

## The changing face of advice

Tony Vidler | Strictly Business | 04 June 2013

A superb snapshot of the NZ advice industry has been provided by The Skills Organisation (formerly ETITO), that confirms some widely held views – and should change some of our other perceptions of the industry at large.

For example, there is no doubt that Authorised Financial Advisers (AFAs) are moving down the fiduciary path more rapidly than Registered Financial Advisers (RFAs). Some 38% of AFAs now work on salary only, with a further 24% working on a mix of salary and commission. So nearly two thirds have moved away from commission-only remuneration models. In comparison, nearly two thirds of RFAs work on commission only. This suggests that AFAs are perhaps doing a better job of articulating their advice proposition and being paid for it.

The proportions are even more pronounced in the QFE adviser space, with only 29% of remuneration being commission-only.

The perception that the industry is completely staffed by 58 year old bald guys is challenged by the research as well. Of advisers who have been in the business for four to 10 years, 40% are women, while 49% of advisers who have been in the industry less than three years are women.

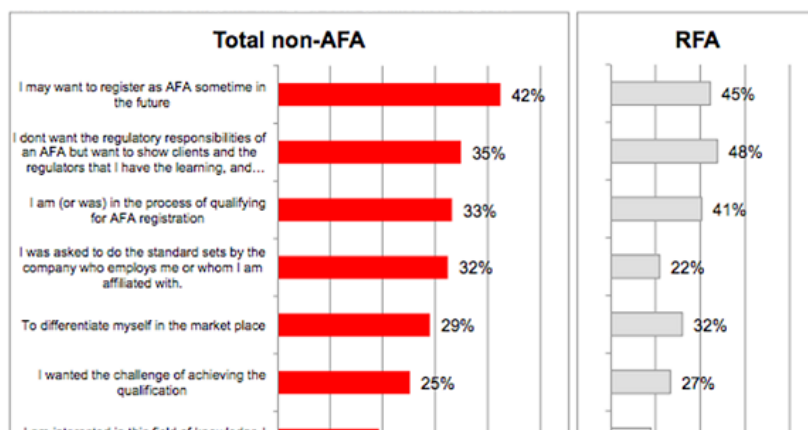
New advisers joining the industry are in predominantly two quite different age groups – early 30s or mid 50s. This suggests that any advisory firm wishing to grow adviser numbers will have potentially two quite different target groups with differing training requirements and career aspirations.

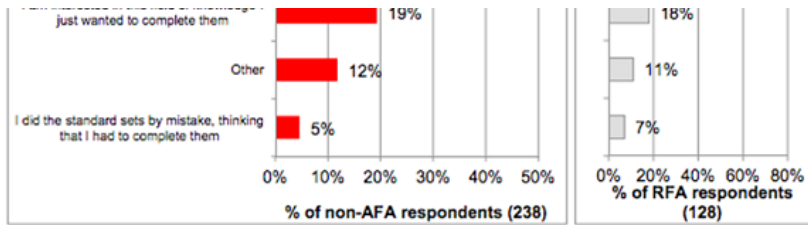
Of particular interest, though, is the part of research focused on advisers' views about attaining AFA status. As has been suspected for a while, a large proportion of RFAs have engaged in the process of qualifying to become AFAs but have deliberately chosen not to apply for authorisation. To put it plainly, it is apparent that a lot of advisers are choosing to sit on the sidelines at present as far as authorisation is concerned. Nearly half of the RFAs clearly indicated that they have engaged in the process of up-skilling and learning, but do not want to assume

the regulatory responsibilities of an AFA. At the same time, 45% of RFAs indicated that they probably will want to or need to become an AFA at some point in the future.

As an aside, there is some excellent data on the formal learning engaged in by advisers across the spectrum – and there is probably more of it than many would have expected.

**Figure 1: Reasons for doing the standard sets/qualifications by role**





Source: The Skills Organisation

So, we have an adviser population that is evolving reasonably rapidly and, perhaps, changing faster than most of us realised. More women advisers coming into the industry, more younger people, and a lot more advisers with qualifications and formal learning than is popularly assumed.

For all that, it seems there is an incredibly high proportion of the adviser population that is reluctant to use the learning and qualifications they have attained, or to charge directly for the

value they should be able to create for clients by providing sound advice. This reluctance on the part of much of the industry to meet changing consumer expectations of what constitutes professional advice, or to assume greater personal responsibility for the advice provided, is perhaps the greatest barrier to the public's confidence and participation in using financial advisers.

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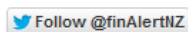
*Tony Vidler is Tony Vidler is an AFA and principal of Strictly Business which provides advice to the financial advice industry to help financial advisers become better practitioners and build more profitable businesses. Tony was the financial alert Person of the Year 2011.*

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