will need to learn these over time, often on the job. Yet these are very important elements to delivering good advice that are worthy of deeper study.

This approach would be similar to that common in other professions, which recognise the value of both generalist and specialist skills and knowledge, and encourage the streaming of candidates in this way.

Greater flexibility on exam timing and content

TAL strongly supports the proposition to make the timing of the exam more flexible. We agree it should be able to be sat at any time, including prior to the professional year commencing. Advisers have voiced concerns about the frequency of exam sittings, and at the stringent remote proctoring standards. They tell us that having more ready access would help ensure the professional year is indeed a year, rather than the 15 months plus that is currently happening. This would reduce costs for new advisers, supervising advisers and licensees.

Advisers also report the transparency around exam results is unsatisfactory. There should be greater and more timely communication to advisers about their results, especially when an adviser fails, so they can gain an understanding of where they need to focus.

In respect of the content of the exam, as noted above, the existing exam covers a broad range of issues. Not all advisers want to practice broadly – some want to specialise in particular areas, such as risk advice or stockbroking. For new advisers looking to specialise in these areas, the exam should be facilitate this, testing a narrower range of topics in greater depth. This would be similar to other professions which encourage the streaming of candidates into specialist study and occupations.