

Friday 24 May 2024

Stephanie Foster PSM
Secretary
Department of Home Affairs

Dear Ms Foster

Review of the Points Test

The Financial Advice Association of Australia¹ (FAAA) welcomes the opportunity to provide feedback on the Department of Home Affairs' Review of the points test discussion paper.

Currently there is a severe shortage of financial advisers/planners in Australia. This shortage has recently been recognised by the Government by inclusion in the Skills Priority List. This shortage has been driven by:

- New regulatory and licensing requirements creating a 'long training gap' of four years
- An ageing existing financial adviser workforce
- Changes in the advice market
- The ageing of the population driving a prolonged increase in consumer demand for financial advice.

FAAA suggests migration is a valid pathway to help address this skills shortage. We also suggest that the 'points test' should be amended to more appropriately reflect the mandatory education and training standards in the Corporations Act, which an individual must meet in order to secure a role as a financial adviser/planner.

We would welcome the opportunity to discuss with the Department the issues we have raised in our submission. Please contact our Senior Manager Government Relations & Policy, George John (george.john@faaa.au) or myself (sarah.abood@faaa.au) on 02 9220 4500 if you have any questions.

Yours sincerely,



Sarah Abood
Chief Executive Officer
Financial Advice Association Australia (FAAA)

¹ The Financial Advice Association of Australia (FAAA) is the largest association representing the financial advice profession in Australia, with over 10,000 members. It was formed in 2023 following the merger of the two leading financial planning/advice bodies in Australia – the Financial Planning Association (FPA) and the Association of Financial Advisers (AFA). With this merger, a united professional association that advocates for the interests of financial advisers and their clients across the country was created.

Review of the points test

Effective date: 24/05/2024

Submitted to: Department of Home Affairs



Financial advice regulatory requirements

The provision of personal financial advice to retail clients in Australia is heavily regulated under the Corporations Act, with regulatory oversight by the Australian Securities and Investments Commission (ASIC).

In 2019, the government introduced the following legislated professional and education standards² which individuals must meet to be able to provide personal financial advice to retail clients, and to use the enshrined terms³, financial adviser and financial planner:

- complete an approved education qualification – a bachelor or higher degree, or equivalent qualification, approved by the Minister. Currently the only approved qualifications are financial planning specific.
- New entrants – individuals wanting to become a financial adviser/planner - must also complete a professional year that includes at least 1500 hours of work activities and at least 100 hours of structured training,
- pass the Financial Adviser Exam to test the practical application of their knowledge in key competency areas (administered by ASIC), participate in at least 40 hours of annual continuing professional development (CPD) to maintain and extend their professional capabilities, knowledge and skills, and
- comply with the Financial Adviser Code of Ethics 2019 (as registered on the Federal Registration of Legislation), a set of principles and core values in the areas of ethical behaviour, client care, quality process and professional commitment.

Under the Corporations Act, financial advisers/planners are defined as 'relevant providers' (or 'provisional relevant providers' for those undertaking their professional year (PY) from commencement of PY quarter 3). All relevant providers must be registered on the ASIC Financial Adviser Register (FAR).

The use of the terms Financial Planner and Financial Adviser, and 'like terms', are protected under s923C of the Corporations Act. Only individuals who meet the above requirements can use these (or 'like' terms), be listed on the ASIC FAR, and legally provide personal financial advice to retail clients. Australian Financial Services Licensees (AFSL) are licensed by ASIC and authorise representatives to provide personal financial advice under their licence.

Financial adviser/planner shortage

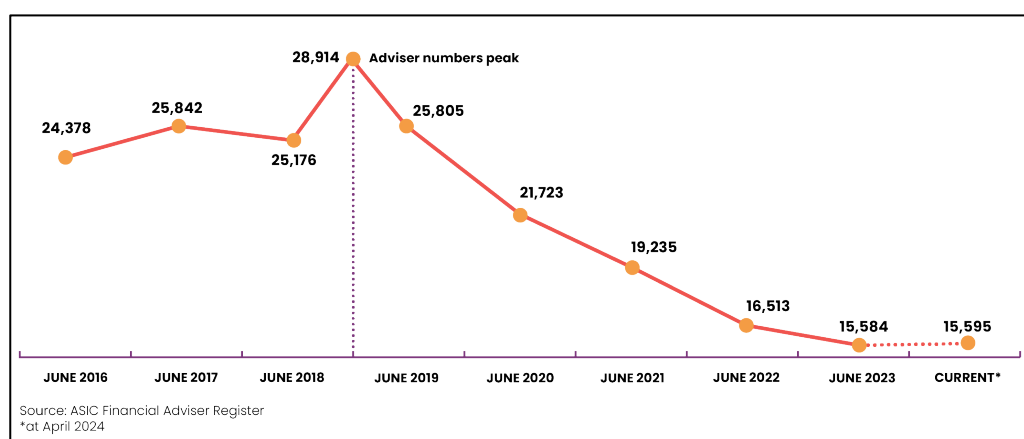
The number of financial advisers/planners registered on the ASIC FAR has declined by 46% in the last 4 years, from its peak of 28,914 registered at the end of 2018 to 15,586 today⁴. There is now a shortage of financial advisers/planners which has been recognised by inclusion in the Skills Priority List.

² Section 921B of the Corporations Act

³ Section 923C of the Corporations Act

⁴ [Financial Adviser Movement for Australia — Wealth Data](#)

Figure 1: Financial adviser numbers



The reasons for the decline are predominately:

- the exit of the banks from the advice market as a result of the Royal Commission.
- the implementation of new legislated minimum education and training requirements, and exam, to be able to be registered and legally permitted to work as a financial adviser/planner in Australia, and
- an ageing financial adviser/planner workforce.

