9 July 2018

Dr Mark Brimble
Interim Managing Director
Financial Adviser Standards and Ethics Authority

Email: consultation@fasea.gov.au

Dear Dr Brimble,

SMSF ASSOCIATION SUBMISSION ON PROPOSED GUIDANCE ON EDUCATION PATHWAYS FOR EXISTING ADVISERS

The SMSF Association (SMSFA) welcomes the opportunity to make a submission on the Financial Adviser Standards and Ethics Authority's (FASEA) proposed guidance on education pathways for existing advisers. Increasing the education standards and professionalism of financial advisers is a matter that the SMSFA strongly supports and believes is fundamental to the future of financial advice in Australia.

We note that providing feedback on the proposed guidance is difficult due to the fact we are consulting on a framework for existing advisers rather than specific details. Consequently, consultation on certain aspects have been based on our speculation as to how we think the standards will apply once they are finalised. We encourage FASEA to conduct a further round of consultation on more detailed guidance as soon as possible.

The SMSFA is supportive of the proposed framework in FASEA's updated guidance in March which was sensibly broadened to encompass more existing advisers than the initial guidance in December 2017. However, we urge caution that if the expectation for further education to be completed by existing advisers in the final design of pathways is too high, then it may damage the industry in the short to medium term.

The key points made in this submission are:

- A post graduate pathway is essential for new entrants to the financial advice industry.
- Adequate SMSF knowledge is crucial to provision of licensed financial advice, especially given the opportunity to create a profession.
- Standardised and significant recognition of prior learning should be implemented for existing entrants who must undertake formal qualifications or bridging courses.
- A simple approach should be taken when determining related degrees which looks at specialisation and majors rather than specific underlying subjects.
- Bridging courses should encompass flexibility in their design and provide value to advisers rather than becoming another 'exercise' advisers undertake to meet a threshold.
- We propose that accountants with a limited license fall within a relevant related pathway as they currently have not been adequately considered.
- FASEA should explore potential options for experienced older advisers with industry experience.

Our detailed views on the proposed pathway arrangements are below.

Feedback on pathways

New Entrant

The design of the financial planning profession education framework is fundamental to the success and quality of the profession going forward. Ensuring that individuals are attracted and drawn to a career that demonstrates a specialised body of knowledge, a high quality of education and ethical requirements, and societal recognition of the benefits they can provide to the Australian public is essential. Most crucially for this is the creation of a pathway for those new entrants who wish to be part of this new profession.

It is proposed that a new entrant must attain a qualification of an approved degree at either an Australian Qualifications Framework (AQF) 7 or AQF9 level. These approved degrees are currently taken from the Financial Planning Education Council's (FPEC) approved register. The SMSFA has concerns that the limited type of degrees on the FPEC approved register and curriculum is too narrow for a new entrant.

Approved degrees are limited to a few universities and narrowly focussed on only financial planning subjects without much consideration to other general commerce and business subjects. Not only are young adults undecided on a defined financial planning career and the choice of a specific financial degree straight out of school but their options for practical approved degrees is restricted. It is important FASEA recognises this notion and accommodates additional flexibility for general financial services degrees that encapsulate financial advice education.

Furthermore, the current pathway for new entrants does not entirely reflect the changing nature of work. Young individuals are now predicted to have numerous changes in employers across many different careers. FASEA's proposed pathway advocates a traditional pathway without acknowledging that many individuals may look for a well-rounded and broad education that can be adaptable across multiple vocations, in this instance most likely various aspects of finance.

FASEA must ensure that approved degrees are therefore flexible enough to encompass broad commerce, business, accounting, and finance degrees while still covering the core body of financial knowledge required by FASEA. For example, the SMSFA believes a commerce degree with a double major in accounting and financial planning which covers the core FASEA financial advice knowledge areas and core accounting areas would be extremely popular for a new entrant. Over time, further complex post graduate education from education providers and professional associations will become even more well-regarded in the industry, which should draw parallels to the accounting or legal profession (and the Chartered Accountant program for example).

