

**WESTERN SYDNEY**  
UNIVERSITY



Assistant Secretary  
Advice and Investment Branch  
The Treasury  
Langton Crescent  
PARKES ACT 2600  
Email: [FinancialAdvice@treasury.gov.au](mailto:FinancialAdvice@treasury.gov.au)

16 September 2022

**Financial adviser education standards: Consultation paper**

Dear Assistant Secretary,

Western Sydney University welcomes the opportunity to respond to The Treasury's proposed changes to financial adviser education standard outlined in the '*Financial adviser education standards consultation paper*' released in August 2022.

Please find enclosed submission on behalf of the School of Business, Western Sydney University for consideration. This submission has been compiled by the following School of Business staff:

| [REDACTED]  
[REDACTED]  
| [REDACTED]  
| [REDACTED]  
| [REDACTED]  
[REDACTED]

Should you require further information, please do not hesitate to contact me at

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



## **Submission to The Australian Government the Treasury**

### **In response to consultation paper on financial adviser education standards**

**16<sup>th</sup> September 2022**

#### **Introductory comments**

Western Sydney University has been delivering courses and publishing impactful research in financial planning for over 25 years and currently delivers the following approved courses in financial planning:

- Bachelor of Accounting (Financial Planning)
- Bachelor of Accounting (Financial Planning and Taxation)
- Master of Financial Planning
- Graduate Diploma of Financial Planning
- Master of Stockbroking and Financial Advising
- Graduate Diploma of Stockbroking and Financial Advising.

Western Sydney University (WSU) acknowledges that there are many existing Advisers from a wide variety of professional backgrounds who may already hold qualifications at a range of levels recognised in the Australian Quality Framework (AQF) as well as professional qualifications and experience outside the AQF framework.

As academics involved with delivering financial planning programs at WSU, we do not support the proposed changes outlined in the consultation paper in full in their current form. Our rationale, along with suggested recommendations, is provided in our responses to each of the questions outlined in the consultation paper for consideration by the Treasury.

#### **Recommendations**

Our key recommendations are:

- consider a minimum level of formal education for the experienced pathway that provides recognition of prior learning to be awarded for a substantiated assessment of adviser work experience;
- maintain the existing core knowledge areas;
- appoint an independent external accrediting body, and
- embed added flexibility to the professional year.

Our detailed responses to questions raised in the consultation paper are provided in the table below.

#	Question	Y/N	Rationale	Recommendation
<b>Questions – experienced pathway</b>				
<b>10 years' experience</b>				
1.	Is the proposed window for determining 10 years' experience (between 1 January 2004 and 1 January 2019) appropriate? If not, what alternative period could be considered?	Yes	The 10 years' experience window proposed is appropriate given that changes to education requirements were originally foreshadowed to commence 1 January 2019.	Members with 10 years' experience should still be expected to complete a minimum level of qualification (e.g., a Graduate Certificate of 4 subjects) and could apply to their Higher Education Provider for Recognition of Prior Learning (RPL) based on their experience as per ASQA (Australian Skills Quality Authority)/ TEQSA (Tertiary Education Quality and Standards Agency) guidelines.
2.	If required (for example, due to an audit of their eligibility), how can advisers prove they have 10 years' full-time equivalent experience?	-	Advisers can prove their 10 years' full-time equivalent experience across the core competency areas through providing a Statement of Service, Statutory Declaration CV (Curriculum Vitae), and employer references.	Advisers can prove their 10 years' full-time equivalent experience across the core competency areas through providing a Statement of Service, Statutory Declaration CV, and employer references.
<b>Clean record</b>				
3.	Are the proposed sources for determining a clean record appropriate? Why/why not?	Yes	The proposed sources are appropriate along with other sources as outlined below.	The proposed sources are appropriate along with other sources as outlined below.
4.	What other sources could advisers rely on to indicate that they have a clean record?	-	Additional sources should be used to verify that advisers have a clean record. This is a similar requirement for other professions e.g., accounting.	Professional body records, police checks, bankruptcy register search, national personal insolvency index.

