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AFA Submission: Education Standards for Financial Advisers – Policy paper

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for over 75 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

With the exception of Independent Directors, the Board of the AFA is elected by the Membership and Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting their wealth.

Introduction

The AFA welcomes the opportunity to provide feedback on the Education Standards for Financial Advisers Policy Paper.

The AFA is very supportive of the Government's decision to re-open the issue of education standards for financial advisers and to confront the issue of the adequacy of the recognition of prior learning and experience. The AFA has long argued for the need for better recognition of prior learning and experience and we have repeatedly raised our concern that FASEA had failed to address the expectations on this issue, as set out in the Explanatory Memorandum to the 2017 Professional Standards of Financial Advisers Bill.

We are now well into the reform process and transition phase for financial advisers, which commenced on 1 January 2019, and a change of the scale proposed by the Government will have substantial implications. This is a very important issue that has already had a huge impact on the lives of many financial advisers. Whilst we strongly support the Government's commitment to address this issue, we believe, based upon a careful assessment of the key objectives of the financial advice sector, that there are alternative approaches that are more likely to achieve a better overall outcome. We have set out what we propose below in the Recommendations - Summary and Recommendations - Detailed Assessment sections. We have also articulated the objectives that we support, that underly our recommendations, in a separate section below.

This announcement by the Government has already had an impact on the decision making of a number of advisers, who have put their current study plans on hold. We are concerned by this, and are very conscious of the additional uncertainty that this announcement has generated. It is important to note that there are still a substantial number of financial advisers with significant additional study required in order to comply with the FASEA standard by 1 January 2026. Some are yet to commence their study. The longer this uncertainty lasts, the greater risk posed that these advisers may not be able to complete the required study in time. In some cases, maximum timeframes exist for the completion of courses, which could be breached as a result of further delays. We ask for a timely outcome in the deliberation on this issue.

As could be expected, in respect to such an important issue, with such deep consequences, there is a diversity of opinions on this matter. Whilst there is strong support for better recognition of prior learning and experience, there is more mixed support for what the Government has proposed. There are some very strong opinions at each end of the spectrum, and this matter could become quite destructive, if it is not managed carefully. We believe that it is important to find a sensible balance that better addresses the key objectives, and minimises the risk of ongoing instability.

Two of the major issues with the FASEA standard was that it was highly prescriptive and there was no flexibility. Effectively, there was no room for choice in the subjects that were studied, and this meant that advisers might have been forced to study material that they would never utilise. This was a contentious issue with the Stockbroking sector, however it was also an important issue for risk advisers. The AFA had long argued that the issue could be addressed for risk advisers by giving better recognition for prior learning and experience and by enabling better flexibility in what they were required to study. We remain of the view that this would be a viable solution for risk advisers. It may be necessary to look separately at stockbrokers, to identify a viable solution.

AFA Recommendations - Summary

The key AFA Recommendations are set out in the following table

Category	Recommendation
Overall	• No one should be worse off relative to their current situation. • Continued access to the FASEA options.
Experience Pathway	A graduated pathway based upon: • Advisers with more than 20 years experience being required to do a four subject Graduate Certificate, with 2 subjects credit. • More than 15 years experience, but less than 20 years – a Graduate Certificate with one subject credit • More than 10 years experience, but less than 15 years - a four subject Graduate Certificate Increased education standard in lieu of the potential loss of access to the Experience pathway for those with sanctions.
Qualification Pathway	Requirement to complete a bridging course for new advisers without specific financial advice core knowledge. Cap on FASEA exemptions to be removed or increased to four.
New Entrants	Consideration of options, including funding support, to encourage employers to appoint more Professional Year candidates.

AFA Objectives

In reviewing the proposed model, we have based our thinking on the following core objectives of an education framework for financial advisers.