We also believe it is essential that FASEA considers the inclusion of a related and unrelated degree pathway for new entrants. Currently, the draft guidelines only provide a pathway for existing advisers with related or unrelated degrees. Pathways for new entrants with related or unrelated degrees would encompass the inclusion of an AQF8 qualification (e.g. an eight subject graduate diplomas) as a legitimate option for an individual who wishes to provide advice as a new entrant.

There are currently numerous individuals who are completing a degree or have finished a degree but are not yet giving advice who would benefit from an additional flexible pathway to be able to provide personal financial advice. Allowing new entrants the ability to study a degree and then complete a post graduate qualification at the AQF8 level in order to give advice will give more options to individuals considering financial planning as a profession.

Without this pathway it would be extremely difficult to attract individuals to the profession especially if 'career changers' and individuals who have studied a degree that is related or unrelated to financial planning would have to engage in another AQF7 degree or AQF9 masters to give financial advice. This would involve significant time and monetary costs for the former and a level of expertise that is too high in the latter. The SMSFA believes there will be a significant number of individuals who would look to adopt this pathway in the years ahead as the modern work style develops.

For those new individuals who do wish to choose an approved financial planning degree or post graduate degree, the Association believes these need to be expanded to encompass SMSFs in a study plan and in the core body of knowledge. SMSFs are a major part of the advice framework making up one-third of all superannuation funds. They are complex vehicles that need to be accompanied by high quality and specialised advice, especially given they are only appropriate for certain types of individuals.

The SMSFA has always advocated for specialised SMSF financial advice and recent findings from the Productivity Commission, the Australian Securities and Investments Commission (ASIC) and case studies from the Royal Commission have reinforced this view. In regards to ASIC, their recent publishing of ASIC Reports 575 and 576 on SMSF advice and member experiences saw the regulator specifically call for specialist SMSF advice education requirements to be introduced to raise the standard of SMSF advice. It would be unfortunate for new advisers to be able to reach a required FASEA threshold to give financial advice and then be able to give specific SMSF advice without specific SMSF knowledge being part of the required learning outcomes. This is especially pertinent when SMSF trustees, due to the self-directed nature and complexity of SMSFs, are susceptible to poor financial advice with potentially significant detrimental outcomes to individuals.

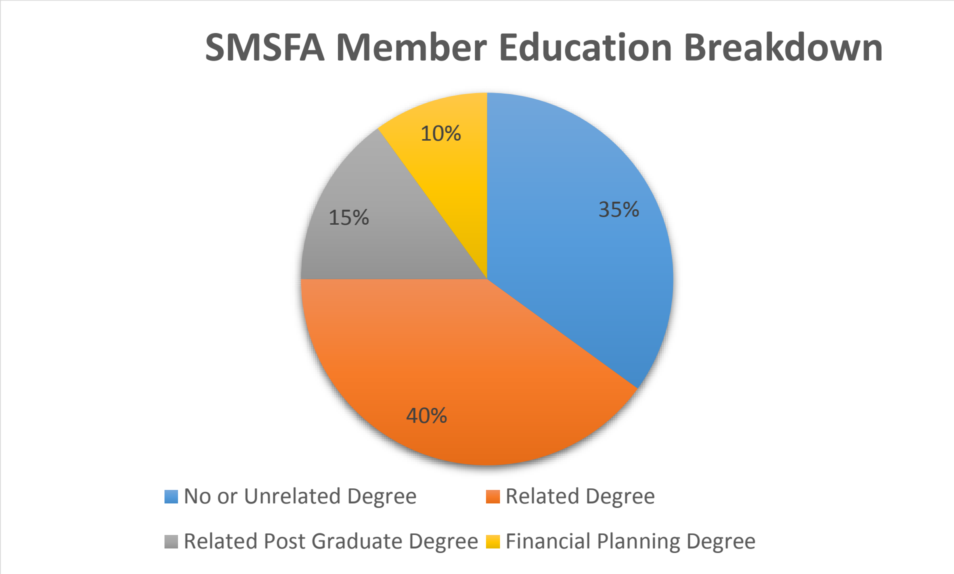
Therefore, given this inflection point and the creation of a profession, FASEA and the industry have the opportunity to help protect and grow the retirement savings of Australians through an appropriate and targeted increase in SMSF education and advice standards. We propose that SMSF learning outcomes are an integral part of the superannuation learning outcomes in graduate and post-graduate studies akin to a minimum of 60 hours or half a full-time unit. This would ensure that individuals who are appropriately qualified to give advice, have the required level of expertise to engage in specific SMSF advice and also appreciate when their knowledge may require further specialisation to adequately service their clients. We would then encourage advisers to seek further specialisation in SMSFs as the ability to fully cover SMSFs appropriately in an undergraduate or post graduate degree, for example around complex SMSF limited recourse borrowing arrangements, business real properties and related party transactions, is difficult and unrealistic.

