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The educational standard for advisors gets more expensive

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by Will Ashworth | 06 Jan 2015



At least that's what could happen if Canada adopts a recent recommendation by the Australian government. Should we follow suit?

In an 85-page report released in mid-December from the Australian government's Parliamentary Joint Committee on Corporations and Financial Services, the 10-person committee laid out its

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recommendations for raising the professional, ethical and education standards in the financial advice industry.

One of its chief recommendations is that financial advisors possess a minimum educational standard. If implemented, all those providing advice on Tier 1 financial products (basically anything besides general insurance and basic deposit products) in Australia would need a relevant university degree in order to do business in the country.

The Financial Planning Association of Australia already requires, and has since 2007, that those seeking the CFP designation possess a post-secondary degree. The report states, "To gain CFP certification, a planner must have completed an undergraduate degree, masters degree or PhD and have successfully completed all of the units of study in the CFP Certification Program. To enter the CFP program, at least three years of financial planning experience is also required."

Seems straightforward enough.

The problem with this line of thinking is that a

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university degree doesn't guarantee excellent financial advice.

WP reached out to Scott Plaskett, a financial planner in Toronto, to get his feedback on the topic. "I'm not sure that a University degree is an appropriate measure to use. I know too many great planners who other than their CFP, have only successfully completed their high school education," says Plaskett. "For a variety of reasons, they didn't go down the 'traditional' educational path but they have successfully accomplished their CFP and are great financial planners."

Teddy Roosevelt, a former President of the United States and New York City Police Commissioner, is famously quoted as saying, "People don't care how much you know until they know how much you care." Assuming that a university degree guarantees greater fiduciary care is absolutely the farthest thing from the truth.

Another recommendation from the report is that "financial advice" should only be made by individuals registered as financial advisors. The problem with this approach is that you first must adequately define what this advice entails. Speaking with Robb Engen, one-half of the very popular blog, Boomer and Echo, the Lethbridge-based fee-only planner stated the following



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about this little tussle, "I think we need to more clearly define who does what [in terms of job titles] before we get into what qualifications are needed."

Engen, however, agrees with the Australians that financial advice needs to be properly defined within the context of any discussion about raising the professional, ethical and education standards in the financial advice industry.

But certainly Canada need not follow down the same exact path in order to deliver better financial advice to Canadians.



COMMENTS

Brad jardine | on 06/01/2015 11:30:54 AM

While professionalism and competence are worthy goals, the means to achieve them can not be measured by educational standards alone.

A proposal along these lines sounds more like another barrier to entry to an exceedingly difficult one as it is.

In addition, the various fees, licenses and Continuing educational requirements, combined with the excessive administration of the various governing bodies are simply getting out of hand.

And don't get me started on the CE Credit "industry" all around us. It makes everyone feel warm and fuzzy that requirements exist, but when 20 credits can be done in 2.5 hours online what does

this really say about the level and quality of the knowledge required. Quite frankly, the entire process is an annual farce/cash grab.

It makes one pause to seriously consider renewing associations and designation dues.

Will Ashworth | on 06/01/2015 2:54:09 PM

Hi Brad,

Thanks for your comments.

This entire subject is a controversial one. Everyone seems to have an opinion about the future direction of the financial services industry.

Certainly, a university degree in and of itself, isn't the cure-all for an industry that's had its fair share of financial fiascos.

Unfortunately, today's story about robo-advisors demonstrates why change will continue to take place in financial services. Standards be damned.

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