- **Adviser Numbers.** We are seeking the sensible retention of as many appropriately qualified financial advisers as possible. Our member survey indicates that 20.8% of respondents do not intend to undertake any further study. This is the group of advisers who might change their mind as a result of this proposal, which we believe is a worthy goal. Policy settings that drive a significant increase in new adviser numbers is also critically important.
- **Public Recognition of Financial Advice as a Profession.** It is essential that this change of policy does not undermine the public recognition of financial advice as a profession. It is our view that a tertiary qualification of some form is a critical foundation.
- **Supportive of an Ongoing Commitment to Learning.** We would like to ensure that this outcome supports continued education and that there is a perceived benefit for all those who have already achieved the higher education standard.
- **Strength of the Financial Planning Academic Sector/Community.** We would like to see continued support of the academic sector in running financial planning courses and supporting research in financial advice. Having the universities walk away from providing financial planning specific subjects would be very detrimental.
- **No Regrets.** We would like to avoid the situation where the leaders of the financial advice profession in five or ten years time look back on this decision with regret.
- **Defining Core Knowledge areas.** The new education standard should define the core knowledge areas that are required for all new advisers. This does not need to be excessively prescriptive and there should be room for further study as part of specialisations.

It is necessary to entertain the need for compromise in considering all the objectives above, which have been taken into account in the alternative options that we have developed.

Confronting the Core Problem

We understand that the core objective of this proposal by the Government is to reverse the fundamental problem that is emerging with an inadequate number of financial advisers in the Australian market. The number of advisers on the Financial Adviser Register has declined from over 28,800 at the start of 2019, to what is now understood to be around the 17,000 mark. This is a very substantial decline (approximately 40%), which has consequently meant that many Australians are struggling to access financial advice. It is also one of many factors driving up the cost of financial advice.

The further complication is that the number of financial advisers is expected to decline further in the lead up to the education deadline of 1 January 2026, and on some estimates could be as low as 13,000 by that time.

This is due to two primary factors, being the exodus of experienced advisers and a very small number of new entrants.

We believe that the problem with the exodus of experienced advisers can be positively influenced by better recognition of prior learning and experience. We further suggest that the Government's proposal could help to change the mind of many who have already decided not to undertake further study and who have planned on leaving the financial advice profession before 1 January 2026. Our own survey showed that 20.8% of respondents do not intend to undertake further study. If half of these advisers change their mind, then this will make a really big difference. The reality is that there have already been a large number of experienced advisers who have left the profession. Some of them might have completed the exam and could therefore come back. Others will not have completed the exam and thus a return would not be possible. For a large number of them, this change will have come too late to influence their decision to leave the financial advice profession.

The other problem, and one that is equally difficult to solve is the very low number of new advisers entering the financial advice profession. We believe that this is due to three key factors:

- A reduced level of interest in financial advice as a result of both a lack of understanding of financial advice and the damage that was done to the reputation of the financial advice profession by the Banking Royal Commission and other recent high-profile matters.
- The relatively low number of potential candidates coming through the university programs, and the lack of flexibility in this pathway. Predominantly, students need to enter a financial planning program from the start. It is difficult to move over or go back and alter your program. Non-financial planning graduates are required to do a Graduate Diploma, if at a later point, they want to join the financial advice profession.
- The level of demand to appoint and employ new entrants into the Professional Year. The financial advice sector has been subject to significant structural change over the last few years. The large banks have all predominantly left financial advice, and some of the other institutions have reduced their focus on advice. Financial advice is now largely a small business sector, and small businesses are less willing to invest in people in the form that the Professional Year requires. This problem has been compounded by the disruption to the advice sector over the last few years and the natural reluctance to invest at a time of great uncertainty. Adding to the cost and the complexity of the Professional Year is only going to make it more difficult for advice practices to employ new entrants.

We are also concerned that the true underlying number of new entrants might be overstated by a reasonable number of the Professional Year appointments being the children of existing advisers or otherwise family of existing advisers. These appointments are therefore less focussed on the economics of the Professional Year and more related to family succession.