However, if FASEA decides that learning outcomes only cover SMSFs on a high level as part of the superannuation and retirement learning outcomes, the Association would propose that SMSF advice would only be able to given if further specialisation is undertaken by an adviser. For the reasons stated above, advisers going forward must adequately understand SMSFs if they wish to advise on them and a broad high-level education approach does not give an adviser enough insight to reach this threshold. The opportunity to reform the industry, in a key area of need by advisers will have been missed under this approach.

The Association also has concerns that the unadjusted adoption of the FPEC approved degree list and curriculum is not in the best interests of the financial advice industry. Firstly, it gives rise to a perceived conflict of interest given that the FPEC Charter details that its purpose, roles and responsibilities were designed around the Financial Planning Association (FPA) and its accreditation program. This perceived conflict is exacerbated by the involvement of former FPA associated individuals on the FASEA Board. Secondly, the curriculum is based around the CFP qualification, one entity's qualification, rather than seeking the broader views of the financial advice industry as to what should be in a new curriculum for financial advice, The SMSFA believes that an independent curriculum should be developed and supports the working groups established to address some of these adoption issues and hopes industry proposals and concerns are taken on board.

SMSFA Member breakdown

The Association has conducted a survey of its members to determine how many lie within each pathway. Our results indicated that approximately 35% of members will need to undertake formal AQF level qualifications. The remaining members will most likely be required to conduct a form of bridging course to meet the FASEA proposed guidelines.



Existing adviser – With no degree / With an unrelated degree (35% of SMSFA members)

The Association believes that existing advisers with no degree and those with an unrelated degree should have the same options to becoming qualified under FASEA's education pathways. We do not see why there is a distinction between these advisers given the approach FASEA has taken in its assessment of an adviser's current education. That is, an adviser that is in either of these categories does not have any relevant financial advice formal education. We believe if an adviser has studied an unrelated degree they should be able to undertake all approved qualifications.

Under this scenario the Associations supports a full eight subject approved graduate diploma as a starting point for these advisers. However, it is very likely that existing advisers will have levels of financial planning education, qualifications, accreditations, experience and continuing professional development (CPD) that should be recognised in some form.

It is generally understood that Regulatory Guide 146 (RG146) has lacked the required standard of education to adequately ensure that advisers are competent to give the financial advice they are licenced to provide to the Australian public. For this reason, those advisers without AQF7 qualifications need to be brought up to this equivalent standard as the legislation requires.

The individuals most likely to fall into this pathway are advisers who have entered the financial advice industry when a lack of suitable formal graduate or post-graduate financial planning education products were available. Without resorting to studying new graduate diploma products, which is difficult and expensive for established and experienced financial advisers, many of these advisers have done all that can be reasonably expected to ensure they are giving quality financial advice.

Actions taken by these advisers include diplomas in financial planning, continuing professional development (CPD), the acquisition of accreditations such as the SMSF Specialist Advisor (SSA) or other industry accreditations and numerous years of quality financial advice and experience without fault. For example, the SMSF Association's SSA reflects the ability to show comprehensive SMSF skills and knowledge, a professional commitment to maintaining compliance with legislation and the ability to show professionalism in conducting services in the SMSF industry.

Recognition of Prior Learning Options

The SMSFA strongly advocates that recognition of prior leaning (RPL) is essential to entrants who are utilising this pathway. We believe the RPL should not be left solely to higher education providers to determine and strong guidance must be given by FASEA. This is justified and pertinent given the effect on existing advisers who must transition to meet requirements in the law because of the 'once-off' transitional scenario that the Government proposed in order to lift the standards of financial advice.

