

Why nobody takes us seriously

Tony Vidler | Strictly Business | 02 July 2013

Here is why the representative financial adviser organisations are not taken seriously – each claims to represent its own version of "the profession" yet each has varying standards. Like the boy crying wolf, eventually nobody takes the cries seriously. In fact, they virtually do not hear the boy cry wolf at all. The call is ignored.

So it is with professional bodies for financial advisers.

I am not pushing for any particular organisation, or overtly criticising any particular organisation. I have long been a proponent of the view that we don't have a profession until:

1. there is a single professional body for the entire advice sector;
2. membership is compulsory in order to obtain a practicing certificate or license
3. the professional body sets ethical and educational standards that are higher than the minimum entrance barriers determined by law.
4. the professional body's primary purpose is to protect the rights and interests of its consumers AND its professional members;
5. which means it has the ability and the will to enforce its standards.

It is important too that we recognise at the outset that any individual financial adviser, regardless of their area of specialisation, business structure or business affiliations, can (and very often does) behave as a professional in their daily practice. Professionalism at the individual level is founded upon an adviser's technical ability, plus their attitude to clients and ongoing development, and their own behaviour (or ethics when put to the acid test).

However, a professional body has greater obligations than an individual professional. Protecting the profession itself – often protecting it from itself – and operating in the public's interest are the primary differentiators.

So why are the professional bodies not taken seriously by consumers in particular right now?

It might be helpful to behave as a consumer and try and work out the differences. I did some Googling to see what the average consumer would find. A good starting place seemed to be what the regulatory definition of a professional body is. The Code of Conduct says that it is:

“a membership-based organisation whose principal activities are associated with the financial services industry in New Zealand where ongoing membership requires compliance with continuing professional development or training requirements specified by the organisation.”

That seems pretty straightforward, though not terribly onerous. At least we have a starting point.

Next, I searched through the organisations I could find online to see what they had to say about their membership requirements for continuing professional development. It was not actually very easy to find this information – if I may be blunt, this is an area for immediate improvement! Included in my search was a professional body that does not operate in the financial advice space but would be universally accepted as a professional body, making it a good benchmark to consider others against.

Here is what we eventually found for a variety of financial advice professional bodies (plus my additional benchmark organisation):

- A. “Education of members is encouraged”

B. "A member shall keep informed on all matters that are essential to the maintenance of the members professional competence in the area in which he/she specialises or claims expertise"

C. "Members have a commitment to ongoing professional development"

D. "all practicing members complete CPD. At 30 June every calendar year, each member must have completed a minimum of 60 hours CPD in the previous 24 months"

E. members "are required to complete 120 hours of relevant CPD over each rolling 3 year period, of which 60 hours must be verifiable. A minimum of 20 hours CPD must be completed in each year"

F. members are "required to do 50 hours of continuing professional development each year"

This a highly variable set of standards considering each organisation claims to be a professional body! If a consumer of analytical bent decided to engage in a comparison and tried to place

each of these organisations in a matrix that enabled clear relative positioning, it begins to get interesting.

Theoretically, you could rate an organisation on a scale of low to high by the ethical and learning standards it sets. At one extreme, you might have an organisation that sets no standards at all; at the other extreme, you might have an organisation that sets standards which are the best in the world and continually evolves them at a rapid pace.

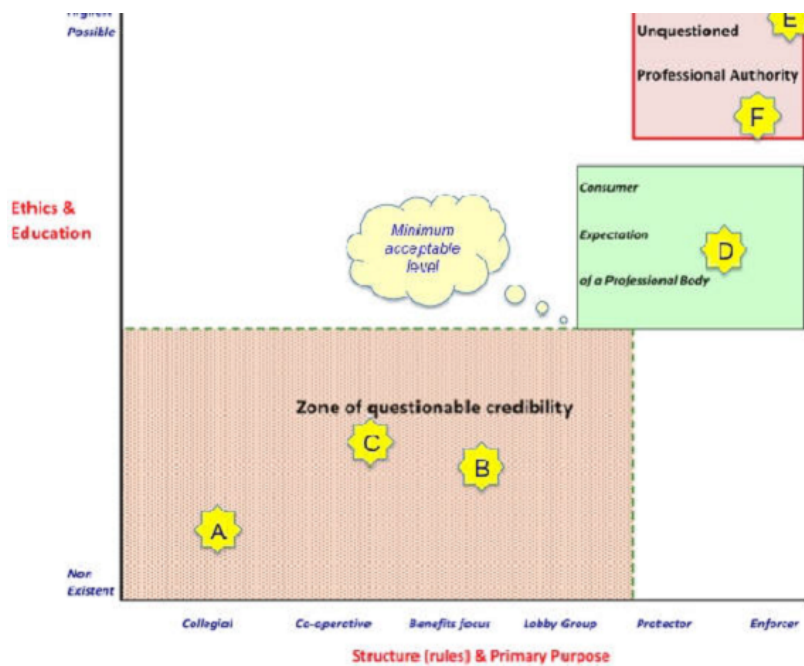
You could also begin to differentiate on the basis of the organisational structure and primary purpose. For example, in my assessment, I settled on six categories for the ways in which organisations develop, or position themselves:

1. Collegial – we group together because we like to
2. Co-Operative – we band together to help each other out
3. Benefits focused – it is in our financial interest to work together
4. Lobby group – by working together we influence others better
5. Protectors – we want to look after where we live and make it better
6. Enforcers – we want respect and willing to pay the price for it

The highest possible ethical and learning standards combined with the enforcer structure presents unquestioned professional authority. Zero ethical and learning standards combined with a collegial structure just does not make for a professional body no matter how you try to market it.

So, I used these two criteria – ethical and learning standards versus structure and primary purpose – to plot organisations A-F on a graph, making clear the relativity and helping me to begin making sense of all the organisations claiming to be professional bodies.

CPD structure vs apparent structure and purpose of professional representative organisations



If we continue to consider the issue from a consumer’s perspective, we have to conclude that there is a zone of questionable credibility. Being largely driven by self-interest rather than the public good, and operating below or only up to the minimum acceptable ethical and learning levels, does not constitute professionalism to most people.

We need to understand as an industry that consumers have a minimum level of expectation of a profession. Even if it is deemed appropriate that there are a variety of professional bodies for the sector – which is a difficult argument to make in an industry of this size in little NZ – then some fundamental shifts in ethical, educational and protection of public interest standards needs to occur.

Otherwise, we will remain an industry with a hodgepodge collection of professional bodies that nobody takes seriously.

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