EUREKA report

Planning's new breed shine

By Rachel Williamson
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PORTFOLIO POINT: Winners of the FPA's Best Practice awards agree that the industry's moves to a client-first model spell the end of 'product pushers'.

The financial planning industry has come a long way since 2005, when Eureka Report was launched as part of a crusade against bad industry practices, and fundamental changes are taking hold among members of industry bodies.

Three winners of the Financial Planning Association of Australia's (FPA) inaugural Best Practice Awards agree that the move towards professionalism is still a work in progress, but they expect this transition will be complete within five years and the public will begin to understand that financial planners are not just product-pushers.

The awards are part of FPA's move to encourage its members to give advice that is in line with its 2011 **professional code of practice**.

For Eureka Report readers, it is confirmation that the fee-for service, no commissions, client-first model is spreading and the old "salesperson" structure that we **fought against for so long** is in its death throes.

Award candidates were judged on criteria that included: how clearly they communicated advice to their clients; the process they used to decide the best strategies for individuals; the appropriateness of the advice; and how well they included the FPA's ethical code into their statements of advice.

Neil Kendall, managing director of Tupicoffs and a member of the judging panel, says the best statements of advice used diagrams and illustrations, while a full explanation of conflicts of interest and a focus on a client's goals divided the great from the average.

Kendall says the quality of advice he saw is improving, as is the breadth. "I was reassured that what I wasn't looking at were product recommendations; it was actually a lot of strategic advice as well."

The professional practice winner, Pippa Elliott of Momentum Planning in WA, says while she had a very firm idea of how her practice would operate when she started 10 years ago, the Financial Services Reform legislation in the mid-2000s is the biggest change so far to drive better financial advice.

She says regulation forced advisers to write statements of advice and was the start of the industry-wide move raise the bar for advisers, but it's not there yet: "I want to be proud to say I am a certified financial planner."

The winner of the Associate Financial Planner Best Practice award, Jim Fenwicke, of Fenwicke Financial Services in NSW, started out two and half years ago as a financial planner with "high ideals" of how to deal with clients after 10 years with Macquarie Bank.

He says the most exciting thing for him is the move towards a more professional industry. "In five years' time ... if you're an FPA member it will mean that you've got a set of educational standards that you've adhered to, a code of ethics and professional practice, and people will be able to look at you and know you're a member of the FPA, what the standards are and therefore that you'll act in their best interests as a professional."

Charles Badenach of the Shadforth Financial Group in Tasmania won the community service award for his pro bono work with migrants and school children. He says an overarching industry body could solve the problems of "bad apples", such as those involved in the Storm Financial farce, that tar every advisor with the same brush.

Another fundamental change for the better is the move from having better relationships with fewer clients. "You're actually looking after the intergenerational wealth transfers, getting involved with their lawyers and their accountants," he says

There are some misgivings, however, on what some of the more recent changes and the impending Future of Financial Advice (FoFA) reforms will mean for the industry. The two-year opt-in rule is contentious.

Elliott thinks having clients opt-in is a good idea and her business does it every year, but the fact that it's legislated "puts a perception of distrust in the mind of clients" that advisers can't be trusted to appropriately engage with them and need to be forced to do so. Fenwicke, who says he sees at least half of his 35 clients on a monthly basis, is more concerned that it could turn into a "bureaucratic nightmare".

The volume of industry consolidation is concerning to Badenach, who says it will limit the options for choosing an adviser and the kind of advice clients can receive.

But the ban on soft-dollar benefits and commissions are positive, particularly because advisers will have to demonstrate that they are delivering value for money under the fee-for-service model.

Elliott finds commissions particularly on the nose because they cede control of the business to product providers, and is suspicious of those advisers who still think they can't survive without, for example, insurance commissions.

"I didn't want product providers determining what my income was going to be," she says. "How can they possibly know how much time I've spent with this client and what advice I've given them? And yet they're giving me the same amount as the guy next door."