5.	If required, what evidence can advisers rely on to prove they have a clean record?	-	See above.	See above.
6.	What threshold should be adopted to identify whether conduct is minor, trivial, and isolated?	-	No threshold. Any blemish (minor, trivial and/or isolated) against any of the above-mentioned records, the adviser should seek remediation through meeting minimum education requirements relevant to the specific issue.	No threshold. The adviser should seek remediation through meeting minimum education requirements relevant to the specific issue. Any major misconduct uncovered should result in a temporary ban until such time that the regulator is satisfied that the adviser has undertaken sufficient remediation.
7.	Is the non-time limited clean record requirement appropriate? If not, for what period should an adviser be expected to maintain a clean record to access this pathway?	Yes	N/A	The non-time limited clean record requirement is appropriate.
<b>Assessment of eligibility</b>				
8.	What should self-declaration of eligibility require? For example, should an adviser have to make a statutory declaration?	Yes	Self-declaration of eligibility should require a statutory declaration.	The adviser should have to make a statutory declaration.
<b>Future misconduct</b>				
9.	Are new tools required to specifically deal with advisers accessing the experienced pathway whose future conduct amounts to misconduct? Why/why not?	No	For consistency, the same thresholds and tools should be applied to all advisers. One set of tools for all advisers provides consistency and transparency for all interested parties.	No new tools are required to specifically deal with advisers accessing the experienced pathway whose future conduct amounts to misconduct.
<b>Other</b>				
10.	For existing advisers not eligible for the experienced pathway but who have a foreign qualification at AQF 7 level or above, is it practical and appropriate for education providers or licensees to assess how these qualifications meet the education standard and what additional study may be required, rather than the Minister? Why/why not?	No	It is not practical nor appropriate for education providers or licensees to assess how foreign qualifications meet the education standard and what additional study may be required, rather than the Minister. This is a complex and specialised area of assessment and both education providers and licensees do	An external accrediting body should undertake to assess how foreign qualifications meet the education standard and what additional study may be required.

			not have sufficient resources to assess these en masse. Currently, other professions utilise external assessors (such as VET Assess), along with the Department of Education, Skills & Employment(DESE).	
11.	How many existing advisers do you expect to access the experienced pathway? How many of those have already started to undertake formal education to align with the current existing adviser requirements?	-	We are unable to provide an accurate estimate. Anecdotally, we are aware of advisers who have commenced studies to align with current existing adviser requirements but have placed their studies on hold until such time that a final determination has been made by Treasury. Further, advisers have been focussed on successfully completing the national ethics exam rather than formal education due to the shorter timeframe (1 January 2023 vs. 1 January 2026).	We are unable to provide an accurate estimate.
12.	What else may be required to ensure an appropriate level of consumer protection is maintained and any potential harm is minimised?	-	Members with 10 years' experience should still be expected to complete a minimum level of qualification (e.g., a Graduate Certificate of 4 subjects) and could apply to their Higher Education Provider for Recognition of Prior Learning (RPL) based on their experience as per ASQA (Australian Skills Quality Authority)/ TEQSA (Tertiary Education Quality and Standards Agency) guidelines. This would ensure currency and provide consumers with some assurance that minimum education standards have been met by ALL advisers.	Advisers who meet the approved requirements could be issued annually with a digital 'accreditation badge' that could be displayed to consumers to provide assurance that the adviser meets all current requirements

			Advisers who meet the approved requirements could be issued annually with a digital 'accreditation badge' that could be displayed to consumers to provide assurance that the adviser meets all current requirements.	
13.	Would any further requirements be necessary for the experienced pathway to ensure the professionalisation of the industry is maintained?	Yes	See above.	See above.
<b>Questions – Formal education and exam</b>				
1.	Are the proposed core knowledge areas appropriate for the financial advice profession? If not, what is missing and why is that area important?	No	Proposal would enable students to graduate with an approved qualification without ever having studied the Financial Planning Process, Insurance, Superannuation, Aged Care, Estate Planning or preparing an SOA (Statement of Advice). These are identified in the proposal as electives but are necessary foundational knowledge. No guarantee any electives will be chosen in a given degree. Produces graduates that have limited career options based on elective choices.	Keep existing 11 core areas for new entrants.
2.	Are there any specific areas under each core knowledge area that should be prioritised or emphasised? For example, a particular element of taxation or commercial law?	Yes	<p>The following specific areas must be prioritised and emphasised:</p> <ul style="list-style-type: none"> <li>• Financial planning process</li> <li>• Financial planning regulation</li> <li>• Superannuation</li> <li>• Taxation (all Taxation Practitioner's Board (TPB) required areas)</li> <li>• Ethics</li> </ul>	<p>The following specific areas must be prioritised and emphasised:</p> <ul style="list-style-type: none"> <li>• Financial planning process</li> <li>• Financial planning regulation</li> <li>• Superannuation</li> <li>• Taxation (all Taxation Practitioners Board (TPB) required areas)</li> <li>• Ethics</li> </ul>