We suggest that more needs to be done to make it easier to appoint new advisers, and believe that this is an area that warrants further investigation by the Government, potentially as part of the Quality of Advice review. Some potential options might include:

- Government funding for professional year candidates, consistent with apprentice schemes.
- Better incorporation of the education standard and professional year program into feeder roles like para-planners and customer service representatives.

AFA Recommendations – Detailed Assessment

One of our key starting points is that no-one should be worse off as a result of these proposals.

Key Points:

- Anyone who has already passed the FASEA Standard should not be required to do any further study.
- Existing advisers should be able to choose to either stick with the existing FASEA Standard or pursue one of the pathways in the new proposed standard.
- We do not support the ‘clean record requirement’ in practice, as the new single disciplinary body regime is untested and we do not know how many advisers might end up with a sanction between now and 1 January 2026. We support higher professional standards, however we do not like the uncertainty that this could generate, particularly for anyone who receives a sanction at a point when it is too late to seek to achieve the Qualification pathway. Sanctions could arise as a result of less material matters and in circumstances where the misconduct was entirely unintentional.

Experience Pathway:

We propose a regime where all advisers are required to obtain a tertiary qualification, however there is genuine recognition of prior learning and experience. To achieve this, we believe that the recognition of experience should be graduated, as per the following:

- Advisers with more than 20 years experience (as at 1 January 2026) being required to do a four subject Graduate Certificate, however with 2 subjects credit. This would leave them needing to do the Code of Ethics Subject and the Legal Obligations subject.
- More than 15 years experience, but less than 20 years – a Graduate Certificate with one subject credit, involving the Code of Ethics and Legal Obligations subjects along with one financial advice elective in an area that is relevant to their current field of practice.
- More than 10 years experience, but less than 15 years - a four subject Graduate Certificate, involving the Code of Ethics and Legal Obligations subjects along with two financial advice electives in areas that are relevant to their current field of practice.

Access to the Experience pathway should not limit an existing adviser's options to do further study towards either a Graduate Diploma or Masters Degree in financial planning, where they can complete study in fields that are of most interest and relevance to them.

As discussed below, the 10 years full time out of the last 12 years requirement is potentially discriminatory to advisers who have had a period of paternity/maternity leave or who have worked part-time for an extended period. We believe that this should be assessed on the basis of elapse years. This will be relatively straight forward for advisers who have been authorised representatives. It will be more complicated for those who have been salaried advisers or representatives in the period prior to March 2015, when there was no formal register of all financial advisers. We note that the registers do not record whether someone has been operating on a full time or part time basis.

It is further noted the 10 years full time experience out of the last 12 years requirement will potentially impact a number of advisers who have had recent periods of absence from the profession, or who have at times taken on other roles such as licensee leader roles. We are also concerned that it could limit the ability for those who have passed the FASEA exam, however are no longer practicing, to return to financial advice. If someone has extensive experience over the last twenty plus years, then they should be eligible for some benefit for that experience.

Qualification Pathway:

There is a definite risk of people being worse off if the option of continuing under the existing FASEA rules is removed. To illustrate this point, we highlight a person who commenced as a financial adviser in 2016 (after the effective experience cut-off date), having previously completed a non-relevant degree, the ADFP and a professional designation. Under the FASEA regime, they would have been eligible for five subjects credit. Under the proposed Qualification pathway they would be required to do six subjects, after allowing for a maximum of two subjects credit. They would therefore, potentially be three subjects worse off.

To further illustrate this point, we highlight a person who commenced as a financial adviser in 2016, having completed a non-relevant degree, however with four units in related fields. Where they have subsequently completed an ADFP and a professional designation, they could be facing doing just one subject under the FASEA rules. Due to the limitation of two exemptions, they might now be facing the prospect of doing at least two subjects (based upon the need to do four further units in a related field, less two exemptions).

For this reason, we see no basis for capping the number of exemptions available to a maximum of two, and we would recommend that this be either uncapped or increased to four.

