

3 May 2023

By Email: FinancialAdvice@treasury.gov.au

Dear Sir or Madam

EDUCATION STANDARDS FOR EXPERIENCED FINANCIAL ADVISERS AND TECHNICAL FIXES FOR NEW ENTRANTS

Thank you for the opportunity to provide feedback on the above Treasury consultation paper.

THE ADVISERS ASSOCIATION

The Advisers Association Ltd (TAA) represents over 450 financial advice firms and over 930 financial advisers authorised by AMP Financial Planning, Charter and Hillross licensees. TAA is a non-profit member-based organisation first incorporated in 1925. This submission is made on behalf of its members and board.

TAA and our members are committed to financial advice being recognised as a valued profession with all that it entails. We support industry collaboration to deliver policies and processes that improve consumer access to quality, affordable personal advice and give them the confidence to make the right decisions and achieve better financial outcomes.

BACKGROUND

Advisers and their firms have undergone massive changes since 2015 and are now well-qualified, experienced, and highly competent in assisting clients.

TAA has consulted with and made several submissions¹ to the Treasury on this important topic, both directly and as a Joint Associations Working Group member. TAA supports the completion of the financial adviser exam, minimum education standards (at AQF7 equivalent or above), continuing professional development requirements and ethics training for all financial advisers.

TAA's preference was, and remains, for better recognition of prior learning and more alternative pathways to enable an adviser and new entrants to meet the qualification standard, which would assist all advisers to be recognised as 'qualified' rather than 'experienced'.

Experience Pathway

There is currently a shortage of financial advisers, negatively impacting consumers' access to affordable personal advice. Having fewer advisers and more consumers needing advice over the next decade, e.g., baby boomers retiring, creates a supply/demand gap which, along with other imposts, increases the cost of advice and makes it difficult to access.

Subject to the addition of a sunset clause, which we have previously requested and a more consistent approach to dates, TAA accept the need for an experience pathway based on meeting the requirements of a minimum of ten years of full-time equivalent experience, a clean disciplinary record, passing the exam and continuing professional development.

¹ TAA submissions to Treasury in 2017/18 and 2022

Depending on the data source and the dates used, this could help retain up to 3,600 advisers without a degree and more who have a degree that did not precisely meet the FASEA requirements.

We are concerned there may be several unintended consequences, including;

For the ten years of full-time equivalent experience, we think calculating the number of days as 3,650 is problematic, especially for part-time advisers or those who have taken a break, as it is generally accepted that there are approximately 220 working days in any year, not 365.

Introducing an experience pathway will create two classes of financial advisers and confuse consumers. Consumers may think 'experienced provider' is better than 'relevant provider'. TAA's preference is the same legal naming convention for all financial advisers. The difference can be addressed at the consumer level, e.g., qualifications or lack thereof in the Financial Services Guide and marketing materials.

There is a risk that the proposed experience pathway may be poorly correlated to adviser competency and the provision of quality advice. It is also possible that an adviser, for example, aged in their 30s in 2021, having worked in the industry for over ten years, could continue as an adviser their whole working life without ever having to earn a relevant qualification. Further, as currently worded, it would be possible for an adviser to meet the qualification criteria in 2021, leave the industry for an extended time and return, for example, in 15 years and use the experience pathway rather than be treated as a new applicant.

Many advisers who have commenced their studies but are not yet qualified will feel they should have waited for this option, as they have wasted their valuable time, effort and money. If they cease ongoing studies, education providers will reconsider whether providing financial adviser courses is still economically viable, making it harder for new entrants to find courses to become qualified.

To address these concerns, we strongly advocated for the experience pathway to have a 'sunset' clause. This would mean that older, well-experienced advisers, who might otherwise be forced from the profession, could see out their careers, but the next generation of advisers would need to upskill to meet the higher educational standards.

Having spoken to our members, a sunset clause of ten years commencing 1 January 2026 and ceasing on 31 December 2035 is generous and appropriate. This enables experienced advisers to remain in the profession to deal with the peak demand for advice from consumers and existing clients.

Education Standards for New Applicants

TAA has been concerned about FASEA's very narrow approach to education and training standards and its one size fits all approach to different types of financial advisers, e.g., life risk specialists, stockbrokers, etc., making it extremely difficult to grow the profession. We have strongly advocated that to attract new entrants and retain existing advisers, the education standards should include more flexibility in recognising a broader range of relevant or equivalent qualifications, the ability to 'top up' qualifications, e.g., commerce, law graduates and a longer time for recognition of prior qualifications, as well as the option for rigorous competency-based assessments at AQF7 level or above. This is consistent with the 2017 Professional Standards Bill explanatory memorandum regarding the FASEA education standard, that is:

“For the avoidance of doubt, the new law explicitly states that courses undertaken before the new law commences must be taken into consideration. The body [FASEA] may take into account diploma or degree courses, licensee training courses or CPD.”

We therefore strongly support the changes proposed for new entrants, including the changes to Ministerial discretion, allowing education providers to certify substantive completion, etc.

However, the same flexibility and process changes to the education and training standards should also be available for experienced advisers. We know several advisers with over ten years of experience today, but outside the proposed ten-year window as of 2021. Many would quickly satisfy the education standards if the same discretion were applied to them as the examples shown for new entrants in the explanatory memorandum, e.g., a change in the course subject name to be accepted, the topping up of similar existing qualifications, etc.

Having more specialised and relevant qualifications for different types of financial advisers, e.g., stockbrokers, life risk specialists, etc., better recognition of prior learning and a broader range of relevant qualifications would enable many of those advisers to meet the education standards rather than rely on the experience pathway.

Other Matters

We are concerned that the different months and years being applied create unnecessary risks and unintended gaps, e.g., related to a clean record, and unnecessary complexity for Treasury, regulators, licensees and advisers. They provide limited, if any, additional consumer protection and consumers will need further clarification.

We recommend that the ten-year experience dates be aligned with the current education standards deadline, i.e., 31 December 2025 or ‘before 1 January 2026’. Wealth Data’s analysis of advisers without a degree on the Financial Advice Register², shows this change alone would enable an additional 555 advisers to meet the experience pathway, continue to provide advice to their clients and, if the Quality of Advice Review recommendations are implemented promptly, free up their time to advise more consumers.

Thank you for consulting and the opportunity to provide feedback.

Yours sincerely



Neil Macdonald, Chief Executive Officer
The Advisers Association Ltd

² FAR records show that pre and post 31 Dec 2011, 3,586 advisers did not have a degree, compared to 4,141 advisers without a degree pre and post Dec 2025