Guidance on specific RPL will not only provide clarity for existing advisers on how their current levels of education and experience will affect their ability to meet the legislated standard but also provide consistency across all existing entrants. For example, it would not be appropriate for certain education providers to give greater, nor lesser RPL for the SSA than other education providers as this would create biases and preferences.

We understand that the Tertiary Education Quality and Standards Agency (TEQSA) ensures the RPL that a provider offers does not exceed a maximum of 50% of an education course. This means, that the best-case scenario for an existing adviser in this pathway would result in the adviser needing to undertake four subjects in an approved graduate diploma. The estimated costs of this would be $15,000 and half a year of full time study. The SMSFA believes this 'best case scenario' is unreasonable for many advisers, especially as advisers with families and significant work pressures may struggle to find the time and money to devote to this much study.

Therefore, there is a strong argument that for the transition of existing advisers that RPL not be capped at 50%. RPL should be fit for purpose as to allow relevant and existing prior learning and experience that an existing adviser has completed materially affects the subjects they are required to study. An existing adviser should not be taking a subject that they have already undertaken study of (e.g. through extensive CPD) and are already competent in. Not only is this beneficial to the adviser it is crucial to the perception that the increase in education standards actually aims to materially affect the quality of advice and does not become another exercise advisers complete in order to meet a certain threshold.

Proposed RPL Guidance – SMSFA Members

SMSF Specialist Advisor

63% of SMSFA members currently have the SSA accreditation. In order to be eligible for this accreditation an individual is expected have 2 years' experience providing advice and/or services to the SMSF sector and SMSF related work must be approaching more than 10% of an individual's workload.

Advisers who can demonstrate their experience and qualified knowledge via the SSA, through a significant examination process, have the necessary education which is at the least equivalent and greater than the knowledge requirements in a superannuation AQF8 level course. For example, SSA's are able to analyse superannuation structures and strategies, explain the taxation implications of superannuation strategies, analyse retirement income stream strategies, formulate strategies to maximise superannuation benefits and understand strategies in respect of divorce, bankruptcy and death benefits.

Therefore, individuals who have completed this accreditation should receive a credit for superannuation and retirement planning subjects in AQF8 level courses.

Experience

RPL credit should also be awarded on the basis of current informal learning, most notably experience. We encourage a process where an existing adviser would need to provide detail on how their relevant financial advice experience meets the required subject's learning outcomes. This is pertinent because many advisers have over 10 years full time experience providing quality financial advice to Australians. Proposals which do not recognise the significant experience advisers have will have inappropriately evaluated the composition of the financial advice industry.

Advisers should be able to articulate how their experience and current working activities have demonstrated the learning outcomes of financial advice principles, investment knowledge, financial advice construction and insurance for example. Details could include the provision of SOAs and continual quality advice, client satisfaction and adherence to the *Corporations Act 2001* (Corporations Act) requirements.

FASEA's guidance to education providers should also validate the value of experience to allow for consistency when awarding credits. This may include a framework around the learning outcomes, time spent in the industry, number of clients served and compliance history.

CPD and other education

In line with RG 146, advisers have an obligation to maintain their competence to provide the financial services authorised under their Australian Financial Services license (AFSL) licence. This involves existing advisers undertaking CPD in order to be licensed by an AFSL.

Aligned with this, is the previous RG 146 education existing advisers have completed to give advice. These most likely include diplomas and advanced diplomas in financial planning. The Association understands issues with certain standards of this education but notes that such prior CPD must not be immediately disregarded. Advisers should be given the opportunity to demonstrate how certain education they have completed may satisfy certain FASEA learning outcomes.

Existing advisers will also have completed CPD in order to maintain their competence with certain accreditations like the SSA, CFP and the Chartered Accountant (CA). For example, an SMSF Specialist Adviser attending the SMSFA National Conference, the SMSF Technical day, Charted Accountants Australian and New Zealand National SMSF Conference, webinars on an accredited external training register, SMSF Association local community update events, dealer group training, 45 hours of professional reading and the FPA National Conference in a triennium would meet SMSFA requirements. Attendance at these events would sufficiently satisfy gaining quality up to date technical knowledge which would raise the standard of advice given by advisers.