We are also conscious that under the proposal, any adviser who has a sanction against them would need to pursue the Qualification pathway. The consequences for them could be great, particularly in the case where the sanction arose very late in the period leading up to 1 January 2026. For those where a sanction arises earlier, they could then choose to pursue the Qualification pathway, and might have sufficient time to complete it.

Subject to the points raised above, we support the Qualification pathway for existing advisers, who should have a number of years experience by 1 January 2026, however it does not address the core knowledge area requirement for new advisers. We therefore propose that bridging courses be developed to ensure that all advisers have completed study in the following areas:

- Ethics and Professionalism in Financial Advice
- Legal Obligations for Financial Advice
- Tax and Commercial Law
- Superannuation, Investment and Life Insurance – products and strategies

We believe that this could be developed as a Graduate Certificate program. We strongly favour this work being done prior to the commencement of a Professional Year, which we believe would reduce the training cost that would apply to the business for someone starting in a financial advice practice. Requiring this bridging program will help to ensure that the existing financial planning undergraduate degrees remain an attractive option for someone seeking to study to become a financial adviser.

New Advisers

It is the view of the AFA that ensuring a strong and steady stream of new advisers is critical to the future of the financial advice profession. There are some critical drivers of this:

- Community support for financial advice that drives a high level of genuine interest in studying financial advice/planning at University.
- Support for financial advice programs by the University and higher education sector.
- Supportive structures and mechanisms for the appointment of new entrants, including through the Professional Year program.

It is evident that the number of new entrants coming into financial advice is substantially inadequate and as a result it is evident that there is a need for Government intervention and broader industry and community support. We call on the Government to establish a review to identify what steps might be possible to boost the level of support for the appointment of new advisers.

It is important to acknowledge the extent to which the financial advice sector has evolved over the last few years. The big banks have almost entirely left financial advice and the other larger institutions have a smaller financial advice footprint. It is no longer the case that a large percentage of new entrants come through the graduate programs at these large institutions. Financial advice is now almost entirely a small business sector, and accordingly the appetite for investing in the appointment of future advisers has virtually evaporated. The problem has been compounded by many of these practice owners being caught up in their own education requirements and otherwise in a world of intense regulatory change, which has impacted their ability to focus upon the recruitment of new advisers. This has become a critical problem and one where we think that Government intervention may be required to give it a kickstart. It does not matter how many potential new entrants come through the university pathways, if businesses do not have the appetite or capacity to recruit them.

We are also conscious that financial advisers do not typically go straight from university to the Professional Year, and therefore it is necessary to ensure that pathways have been considered for those who start their employment in customer service or para-planning roles.

Recognition of Prior Learning and Experience

The AFA has long argued for a sensible arrangement for existing advisers that recognised their prior learning and experience. We have also long supported a degree requirement for new advisers.

In our September 2014 submission to the PJC Inquiry into Lifting the Professional, Ethical and Education Standards in the Financial Services Industry, we recommended that the standard for existing advisers should be increased to the Advanced Diploma of Financial Planning.

In our June 2018 submission to FASEA on the draft education standard, the AFA proposed, amongst a range of other recommendations, that all financial advisers who are 55 years or older as at 31 December 2023 (the original education deadline date), and have at least 15 years experience as a financial adviser, should be able to complete a four subject Graduate Certificate by 31 December 2023, however subject to a sunset date for capacity to practice of 31 December 2029.

We modified this position in our December 2018 submission to FASEA, proposing:

> Additional credits allocated based upon the relevant provider's experience (incorporating previous study and CPD):
>
> - 15 years (or more) experience: 3 subjects
> - Over 10 years (but less than 15 years): 2 subjects
> - Over 5 years (but less than 10): 1 subject

In our December 2018 submission, we also sought to highlight how the FASEA education standard proposal did not address the expectations that flowed from the following key paragraphs in the 2017 Explanatory Memorandum to the Professional Standards for Financial Advisers Bill.