3.	Would proposed changes to core knowledge areas necessitate changes to the exam content? Why/why not?	No	No, as the exam does not test all core knowledge areas – it is focussed on ethics and regulation.	N/A
4.	Is it practical and appropriate to allow education providers to self-declare that their degrees teach the core knowledge areas? Why/why not?	No	. This was the process under RG146 and resulted in much confusion as university administrations were not prepared to accept legal liability by issuing statements of compliance to graduates, and employer compliance teams did not have the ability to ensure that university courses were compliant. Consistency across institutions (content and assessment type) is required across different education providers.	It is not practical nor appropriate to allow education providers to self-declare that their degrees teach the core knowledge areas. It is recommended that an external accrediting body comprising representatives from recognised Professional bodies, education providers and industry should oversee accreditation similar to other established professions.
5.	What form should education providers' assurance to Government take?	-	See above. It is recommended that an external accrediting body comprising representatives from recognised Professional bodies, education providers and industry should oversee accreditation similar to other established professions and report to Government accordingly.	See above. It is recommended that an external accrediting body comprising representatives from recognised Professional bodies, education providers and industry should oversee accreditation similar to other established professions and report to Government accordingly.
6.	If self-declaration is not appropriate, what alternatives could be adopted to streamline the degree approval process?	-	See above in (4) and (5).	See above in (4) and (5).
7.	Is it practical and appropriate for education providers or licensees to evaluate a new entrants' completed tertiary courses against the new core knowledge areas to assess whether they have met the education standard or what additional study may be required? Why/why not? What oversight of education providers or licensees making this assessment, if any, is necessary?	No	Resource limitations. Education providers should be focused on preparing and delivering curriculum that meets education requirements. Should be the responsibility of a professional body or other external accrediting body as in other established professions. Not an education provider responsibility.	It is suggested that RPL (Recognition of Prior Learning) for the purposes of obtaining an award be determined by higher education providers (HEP)s, in accordance with their own policies and as legislated by ASQA (Australian Skills Quality Authority/ TEQSA (Tertiary Education Quality and Standards

				Agency). However, determining whether the Treasury's education standard has been met is a matter for the Treasury and the professional bodies.
8.	Is it practical and appropriate for education providers or licensees to also evaluate foreign qualifications against the new core knowledge areas and assess what additional study may be required, rather than the Minister? Why/why not?	No	It is not practical nor appropriate for education providers or licensees to evaluate how foreign qualifications meet the new core knowledge areas and what additional study may be required, rather than the Minister. This is a complex and specialised area of assessment and both education providers and licensees do not have sufficient resources to assess these en masse. Currently, other professions utilise external assessors (such as VET Assess), along with the Department of Education, Skills & Employment. . Should be the responsibility of an external accrediting body as in other established professions.	An external accrediting body should undertake to evaluate how foreign qualifications meet the new core knowledge areas and what additional study may be required.
9.	Should new entrants whose existing qualifications don't fully meet the education standard be able to 'top-up' their qualification by completing individual units, rather than a full qualification? Why/why not?	Yes	As in other professions, those assessed by their professional body to not meet all knowledge areas can do bridging study to bring them to into compliance.	As in other professions, those assessed by their professional body to not meet all knowledge areas can do bridging study to bring them to into compliance.
10.	What other changes should be made to the education requirements for new entrants? How do your proposed changes support the professionalisation of the financial advice industry and ensure consumer protection?	-	There should be no change to the current education requirements as they are appropriate in their current form.	There should be no change to the current education requirements as they are appropriate in their current form.



Questions – professional year				
11.	How else could the professional year be amended to ensure it remains fit for purpose, ensuring appropriate supervision of graduate financial advisers without creating unnecessary barriers to entry?	-	The professional year could be amended to make it more flexible for both students/graduates and employers. It is recognised that new entrants require more than 12 months' experience in financial advice firms prior to becoming a financial adviser and that this experience may include support and administration roles which are necessary to understand the financial advice environment, systems, and processes.	There should be more flexibility around how and when the professional year is completed. It is recommended that graduates are given a period of 5 years post-graduation to complete their professional year. It is recommended that rather than requiring 1-year full-time equivalent of 1600 hours (currently) that the new entrant accrue between 3-5 years, and not less than 500 days, of approved mentored practical work experience.
12.	In what ways do the professional year requirements create a barrier to entering the financial advice profession?	-	The timing of the sitting of the national exam as part of the professional year requirement creates barriers for new entrants.	There should be more flexibility around when the national exam sitting takes place as part of the professional year. It is recommended that graduates are given a period of 5 years post-graduation to complete their professional year and sit the national exam. It is recommended that rather than requiring 1-year full-time equivalent of 1600 hours (currently) that the new entrant accrue between 3-5 years, and not less than 500 days, of approved mentored practical work experience.
13.	What are the risks and benefits of the possible amendments?	-	There are no obvious risks involved with the amendments outlined	See above in (11) and (12).

