

Goal 1: Consumers have the information they need to find and choose a Financial Adviser

At the moment I don't think they do have the information or not intuitively anyway. I am an AFA and was for a while in partnership with an RFA adviser. The clients we shared needed constantly reminded what the differences are between RFA and AFA, let alone trying to explain a QFE adviser to them.

I keep coming back to my Doctor as a guide to what should be the end result for the financial services industry; see my example of what I mean in the following table...

<p>I don't need to ask my Doctor for a disclosure statement because there is no confusion over the word "Doctor", it is protected, only certain people can call themselves Doctors. When my GP calls himself a Doctor I know that...</p> <p>1] He is working in my best interests (he has taken the Hippocratic oath)</p> <p>2] He has had to go through many years of training and is now suitably qualified (otherwise he can't call himself a Doctor)</p> <p>3] If he does anything majorly wrong he can be struck off as a doctor and that would be the end of his career (what better incentive for him to make sure he is doing the right things by his patients).</p> <p>There is no confusion of what the word Doctor means. I can choose to go to a Naturopath in NZ if I want but they can't call themselves RFA Doctors or QFE Doctors. There is no confusion between Doctor and the other health type practitioner services available to me.</p>	<p>This is what we should have in the Financial services industry, before anyone can call themselves a "Financial Adviser" they must...</p> <p>1] Be able to work in their clients best interests (not the firm that employs them eg QFE advisers who can only sell the product supplied by their employers)</p> <p>2] Be qualified. It's wrong that you can call yourself a Financial Adviser without having a Degree level industry specific qualification.</p> <p>3] With the introduction of the FMA I think huge strides have been made in this area and confidence will build in the public over time that cowboy advisers will be exited from the industry.</p> <p>Ps I'm not suggesting that there is no place for QFE type salespeople, sure let them sell insurance products BUT... they shouldn't be able to call themselves "Advisers". Protect the words use so that only suitably qualified people can use the Adviser word. Others can call themselves something else.</p>
<p>Doctors may or may not get paid commissions, bonuses, receive freebees etc from Drug companies or not, I don't know and am not that concerned about it as they have to act in accordance with 1-3 as above and can be struck off if the breach rules, that is enough protection for me.</p> <p>But the Doctors can prescribe whatever Drug or treatment that they feel is the best for the patients condition. They have no barriers to recommending any particular treatments, unlike in the Financial Services industry where some Insurers only deal with their own adviser force and won't allow non tied advisers access to their product range.</p>	<p>I don't think that there should be any commissions on Investment product – fee only.</p> <p>Insurance products I think there needs to be a commission element otherwise there will be a massive drop off in insurance sold and that will be bad for consumers in the long run.</p> <p>However, There should be no upfront commissions, bonuses, trips, prizes etc in the insurance industry. This would eliminate most conflicts of interest and churn straight away.</p> <p>Insurance companies should compete on policy wordings, service and trail commissions only (like Fire and General insurers do). Then there will be no "Financial" incentive for an adviser to recommend one provider over another. And any recommendation will be more likely to be solely</p>

	<p>in the best interest of the client.</p> <p>Another thing that needs to change in our industry to stop churn is that trail commissions should not be protected. Eg if the client wants to move to another adviser and keep their existing policy the trail commission should move to the new adviser automatically (whether the adviser has an agency with the insurer or not). With no upfront commissions and no protection of trail it would remove the incentive to re-write business for the wrong reasons. Business can still be re-written if there is a policy wording advantage for the client but there is no financial incentive to do so from the advisers point of view. They will end up being paid the same whether the business moves elsewhere or not.</p>
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Goal 2: Financial advice is accessible for consumers

<p>Doctors have no Disclosure issues to deal with or long reports to issue clients. The doctors make recommendations, keeps records of why they recommend it, as patients we trust them knowing they are doing their best and there are remedies to us in place if they slip up.</p> <p>Because there is little in the way of disclosure and reporting requirements the Doctors can see many people at little cost.</p>	<p>The disclosure regime and reporting requirements are making it more expensive to advise clients. The more expensive it is the fewer people that can afford the services of an advisor.</p> <p>If the advisers were suitably qualified, independent, and had no commission biases) as described above) then clients may then be in a position where they trust 'Advisers' to the point where Disclosure and long reports aren't required and the cost of doing business reduces and more people can get access to good advice.</p>
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Goal 3: Public confidence in the professionalism of financial advisers is promoted

<p>Doctors need to know a wide range of things before they can become Doctors, even if they want to specialise in a very small area they still need to start with a broad knowledge</p>	<p>This should be the same for Advisers. Even if you want to just sell in insurance or just handle investments you should need a qualification that tests your base knowledge in many areas such as...</p> <ul style="list-style-type: none"> - Time value of money - Budgeting - Managing debt - Understanding shares, bonds and term deposits - Understanding tax basics etc - Understanding insurance law - Understanding managed funds <p>Then the adviser will know when they are being asked questions in areas that aren't their</p>
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	specialty and can refer to others.
<p>A doctors firm cannot employ non doctors as doctors, the qualification rests with the individual.</p> <p>Af a GP could employ anyone as a Doctor under their qualification and give advice it would lead to a lack of confidence in the word Doctor over time.</p>	<p>This should be the same for advisers. No use having an adviser having 10 unqualified people running around giving advice under the lead advisers qualification. It will lead to the public losing faith in the title 'Adviser' which is the opposite of what we want.</p>