> 6.8 These provisions are designed to allow flexibility for existing providers, ensuring that they only need to undertake adequate study to bring their qualifications in line with the new standard. It is not expected that existing providers will be required to complete a three year degree.
> 6.9 For the avoidance of doubt, the new law explicitly states that courses undertaken before the new law commences must be taken into consideration. The body may take into account diploma or degree courses, licensee training courses or CPD.
> 6.11 The length of time that the adviser has been in the industry is not itself a relevant consideration. The body may, however, take into account the fact that an adviser who has been in the industry for a longer period of time has completed more CPD courses.

It is our view that FASEA never delivered to this expectation, which is highlighted by the lack of any credit for the 4 subject financial advice related diploma courses or for CPD.

AFA Member Survey

The AFA undertook a member survey to better understand the views of members on this issue, and we received 530 responses, which we consider to be a very strong response to a survey that was conducted during the January holiday period. Additionally, we have also received a substantial number of emails in response to the Financial Adviser Education Standards Policy Paper.

The results of our survey are set out in Appendix 1. Some of the standout results are as follows:

- 75.5% of respondents do not believe that FASEA provided sufficient recognition for prior learning and experience.
- 74.7% of respondents support the provision of an increased level of recognition of prior learning and experience.

- It is interesting to note that the level of support for increased recognition of prior learning and experience varies between 47.8% from those who are already FASEA education standard compliant and 96.4% for those who do not intend to do any further study.
- 53.6% of respondents support the Experience pathway as proposed by the Government, however 25% of respondents believe that the Government has gone too far.
- It is interesting to note that the level of support for the Government's proposed Experience pathway varies between 21.4% from those who are already FASEA education standard compliant to 84.3% for those who are yet to start the education journey, however intended to meet the FASEA Standard.
- 22% of respondents believe that the Experience pathway will undermine community recognition of financial advice as a profession.
- 14% of respondents do not believe that 10 years is an adequate experience threshold and 43.6% do not believe that it should be assessed as at 1 January 2026.
- 79.8% of respondents support the requirement for the Experience pathway that an adviser has no sanctions from the Single Disciplinary Body prior to 1 January 2026.
- 40% of respondents support the Qualification pathway for existing advisers, with 29.9% concerned that it fails to ensure that advisers are undertaking study in the right areas.
- 53.6% of respondents support the proposed Qualification pathway for new advisers.

In framing our recommendations, we have paid attention to the feedback from our members, however we have also leveraged our thinking about the broader objectives that we have set out. We are conscious that the opinions of our members are certainly not homogenous and it is inevitable that some level of self interest may be a factor in the responses from people on both ends of the spectrum.

Experience Pathway – Further Feedback

We believe that the 10 years full time experience in the last 12 years requirement might be discriminatory, and particularly for female advisers who have taken extended periods of maternity leave or come back from maternity leave on a part time basis. An adviser who has had two children in the last 10 years and returned to work on a part time basis for a period of time, would really struggle to achieve this criteria.

It is also potentially discriminatory to those who work part time. This would exclude anyone who has worked four days a week for the last 12 years (9.6 years Full Time Equivalent). We do not believe that this is the intention of this policy and therefore warrants review.

We further note that it excludes any consideration of experience that was gained prior to 1 January 2014 (i.e. 12 years before 1 January 2026).

Qualification Pathway – Further Feedback

Our primary concern with this pathway is that it does not mandate the completion of core knowledge areas relevant to financial advice. Whilst we are less concerned about this with respect to existing advisers, who will have on-the-job experience, it is a genuine concern when it comes to new advisers.

We have considered this proposal from the perspective that no one should be worse off, however we certainly believe that this would be possible when it comes to the cap on exemptions of two units. As discussed above, someone with an unrelated degree (with no subjects in the nominated related fields), the ADFP, and a professional designation, could have earnt 5 credits under the FASEA model and would only need to complete three Graduate Diploma subjects. They might now be required to complete six subjects, which is twice what they would have been required to do under the FASEA model. It might be argued that it was unlikely that someone who did not qualify for the Experience pathway would have earnt all of these exemptions. It would certainly not be impossible, and this pathway also needs to cater for the prospect of what an adviser, who was subject to a sanction by the FSCP, needed to do.

