

# National Seniors

Australia

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Level 18, 215 Adelaide Street  
Brisbane Qld 4000  
GPO Box 1450  
Brisbane Qld 4001  
Phone 07 3233 9100  
Fax 07 3211 9339  
policy@nationalseniors.com.au

Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600

Dear Committee Secretary

## **Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry**

With 200,000 individual fee paying members, National Seniors is the country's largest organisation representing those aged 50 years and older. Our membership includes people in the workforce, those who receive an age pension, as well as part and fully self-funded retirees.

Many older Australians seek financial advice on how to invest their life savings to ensure they have enough money to provide for themselves in retirement. Approximately 70 per cent of National Seniors members with superannuation have obtained professional financial advice on how to invest their superannuation.<sup>1</sup> This investment decision is one of the most critical decisions any individual makes.

Unfortunately, those providing the advice vary considerably in their levels of education and expertise. Further, prospective clients have little opportunity to easily compare the qualifications of advisors and often rely on generic titles of "financial advisor" or "financial planner" as an indicator of qualifications, expertise and professional standards.

A number of National Seniors members have reported negative experiences with financial service providers, including financial advisors and planners. These experiences range from incorrect technical advice to unsubstantiated predictions of returns and lack of disclosure of the underlying risk of investments. Research indicates that consumers hold a low view of financial advisers, with only 25 per cent regarding them as ethical and honest.<sup>2</sup>

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<sup>1</sup> Productive Ageing Centre (2012) *Financial Wellbeing: Concerns and choices among older Australians* National Seniors Australia.

<sup>2</sup> Roy Morgan Research (2014) *Do finance professionals need an image overhaul?* Roy Morgan

National Seniors believes that the high degree of vertical integration within the wealth management sector including within financial advisory planning firms is contributing to the high levels of mistrust and increases the potential to significantly lessen competition and choice.<sup>3</sup>

A number of changes to the financial advice sector are required to ensure that consumers can be confident that an individual alleging to be a financial advisor/planner has an adequate level of qualifications, expertise and professional standards.

At a minimum, clients and potential clients must be able to view a summary of the qualifications and experience of individuals claiming to be financial advisors/planners. This should be available from an independent source, for example through the development of a detailed financial advisor register.

**National Seniors recommends** that the Australian Securities and Investments Commission (ASIC) maintains a register of financial advisors/planners that includes certification, qualifications and experience and that the register is funded by registration fees from the advisors/planners.

The register must be developed in an age-friendly format that allows access by phone as well as the internet. All complaints or claims which have been made against the advisors and their outcome should be listed in the register.

However, a register is insufficient alone to provide clients with the necessary level of protection required.

National Seniors believes that the current level of professional, educational and ethical standards of financial advisors are inadequate and unacceptable and have contributed toward negative client outcomes. In extreme cases unregulated, underqualified and potentially unethical financial advisors have been responsible for recommending clients invest in highly inappropriate and fundamentally flawed investment schemes, including Storm Financial and Westpoint.

National Seniors is highly concerned with the well publicised ease of completing qualifications which enable an individual to practice as a financial advisor/planner<sup>4</sup> and the allegations of cheating to pass the low level of unsupervised testing currently required<sup>5</sup>. In particular the open-book nature and the extended time period for completion of the current exam do not deliver consumer confidence in the knowledge base of current financial advisors/planners.

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<sup>3</sup> National Seniors Australia (2014) *National Seniors Australia Submission in Response to Financial System Inquiry Interim Report*.

<sup>4</sup> Anthony Klan (2014) *Need help losing your nest egg? With my four-day \$1425 diploma I can help* The Australian 30 August 2014

<sup>5</sup> Adele Ferguson and Ben Butler (2014) *Cheating rife in financial planning* The Sydney Morning Herald 18 August 2014.

National Seniors is cautious of the recent announcements by the large financial institutions in which they propose an increase to the educational standards of their financial advisors. These proposals appear to be only in response to the threats of implementation of mandatory standards.

National Seniors believes that it is too late for the sector to self-regulate and that national professional, ethical and educational standards must be developed and set by Government.

Given the critical role of financial advisors/planners and the almost uninformed reliance on their advice by the majority of clients, **National Seniors recommends** that the Government introduce the following two levels of national certification requirements:

**Certification Requirements for New Financial Advisors and Planners:**

New financial advisors/planners must complete the following four requirements before they can become a certified financial advisor/planner and provide financial advice.