			above. The suggested amendments would allow a greater number of potential new entrants (both students and graduates) to consider financial planning as a career without imposing strict rules around the timing of their professional year and national exam.	
14.	Will allowing integration of the professional year with tertiary study streamline the transition between education and work? Why/why not?	Yes	Allowing the integration of the professional year with tertiary study will streamline the transition between education and work as has been evidenced by the academic literature covering work-integrated learning (WIL) as what is being studied can immediately be applied to the workplace and workplace experience provides context to tertiary studies. There are numerous ways that this integration could occur through: internships, placements, vacation work, traineeships/cadetships, part-time work, full-time work.	Integration of the professional year with tertiary study should be encouraged through a more flexible approach to the professional year completion requirements to streamline the transition between education and work.
15.	If the professional year is integrated into tertiary study, how many professional year work hours should be completed as part of a degree?	-	The number of professional year work hours required as part of a degree should be flexible depending upon the format; employers; availability of appropriately qualified supervisors, and individual higher education institution policies	It is recommended that the new entrant be permitted to include professional work experience (appropriately supervised) gained as part of their studies in their professional year work hours. As above, we recommend that this form part of approved mentored practical work experience.
16.	What role does industry play in encouraging new entrants into the industry?	-	The industry plays a significant role in encouraging new entrants. This is	As supported by Cull, Skultety & Kumar (forthcoming), it is

			<p>firstly done by improving the reputation of financial advisers through highlighting the more personal side of financial planning along with the ability of advisers to help others. As reported by Cull, Skultety and Kumar (forthcoming), the industry must provide a greater number of positive social learning opportunities (e.g., through education, work experience, family interactions, popular media) to provide greater exposure of the benefits of financial planning. Cull et al (ibid) suggest that “Rather than focus on financial planning as a career in ‘numbers’, the profession should consider how it can be promoted as a career to ‘help others’. This will be especially relevant to attracting millennials who are known to be looking for a sense of purpose in their work (Haworth 2017). This will require a collaborative effort of all stakeholders and may have the combined effect of increasing consumer trust in financial advisers.”</p>	<p>recommended that industry collaborate with secondary and tertiary educators to provide appropriate financial advising work experience programs and other engaged learning experiences/programs (e.g., guest lecturers, internships, field trips, incursions, project-based learning) that introduce financial planning to students. For secondary students, this might also include engagement through compulsory financial literacy programs. Further, Cull et al (ibid) suggest that recruitment strategies promote the dual role of working with numbers and people, in addition to autonomous and flexible working conditions and competitive salaries.</p>
17.	Should the exam format be changed for new entrants? If so, how?	No	<p>There should be no change to the exam format for new entrants as it provides assurance to consumers that all advisers have met the same standards.</p>	<p>There should be no change to the exam format for new entrants as it provides assurance to consumers that all advisers have met the same standards.</p>

**Table 1:** Responses to questions raised in consultation paper

Western Sydney University is confident that maintaining minimum formal education standards across core competency areas will assist in providing higher quality advice and meet the expectations of consumers. This view is supported by evidence from Cull (2015) and Cull and Bowyer (2017) that has shown that quality of advice and ethical development are generally higher for advisers with higher levels of formal education. Furthermore Cull (2015) and Cull and Sloan (2016) have shown that consumers are more likely to trust and seek advice from advisers with formal university education in financial planning.

To attract new entrants to the industry and evolve as a profession, it is recommended that the industry engages with secondary and tertiary educators to promote financial planning as a profession that helps others and to expose students to the benefits of financial planning through engaged learning experiences/programs and compulsory financial literacy programs. In addition, greater flexibility for professional year requirements will reduce current barriers to becoming a financial adviser. Western Sydney University appreciate the opportunity to provide feedback on the consultation paper on financial adviser education standards and thank the Treasury for consideration of the matters raised in our submission.

## References

Cull, M. (2015). *The role of trust in personal financial planning*. PhD Dissertation, University of Western Sydney, Digital Thesis Database Repository, Retrieved 29 June 2018 from <http://handle.uws.edu.au:8081/1959.7/uws:32640> .

Cull, M. and Bowyer, D. (2017), 'Ethics in financial planning: myth, fact or rhetoric paradox?', *e-Journal of Social & Behavioural Research in Business*, vol 8, no 2, pp 56 – 69, Retrieved 29 June 2018 from [http://www.ejsbrb.org/upload/e-JSBRB\\_Cull\\_Bowyer\\_8\(2\)\\_2017.pdf](http://www.ejsbrb.org/upload/e-JSBRB_Cull_Bowyer_8(2)_2017.pdf) .

Cull, M., Skultety, C. and Kumar, R. (forthcoming), 'Factors Influencing the Motivation to Pursue a Career in Financial Planning', *Financial Planning Research Journal*.

Cull, M. and Sloan, T. (2016), 'Characteristics of trust in personal financial planning', *Financial Planning Research Journal*, vol 2, no 1, pp 12 – 35, Retrieved 29 June 2018 from <https://fpa.com.au/wp-content/uploads/2016/08/financial-planning-research-journal-v2-iss1.pdf> .

Haworth 2017, *Raising the bar: Australian Millennials in the Workplace*, A discussion paper prepared by Haworth and Work Collectiv [Online], <<https://media.haworth.com/asset/89200/White%20Papers>>