This outcome, requiring more study than under the FASEA model would be unfair, and could be fixed by permitting the FASEA option to remain, or removing/increasing the cap on exemptions.

We are conscious of the wording in the Proposal Paper that "Units can be completed in a single qualification or across multiple qualifications". On a purely technical level, this might be taken to mean that you cannot place reliance upon the completion of single units, or multiple units of study that do not lead to a qualification. We would argue that it is very important that an adviser, who has completed one or more qualifications that for example contain a combined total of six subjects in the nominated related fields of study, could take the Code of Ethics subject and a further individual unit of study to meet the Qualification pathway requirement. Subjects that have been successfully undertaken, that did not lead to a qualification, should be counted.

We further note the statement that "Units must be at either a Bachelor (AQF7), Graduate Diploma (AQF8) or Masters (AQF9) level". We assume that the reference to 'Graduate Diploma' at the AQF8 level, is not intended to exclude study to achieve a Graduate Certificate, which is also at the AQF8 level.

There is a reference in the table in Attachment A to "business law (as approved by the TPB)". It is noted that the TPB typically refer to this as commercial law subjects.

Consultation Questions

1. the impact of the proposal on industry and stakeholders, including the cost to business.

This proposal is likely to result in a significant reduction in education costs for all of those advisers who qualify for the Experience Pathway, particularly where they have not yet started or are very early on in their education journey. For those financial advisers who have already started, and particularly those who are well progressed, we express hope that they will continue with the journey to ensure that they end up with a qualification that we hope will be beneficial for them in the long term. For this group the saving is likely to be much less or potentially nothing at all.

The current FASEA model places a level of reliance upon the Higher Education Providers to assess individual advisers and then determine what further study they need to do. Seemingly this responsibility will now firmly rest with licensees. We are concerned that when it comes to the Qualification pathway, this will place a significant reliance upon the licensees. It also needs to be appreciated that making a mistake in this assessment could have significant consequences. We are concerned that advisers could be subject to a level of uncertainty every time they change licensee.

Another stakeholder who will be significantly impacted in the event that this proposal is implemented is the Higher Education sector. There are a large number of universities and other Higher Education Providers who have invested heavily in the development of courses that comply with the FASEA requirements. We fear that they could see a substantial reduction in enrolments at both the undergraduate and the Graduate Diploma levels, and could subsequently be forced to close the courses down. This would be a very poor outcome for the financial advice sector as a whole.

2. whether the proposal meets the policy objective of streamlining the education standard and whether the proposed approach appropriately recognises on-the-job experience while ensuring there is a base level of knowledge across the financial advice industry.

In our view, what has been proposed will significantly simplify the education standard, particularly with respect to the approval and maintenance of financial planning courses. Whilst we recognise that this simplification might be an objective of the Government, as it will remove the cost and need for resources required to approve and monitor courses, it might also have a range of negative implications for the financial advice profession.

As noted by our points above, this proposal will better recognise prior learning and experience. In fact, in our view, it may have gone too far.

We are conscious that this model will place greater reliance on the assessment of an individual adviser's education standard by their licensee and place less reliance upon Higher Education Providers. This adds to the level of risk for the licensee and the adviser, so it may increase inefficiency.

Seemingly the issue of ensuring that there is a base level of knowledge across the financial advice sector is one thing that can no longer be guaranteed. In fact, this is a real weakness of this proposal.

3. what would enable other education providers such as registered training organisations and professional associations to offer courses that meet the proposed education requirements at an AQF 7, 8 or 9 level.

Answering this question depends upon what courses they may be able to provide and how they can provide these courses. The financial adviser education market is now in a maturing phase, with many programs in the marketplace. If the number of students is reduced or the amount of study that is required is reduced, then this will result in an increase in competition. It will be difficult for new players such as professional associations to get into a tough market and generate a reasonable return on that investment.