1. Completion of a undergraduate degree in economics, law, finance or a related field;
2. Completion of the national certification assessment;
3. Completion of at least 20 weeks post qualification supervised work experience; and
4. Commitment to a professional code of conduct and continuing professional development requirements.

**New Unrestricted Financial Advisor/Planner:**

Once an individual has completed the above 1-4 requirements they can provide financial advice and use the title certified financial planner/advisor. However, National Seniors believes that before an individual can practice independently as a financial advisor/planner (sole practitioner) and operate their own financial advisory /planning firm, they must complete 3 years of work experience under an unrestricted financial advisor/planner.

5. Completion of 3 years of work experience under an unrestricted financial advisor/planner.

**Certification Requirements for Existing Financial Advisors and Planners:**

Existing financial advisors/planners must successfully complete the following three requirements within 24 months or be restricted from providing financial advice.

1. Completion of the national certification assessment.
2. Commitment to a professional code of conduct and continuing professional development requirements.
3. Completion of a diploma level qualification in financial services (financial planning) or similar.

Each certification requirement is expanded below.

### **Undergraduate Degree**

All future financial advisors/planners should hold an undergraduate degree in economics, law, finance or a related field. All other professional fields require the completion of a standardised degree e.g. accounting and law.

National Seniors believes that the provision of financial advice has the potential to have life altering outcomes for clients on the same level as legal or medical advice and therefore requires an equivalent level of education and experience.

National Seniors believes that those financial advisor/planners already practicing should not be required to complete a degree qualification to continue to practice. However their level of qualification should be posted on the register.

### **National Certification Assessment:**

National Seniors believes that all financial advisors/planners current and future should be assessed on their ability and knowledge of key areas which would impact the outcomes of clients.

The National Certification Assessment must include testing on:

- financial and technical knowledge;
- the taxation and welfare systems;
- communication skills; and
- key retirement issues and their implications for personal and estate financial planning, including expenses related to health and aged care needs.

The assessment must be timed and supervised in a secure venue to ensure standardisation of the testing environment and a basic level of expertise in financial advice matters.

In addition the assessments must go beyond simple multiple choice testing and include work samples and case studies to test the skills and abilities required to provide financial advice in real world situations.

**At least 20 weeks post qualification supervised work experience:**

Financial planning and advisory students must have some real world practical experience in applying knowledge learnt from educational achievements in a work place environment before they are certified to provide financial advice.

The work experience requirement will allow students to gain interpersonal and client communication skills essential to providing high quality financial advice. The supervision component of the work experience ensures that any error a student may make does not negatively impact clients.

National Seniors suggest students should only be eligible for work experience once they have completed at least two thirds of their undergraduate degree.

**Commitment to a professional code of conduct and continuing professional development requirements:**

All existing and future financial advisors/planners should be compelled to agree to a professional code of conduct and continuing professional development requirements.

National Seniors believes that the code of conduct should include a commitment to ethical standards of behaviour, a standardised complaint and dispute resolution process between advisors/planners and clients, and ongoing yearly professional development requirements.

National Seniors believes that the yearly professional development requirements should include specified hours and topics in order to gain the required professional development credits. The professional development should reinforce and expand on the topics which are tested within the National Certification Assessment and educate financial advisors/planners on new developments which may impact the financial advice sector and client outcomes, for example changes to taxation and superannuation systems.

**Diploma Level Qualification**

National Seniors believes that in addition to the National Certification Assessment existing financial advisors/planners should be obligated to complete a diploma level qualification in financial planning/advising.

The completion of a diploma will ensure that existing advisors/planners have a strong understanding of the fundamentals of financial planning and will convert their existing knowledge into a respected and trusted qualification.

In addition **National Seniors recommends** that the Government:

- Legislate restrictions on the use of the titles *certified financial advisor/planner* to those that have met the above certification requirements; and
- Legislate restrictions on the titles financial advisor/planner to existing advisors and planners yet to complete their certification requirements but who have committed to do so within 24 months.

In line with other professional bodies e.g. accounting bodies, **National Seniors recommends** that ASIC should take the role of registering professional bodies who adopt the national certification requirements as a component of their criteria to become a member of their organisation.

**National Seniors recommends** that the ASIC approved and registered professional financial advisory and planning bodies administer the certification requirements with ASIC undertaking an oversight role.

National Seniors believes that the above recommendations will enhance the standing of financial advisors/ planners in the wider community and justify the trust which individuals are currently placing in their advice.

National Seniors would be pleased to expand further on the above recommendations at a future hearing that the Committee may conduct on this very important area.

Yours sincerely

**Sarah Saunders**  
**Deputy Chief Executive**