It has been noted by our members that CPD is extremely valuable, especially the longer since an individual completed their initial education. It has been a common refrain from members that the knowledge and skills gained from completing quality CPD has been more valuable to them in servicing their clients than formal qualifications they have completed. Those advisers with a documented and extensive list of CPD should have their CPD recognised formally by education providers for credits for subjects such as applied financial planning which would already be knowledge of the adviser.

Other accreditations – CA, CFP

The SMSFA notes that many of our members also have accreditations with industry bodies such as the CA and the CFP. While we are not privy to the history of each member's attainment and modes of assessment of these accreditations we strongly support the recognition of accreditations. The Association as stated, believe significant weight be given to these further studies given that AQF level financial advice education products may not have been available when advisers were entering the industry. Accordingly, these industry accreditations were recognised as the highest professional education for advisers seeking further relevant education and improvement of their skills and knowledge.

For example, those who have studied the underlying subjects in the CFP have a strong claim that RPL should be recognised for certain subjects where they have demonstrated the learning outcomes. We would encourage a process where advisers provide detail of their accreditations and the underlying subjects they have completed.

Guidance then issued to education providers will improve consistency across the industry. We believe FASEA should examine these accreditations, their modes of assessment and the underlying outcomes to determine how they align with the FASEA's approved learning outcomes.

Existing adviser – With a related degree (40% of SMSFA members)

The Association supports the starting premise that existing advisers with a related degree will need to undertake a bridging course rather than an approved Graduate Diploma or Degree. This recognises that advisers have at some stage completed an AQF7 level course and undertaken formal education.

What is a related degree?

The guidance currently states that any of the following disciplines of financial planning, accounting, finance, tax, law and economics as a major or specialisation will be identified as related qualifications. However, it is our understanding FASEA will want education providers to look at underlying subjects in each related degree to determine if the degree is related. It is assumed unless subjects align with the FPEC curriculum that a degree may not be assessed as being related.

The SMSFA advises caution must be taken with this approach. It will be administratively difficult and time consuming for education providers to assess subject by subject documentation, and also, to subjectively determine what is relevant in a wide range of degrees financial advisers have studied.

Its difficulty is also compounded by the fact that financial planning degrees have only been around for the past 10 years. Therefore, consideration needs to be given the fact that AQF financial planning education products were non-existent for many advisers and therefore were forced into more general degrees. Further, these degrees would have most likely not have had specific financial advice/planning courses available for study.

This provides a strong argument for RPL for experience, CPD and accreditations to be considered in determining whether an adviser's qualifications should be determined to be a related degree. This is especially necessary for those advisers who have spent a long time in the industry, as the older the adviser is the less likely they are to have formal tertiary financial planning education and more likely to have significant RPL. In these scenarios, industry accreditations must be given serious weight as the most relevant form of education advisers could have completed. As stated previously in our submission, the Association's suggestions relating to RPL could be utilised to confirm that an existing adviser with a related specialisation and specific financial planning RPL be considered to have a related degree.

However, without further details from FASEA, the SMSFA believes assessing the particular subjects that make up a related degree may restrict the number of individuals assessed to have a related degree resulting in a mass of advisers being forced into a graduate diploma. Therefore, for simplicity reasons the Association believes all degrees with the specialisations mentioned previously would make an adviser eligible for bridging courses. FASEA may then also consider a framework that prescribes different bridging courses depending on which related specialisation an adviser has.

Bridging courses

The requirement to complete a bridging course comprising three subjects in Behavioural Finance, the FASEA Code of Ethics and the Corporations Act is proposed for advisers in this pathway. FASEA does not propose that RPL be accredited for any of the bridging courses.

The SMSFA believes that once an adviser is eligible for a bridging course, RPL should be considered in determining whether it is necessary for them to undertake new study in these areas. Where they have completed similar studies at AQF7 or above, or have significant CPD, they should receive recognition for doing so.