Further, unless an education provider is TEQSA registered, they would not be able to provide these courses. Professional Associations might be able to work with one to deliver these courses, however that would cut into the margins.

It is important to note that, Registered Training Organisations (RTOs) are not able to deliver courses at AQF 7, 8 or 9 level. RTO's deliver courses at AQF 1-6 level.

4. whether the professional year standard (set out in the Corporations (Work and Training Professional Year Standard) Determination 2018) should be amended to require additional study at a Graduate Certificate or Diploma (AQF 8) level to complement the broadening of the relevant fields of study. These could be done in a specialised area of the licensee and new entrant's choosing, allowing the professional year candidate to develop a deeper knowledge alongside their practical training.

If the Qualification pathway was enacted as has been proposed, then it would have significant implications for new entrants trying to obtain a Professional Year position. They would have much less relevant financial advice knowledge and would need to undertake further study to be employable. They could otherwise enter the financial advice sector in another capacity and work in support roles, whilst they undertook further study. It should be noted that this has now been made more complicated by the removal of the Diploma of Financial Planning and the Advanced Diploma of Financial Planning. In our view, in order to ensure that they have the necessary skills and knowledge that would be required to work in a financial advice practice, we would suggest that they need to complete a bridging course.

Requiring a bridging course will add to the cost for these students. If they have just invested in completing a Bachelor Degree, the appetite for additional post graduate courses may be limited. It comes down to a choice of whether it is the student who incurs this cost before they are employed, or the potential employer afterwards, or a combination of both. There is already a high level of concern that the Professional Year program is too costly for employers, and this may compound the problem.

Concluding Comments

We thank you for the opportunity to participate in this consultation. We strongly support the Government's commitment to reconsider the financial adviser education standard and to propose much greater flexibility and much more recognition of prior learning and experience.

Whilst we are very supportive of the process, we are very conscious of many competing objectives and some very strong opinions on this issue. We firmly believe that there are sensible alternative opportunities that will achieve a better outcome for the financial advice population and the broader community. In particular, we would like to ensure an outcome where all advisers could consider themselves to be tertiary qualified.

We would be happy to discuss this matter further, or to provide additional information if required. Please contact us on (02) 9267 4003.

Yours sincerely,

Phil Anderson
Chief Executive Officer
Association of Financial Advisers Ltd

Appendix 1

AFA Member Survey Results – Education Standard

Your Education and Exam Status

What is your current status in terms of meeting the FASEA Education Standard?

I already meet the FASEA education standard	159	30.1%
I am making good progress towards the FASEA education standard	177	33.5%
I have not started, however I intend to meet the FASEA education standard	83	15.7%
I do not intend to undertake any further study	110	20.8%
Total	529	100.0%

How would you classify your education status before having commenced further study?

I have a FASEA Approved Degree	58	11.0%
I have a Relevant Degree	23	4.4%
I have a Relevant Degree (8 subjects in a relevant field) and other exemptions (i.e. Post grad qualification, ADFP or a professional designation)	68	12.9%
I have some exemptions (i.e. 4-7 relevant subjects, non-relevant degree, ADFP or a professional designation)	299	56.6%
I have no exemptions	80	15.2%
Total	528	100%

What is your FASEA exam status?

I have passed the exam	464	87.7%
I have not passed the exam, however, I have qualified for an extension until 30 September 2022 (2 unsuccessful attempts before 31 December 2021)	29	5.5%
I have not passed the exam or qualify for the extension	36	6.8%
Total	529	100%

Recognition of Prior Learning and Experience

Do you think that FASEA got the recognition for prior learning and experience right in their policy?

Yes, they provided an appropriate amount of recognition	104	19.6%
No, they did not adequately recognise prior learning and experience	400	75.5%
I am undecided	26	4.9%
Total	530	100%

Would you support an increased level of recognition for prior learning and experience?

