# Financial Planning and Financial Instruments: 2013 in Review, 2014 in Prospect.

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## Abstract

The Global Financial Crisis (GFC); changes in regulation; issues in public perception and trust have contributed to a troubled 2013 for financial planners. As financial planning and wealth management providers seek to bolster their professional status, the Financial Planning Education Council's National Curriculum and Accreditation Framework and ASIC's minimum training requirements are also a space to watch.

In prospect, 2014 will offer opportunities and challenges in the form of a changed government; regulatory changes; accreditation challenges and the hope of the recruitment of strong financial planning and wealth management professionals for the future.

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*"The only thing constant in life is change"* *François de la Rochefoucauld (1613-1680)*

The financial services sector, and in particular the financial advice industry, has had a difficult run in recent years. With the fallout from the GFC, high profile advice failures, significant and voluminous regulatory reform, a public image crisis and infighting between industry representatives and organisations. Emerging from the dust, however, appears to be the agreement of the need to hasten the transition of the industry to a profession. With the implementation of FOFA, including the "best interests" duty and the removal of conflicted remuneration (among other things), progress is being made. This is also supported by the Financial Planning Education Council's National Curriculum and Accreditation Framework which sets out higher education requirements for new members of the FPA (from July 1, 2013). In addition, ASIC is proposing to increase the minimum training standards to degree level by 2019 (CP212). Indeed there is a sense of growing cooperation and collaboration between stakeholders across the sector and a shift of tone in the dialogue from 'why do this?' to 'how to best do it?'.

Queue ASIC with CP215 on the replacement to the ASIC Training Register where they propose to not replace it and have education providers self accredit their programs. Add this to the statements in CP212 in relation to the National Practice Exam which may replace the need for any formal training to meet RG146 – just past the test, and optimism suddenly fades. Indeed, a perusal of discussion forums and blogs often reveals the fractured nature of the industry and the divergent views on a potential professional framework (including the need for one) for financial advice.

So, where to from here? Well, the industry missed its chance to move towards a self-regulated profession a decade ago, so now it must work with key stakeholders including the government; regulators; and the education and research community to develop a workable professional framework to chart a path forward and sell this to the community; current and future clients; and future planning professionals. We believe this multi-stakeholder, professional standards approach is central to assuring the sustainability of the profession. On this basis, we believe the next 12 months will be even more important than the last in terms of the development of the profession. Now is the time to bed down the regulatory changes, accredit the education pathways to professional membership, negotiate a workable minimum standards framework with the regulator, building stronger relationships between the industry and the education/research community, and work to entice the best and brightest (and lots of them) to be the next generation of financial advice professionals.

Given the landscape of a subdued economy, changing government, declining student numbers and declining university budgets this is certainly a challenge. We argue, however, that now is the time to dig in and work towards stronger multi-stakeholder relationships around issues such as student recruitment, research projects and funding, professional development opportunities and multi-provider programs. Success in these tasks is critical to obtaining buy-in from key parties such as the community; potential clients; and Dean and Pro Vice Chancellors that control university budgets which is critical to the future of the academe and profession. It is therefore timely that the Australasian Accounting, Business and Finance Journal publishes its fourth special edition on Financial Planning and Financial Instruments. This provides a key outlet for such work and highlights the breadth and quality of research being undertaken in this field. With the continual changes to legislation and education and disclosure requirements in global financial markets (including Australia), the increased focus on superannuation and pension funds is reflected in the articles included in this issue.

Related to superannuation, Higgins and Bruhn (2013) note that one of the incentives for low-income people to contribute to the Australian superannuation system, the co-

contributions scheme, currently is not well utilised by eligible persons. This article investigates why this seemingly generous scheme may not be appealing to its target demographic. Further to the question of the importance of how superannuation fund information is presented to members, Tan and Cam (2013) model Australian not-for-profit superannuation fund disclosures and find that disclosure costs have a significant negative influence on voluntary disclosure, while board size has a weak positive relation with disclosure.The questions of regulatory change and freedom of investment are addressed by O'Meara and Bruhn (2013) who look at the questions of whether regulations making investment in lifetime annuities (with the associated guaranteed income stream) compulsory rather than voluntary might improve average income in retirement.

Relating to the theme of financial literacy are four papers in this special issue. Steen and Mackenzie (2013) investigate the link between financial stress; financial literacy; financial counselling and homelessness. This article suggests that a change in policy regarding in the area of financial education and social services could help ameliorate financial stress and the risk of homelessness. Taylor and Wagland (2013) question whether the current policy of teaching financial literacy at school is well thought out given the outcomes of school financial literacy programs in the UK and USA. The question of how financial planning is taught and the skills required for financial planners is addressed by Teale (2013). Teaching strategies which promote a greater integration between curricula and applied professional skills are suggested in this paper. Finally, Ajzerle, Brimble & Freudenberg (2013) details a study of 680 Australians to explore whether their financial capability is related to the effectiveness of their use of debt.

Overall, a diverse issue highlighting the range and quality of research being undertaken in personal finance in Australia, that continues to contribute to the body of knowledge needed to underpin the development of the profession.

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