Without this RPL, the pathway risks forcing existing advisers to study three set compulsory bridging course subjects regardless if they have already studied a subject in those fields. For example, an adviser with an economics degree and a diploma of financial planning who has studied behavioural finance in their economics degree would need to restudy behavioural finance in the FASEA set bridging subjects. This would be unnecessary and impose unneeded costs on advisers.

In addition, FASEA could consider merging the FASEA Code of Ethics course with the Corporations Act course. The Association believes these subjects together provide insight into the specific law advisers must be aware of and abide by and then the behaviour and ethics that are needed to be a professional in addition to legal requirements. We believe the volume of learning for these units fits well into one unit but also provides synergy and an understanding to both aspects of the learning outcomes.

A merger of these units will reduce financial and time costs for advisers who are required to transition through this pathway. This would result in advisers having only to complete two bridging course subjects of approximately 120 hours of work.

However, if FASEA is committed to three subjects making up the bridging course for this pathway then we recommend that the third transitional subject could be used to teach material that combines various aspects of financial advice that FASEA deem to be essential learning outcomes, recent amendments in financial, taxation and superannuation advice law and recent issues that have beset the industry. This may provide a refresh on certain outcomes that may not have been undertaken by advisers who have a related degree and ensure that the quality of advice given by advisers materially improves.

Furthermore, in order for the increased education standards to assist in providing higher quality advice, the SMSFA proposes more flexibility in bridging course subjects. The bridging course has the opportunity to become a valuable education exercise rather than merely a hurdle an adviser needs to clear to continue giving advice. This may involve including advanced financial planning subjects or subjects that allow people to further their career with specialisation.

We encourage higher education providers and FASEA to not just create courses with the set three courses stated earlier but to involve other subjects that may be beneficial to advisers. For example, an adviser with a finance degree may benefit from estate planning learning outcomes.

The Association also encourages FASEA and education providers to explore options regarding flexible modes of assessment that are practical for the workplace. Given that all advisers will need to undertake some form of study it is essential that bridging courses are able to be integrated into the lives of advisers that will most likely be senior employees and business owners with families.

The Association supports development of intensives to be studied which allow advisers to be able to reach the legislated standard as efficiently as possible if they wish. We also believe that differing modes of assessment options, such as assignments, oral assessments, and workshops should be explored rather than a traditional exam. This is especially relevant as many advisers have not undertaken an exam since their initial study.

Bridging courses for the transition of existing advisers is a unique situation and therefore should be treated as unique and flexible in their design, rather than being created in a traditional new entrant pathway.

Existing advisers – With a related degree and related post graduate qualification (15% of SMSFA members)

FASEA proposes that advisers with a related degree and a related post graduate qualification must only study the FASEA Code of Ethics via a bridging course to continue giving financial advice.

The SMSFA supports this pathway as an acceptable transition for those advisers with related post graduate qualifications. The pathway appropriately recognises the work of advisers who have been dedicated to advancing their education standards to one of the highest levels possible.

We propose the same simple relevancy standards as stated earlier in our submission.

Unrelated degrees and related post graduate qualification

The SMSFA queries how an adviser with an unrelated degree and a related post graduate qualification fits under the existing pathways. Acknowledging that a related post graduate qualification comprises a higher level of education means this should be the focal point for the pathway.

Furthermore, if an adviser with a related post graduate qualification and unrelated degree was forced into the unrelated degree pathway they will be made to conduct another post graduate degree that is similar to one they have already studied. Depending on the levels of RPL that are decided, there is a strong argument that the unrelated degree pathway is unfit for these advisers.

We therefore propose that this pathway be amended to include any degree and a related post graduate qualification. A flexible bridging course solution should then be offered to these advisers to ensure that the bridging courses required cover relevant FASEA outcomes and provide benefit to the existing adviser.

Bridging course (Applicable to both this pathway and approved degree pathway)

Advisers under this pathway and the approved degree pathway must study a one course bridging subject in the FASEA Code of Ethics. The Association understands and emphasises the importance of a code of ethics for the financial planning profession and supports its involvement in raising the standards of advisers. However, we also encourage FASEA to explore if the one course bridging subject should encompass further learning outcomes other than just 120 hours at university subject level on the Code of Ethics and explore a combined bridging course as stated earlier.