Yes	396	74.7%
No	106	20.0%
Undecided	28	5.3%
Total	530	100%

The Government's Education Standards for Financial Advisers Policy Paper

The Government have issued a proposal paper to significantly redesign the education standard, including introducing an Experience Pathway that will require advisers with over 10 years experience as at 1 January 2026, who have no sanctions recorded against them, to do only the Code of Ethics subject. Do you support what the Government has proposed with the Experience Pathway?

Yes	283	53.6%
No. I support better recognition for prior learning and experience, however I think that the Government has gone too far.	132	25.0%
No. I support the current FASEA model.	96	18.2%
I am undecided	17	3.2%
Total	528	100%

If you oppose the introduction of an Experience Pathway, what are your reasons?

I think this undermines recognition of financial advice as a profession	115	22.0%
I have already done the necessary study and do not think that this is fair	45	8.6%
I think that we need to lift the minimum standard and everyone should need to do some amount of further study	77	14.7%
Not Applicable – I support the proposal	286	54.7%
Total	523	100%

Do you support the Experience Pathway being based upon 10 years in the last 12 years?

Yes	324	61.1%
No - 10 years is not enough	74	14.0%
No - I don't support the experience pathway	132	24.9%
Total	530	100%

Do you support the 10 years experience test applying at 1 January 2026?

Yes	297	56.4%
No	230	43.6%
Total	527	100%

Do you support the requirement that you have no sanctions from the Single Disciplinary Body prior to 1 January 2026?

Yes	423	79.8%
No	107	20.2%
Total	530	100%

Do you support the requirement under the Experience Pathway, to only do the one Code of Ethics subject?

Yes	324	61.1%
No	206	38.9%
Total	530	100%

If the Government do go ahead with an Experience Pathway option, how do you recommend that it be framed?

What the Government have proposed in doing just the Code of Ethics subject	260	49.1%
The completion of a four subject Graduate Certificate with some access to exemptions for prior learning	83	15.7%
The existing model, however with credit of additional subjects for experience	105	19.8%
I do not support any change	82	15.5%
Total	530	100%

Government Proposal – Qualification Pathway

The Government have also proposed a Qualification Pathway that would require advisers to do 8 subjects at the degree level (AQF 7) or above, in what they have described as relevant fields, with up to two subjects credit for FASEA approved exemptions. Do you support this Qualification Pathway proposal for existing advisers?

Yes	210	40.0%
No. This fails to ensure that advisers are undertaking studying in the right areas.	157	29.9%
No. This will require me to do more study than I might have needed to do under the old model.	158	30.1%
Total	525	100%

Do you support the application of the Qualification Pathway for new advisers?

Yes	283	53.6%
No. It does not mandate the completion of sufficient core financial advice subjects.	105	19.9%
No. It is not adequately defined and thus open to uncertainty and confusion.	85	16.1%
None of the above	55	10.4%
Total	528	100%

Analysis of Combination Questions

The following two tables demonstrate the response to the questions on support for increased RPL and support for the Government's proposal when viewed from the perspective of the respondents' current education status

	Support for Increased RPL			
Current Education Status	**Yes**	**No**	**Undecided**	**Total**
I already meet the FASEA education standard	47.8%	43.4%	8.8%	100%
I am making good progress towards the FASEA education standard	76.8%	16.9%	6.2%	100%
I have not started, however I intend to meet the FASEA education standard	92.8%	7.2%	0.0%	100%
I do not intend to undertake any further study	96.4%	0.9%	2.7%	100%

	Support for Government Proposal				
Current Education Status	**Yes**	**Govt Gone too Far**	**Retain FASEA Std**	**Undecided**	**Total**
I already meet the FASEA education standard	21.4%	35.2%	39.6%	3.8%	100%
I am making good progress towards the FASEA education standard	54.8%	24.9%	16.9%	3.4%	100%
I have not started, however I intend to meet the FASEA education standard	84.3%	9.6%	2.4%	3.6%	100%
I do not intend to undertake any further study	75.0%	22.2%	0.9%	1.9%	100%