Existing advisers – With an approved degree (10% of SMSFA members)

The Association supports that existing advisers with an approved FPEC qualification must only study the one course bridging subject in the FASEA Code of Ethics. This highlights the importance of the code as stated earlier. However, we reiterate the same proposals mentioned for existing advisers with related post graduate qualifications in exploring flexible modes of study.

The Association understands the individuals with approved degrees makes up a smaller and younger subset of advisers than the other pathways mentioned, due to the fact these degrees are fairly new.

As these degrees are new and FPEC approved, they are also more likely to encompass a higher and broader standard of education that has covered a lot of the recent issues that have beset the industry.

Therefore, the mixture of these factors alternatively provides support for the one course bridging course to be conducted as a less stringent form of assessment. Individuals who have studied an approved FASEA degree should be rewarded for meeting the standards prescribed in the legislation rather than being required to conduct further formal single 120 hours of study in the Code of Ethics, particularly when their already completed tertiary courses would have encompassed ethics.

This pathway provides a perfect opportunity for a workshop or short course in the Code of Ethics to be conducted for those advisers with approved FASEA degrees.

We also encourage FASEA to facilitate creating a process around approving further degrees that is as simple and easy as possible. Individuals should be able to apply to have their degrees assessed and approved by FASEA and then be placed on the approved list promptly to ensure they are not left unaware of which pathway they fit in.

Professional requirement for an exam

The SMSFA understands that the requirement for advisers to pass an exam by 1 January 2021 is prescribed in law. However, we question the validity of the exercise when FASEA is also legislated to ensure advisers are qualified to a high education standard. Nevertheless, notwithstanding a legislative change, the final design of the exam must be appropriate for the purpose it is to serve.

We therefore propose that a strong consultation period with experienced financial advisers and academics is utilised to ensure the final design of the exam is relevant and assesses relevant material. The exam should not be set at a level that causes damage to the industry by being irrelevant and complex.

FASEA must also take into consideration that many advisers may have not completed an exam for a long period of time. Therefore, any final design of the exam should not incur significant time pressures on an individual in a high-pressure environment. We advocate that the exam should be delivered online in an open book environment to reduce these strains.

Accountants with a limited license

The SMSFA has concerns that accountants giving advice under a limited license have not been adequately considered under the existing pathways framework. The limited license regime is a legislated part of the regulatory framework and therefore cannot be ignored. The proposed existing adviser pathways may force advisers who only provide SMSF advice to spend considerable time and money studying subjects that are not relevant to the advice they provide.

We believe the education and standards that accountants with a limited license must undertake should adequately represent the work they conduct on a day-to-day basis. Depending on how FASEA determines a related degree, which is difficult to currently understand with the lack of detail known, this is a considerable risk.

Furthermore, accountants who give SMSF financial advice spent considerable time and money reshaping their businesses to meet the new limited licensing rules for accounts which took effect from 1 July 2016. These accountants were required to comply with the then targeted necessary education standards, albeit under the inadequate RG146 standard. However, less than two years later, they will be forced to increase this level of education yet again.

If FASEA was to determine that an accountant with a limited license fell into the existing adviser with no or an unrelated degree, potentially up to 50% of the FPEC required curriculum would be unnecessary for these advisers. For example, applied financial planning, insurance advice, comprehensive commercial law for financial planning and investment advice would be unrelated to an accountant who provides SMSF advice under a limited license.

We propose that accountants who operate under a limited license and have a relevant degree (e.g. accounting, commerce with an accounting major, etc.) have a specific related degree pathway which would result in them being only required to study the three bridging courses required for other advisers with relevant degrees. Alternatively, a specific limited licence accountant bridging course which provides them with the appropriate level of education could be constructed. As stated, RPL should be taken into account to ensure that accountants with a limited license are not restudying any course they may already have done in the past.

Adviser exodus

As stated, education thresholds must not be too high, particularly for existing advisers, to cause damage in the short to medium term for the financial industry. An adviser exodus from the industry is a risk that is posed under this circumstance.

If advisers believe that the time, cost and effort to become appropriately qualified under FASEA's pathways is too extensive it may cause significantly experienced advisers to exit the industry. Unfortunately, it is those advisers who have the most experience who are most likely to leave the industry because of their proximity to retirement.

Older advisers may be disenchanted by the fact their experience and accreditations are not adequately recognised, the amount of time and cost that will go into study and the fact they may be forced to restudy subjects they have met the learning outcomes for. All these concerns are difficult to ease but every endeavour should be made to ensure that a loss of quality advisers does not occur.

An adviser exodus has the potential to lower the quality of advice given as the remaining advice demand is met by advisers who have less experience. It may also result in a loss of experienced mentors for younger advisers. Furthermore, a lack of advisers may mean the Australian public's need for financial advice is not satisfied as well as it could be.

An alternative outcome of this process is that advisers may seek to reshape their business to accommodate the fact they do not meet FASEA's standard and are not willing to reach them. This may involve older advisers working behind the scenes and allowing younger colleagues to become client facing and responsible for the provision of advice. While this may encourage a changing of the guard with an experience mentor in place, it may also lower the standards and quality of advice given to the public. Furthermore, older advisers will be able to exert influence over their younger employees and in essence be responsible for the provision of advice from advisers who have decided to not meet the legislated education requirements.

Therefore, the Association believes it is worth exploring a framework for older advisers who are approaching retirement and which degree and graduate diploma study is an unreasonable proposition given the time and cost requirements. We propose that consultation with FASEA and industry could be utilised to determine the appropriateness of any regime that considers these advisers specifically.

For example, one potential design would be to allow financial advisers who are 60 years of age or older as of 1 January 2024, have over 10 years of experience and have significant RPL to be eligible to undertake a bridging course rather than the formal studies for advisers without a degree. We would support arrangements as such with a caveat that these advisers would be subject to a sun-setting date by January 2030. This would see advisers continue practising until their retirement. If advisers wanted to consider longer term practising then they would be forced into the other FASEA pathways.

Do you think increased education standards will assist in providing higher quality advice?

There is no doubt that appropriately increasing education standards for new and existing financial advisers will assist in financial advisers providing higher quality advice. However, the application of its design is crucial to the increase in higher quality advice. As stated, the process in which existing advisers must reach a higher education threshold should not become just another exercise and should seek to add value in the design, mode and content of the subjects they are required to study.

The majority of the financial profession is already degree qualified and this has not stopped misconduct in the financial advice industry. In particular, the majority of advisers have dedicated themselves to study the most appropriate financial planning education product that was available to them, which indicates that education is not the sole answer. Therefore, FASEA should not lose sight about the key intention of transitional arrangements to keep appropriately qualified advisers in the industry because the occurrence of misconduct and poor advice goes beyond an adviser's education and involves other complex factors such as professional integrity, regulatory design, business models and industry culture.

Over the long term, particular for new entrants, the creation of a profession will be extremely beneficial in providing higher quality advice to the Australian public and this cannot be understated. It also highlights that the design for new entrants is just as crucial as the transition of existing advisers.

Do you think these education pathways meet the expectations of consumers?

The SMSF Association believes that the education pathways will go beyond meeting the expectations of consumers who expect their advisers to be adequately educated. Under the proposed pathways, no consumer will be able to assert that their adviser does not have the level of education expected for a profession, and that should be commended. However, as stated education is not the sole answer to satisfying consumers who wish to receive high quality advice that is in their best interests and this must be remembered when improving professionalism in financial advice.

If you have any questions about our submission please do not hesitate in contacting us.

Yours sincerely,

John L Maroney

John Maroney

CEO

SMSF Association

ABOUT THE SMSF ASSOCIATION

The SMSF Association is the peak professional body representing SMSF sector which is comprised of over 1.1 million SMSF members who have $712 billion of the funds under management and a diverse range of financial professionals servicing SMSFs. The SMSF Association continues to build integrity through professional and education standards for advisers and education standards for trustees. The SMSF Association consists of professional members, principally accountants, auditors, lawyers, financial planners and other professionals such as tax professionals and actuaries. Additionally, the SMSF Association represents SMSF trustee members and provides them access to independent education materials to assist them in the running of their SMSF.