Many experienced advisers held the only advice specific qualifications available at the time of entry into the profession. The transition arrangements for the new education requirements lacked recognition of these qualifications and past experience, resulting in some long-standing advisers deciding to leave the profession rather than undertake lengthy university courses so close to retirement.

The pipeline for 'new entrants' to fill this skills shortage is very slow due to the:

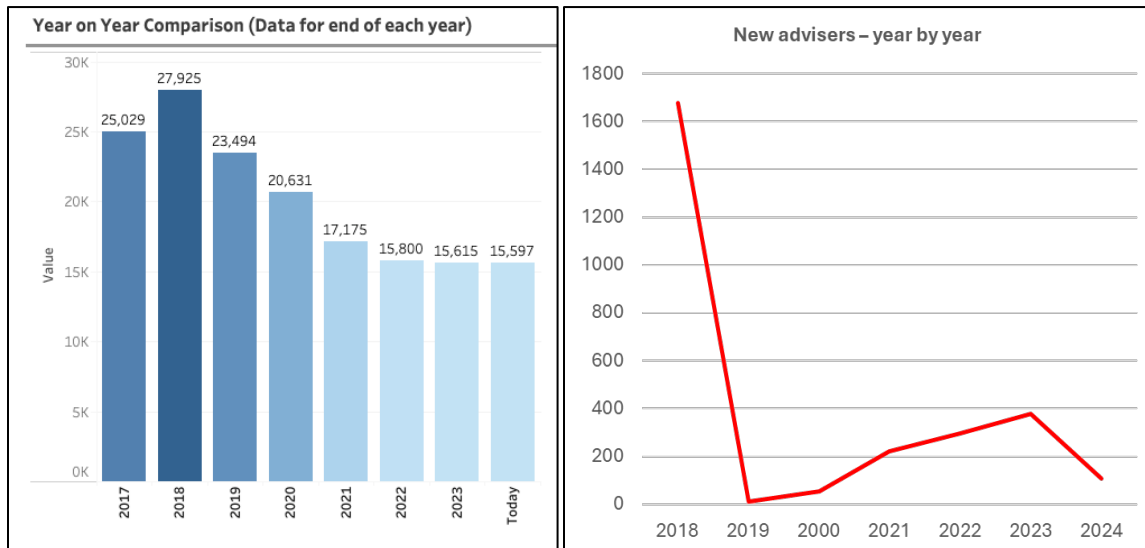
- time required to complete the mandatory financial planning degree – eg. the minimum AQF7 level degree requires either a Bachelor's Degree or Graduate Diploma
- inflexible nature and structure of the legislated approved degree requirement, and
- professional year requirements.

New entrants into the profession have slowed dramatically from 1,677 in 2018 to an average of 178 per year since the introduction of the education standards in 2019⁵. This has created a skills shortage that corresponds with the Jobs and Skills Australia classification of a 'Long training gap':

Longer training gap shortages are defined by few qualified applicants per vacancy and a long training pathway – corresponding to a certificate III or above. This suggests a need to increase the number of available skilled workers but with significant time lags involved in the training process.

The long training gap has impacted the new entrant pipeline needed to address the skills shortage.

⁵ [Financial Adviser Movement for Australia — Wealth Data](#)



Source: Wealth Data, May 2024

As part of their professional year requirement, new entrants must be listed on the ASIC FAR as a 'provisional relevant provider' (PRP) at the commencement of Q3 of the PY. Currently there are only 169 PRPs listed on the FAR⁶, with varying commencement and duration of the PY for each individual. As detailed below, the legislative instrument sets minimum PY work and training hours (1500 and 100 respectively) that must be undertaken, as well as competency requirements for each quarter. This can result in varying durations for completing the PY.

However, the existing financial adviser/planner workforce is continuing to age and the new entrant pipeline is insufficient to fill this skill shortage.

Impact of an ageing population

The Federal Government has a public policy to improve Australians' access to financial advice. In response to the Quality of Advice Review Final Report, Minister Stephen Jones stated that the Government aims "to ensure Australians have access to quality and affordable financial advice when they need it most. With over five million Australians at or approaching retirement, and only sixteen thousand professional advisers, many people simply can't access affordable advice."⁷

The 2023 Intergenerational Report states that Australia's population will continue to age over the next 40 years and the number of Australians aged 65 and over will more than double. An estimated 750,000 people are expected to retire in the next five years alone. Research by ASIC found that demand for financial advice will continue to grow as a result of the ageing population – as people age and approach retirement they are more likely to seek financial advice.⁸ There has also been a noticeable increase in consumer demand for financial advice due to the pandemic.

- 11.8m Australians have unmet advice needs
- 80% of unadvised Australians believe financial advice could have benefits for them

⁶ www.wealthdata.com.au, 15 May 2024

⁷ <https://ministers.treasury.gov.au/ministers/stephen-jones-2022/media-releases/government-unveils-comprehensive-financial-advice>

⁸ REP 614 Financial advice: Mind the gap, March 2019

- 1.3m intend to seek advice within the next 2 years⁹

FAAA member feedback indicates that many financial advisers/planners are operating at capacity and turning away prospective clients.

The current number of financial planners/advisers are not high enough to meet the current consumer demand, or to service the long-term needs of the Australian community.

As stated in the *Review of points test* discussion paper:

*As Australians live longer, we need migration to help boost our workforce.... A focus on selecting young, skilled migrants will help manage the challenges of an ageing population.
(Page 4)*

The FAAA supports a migration system that will help provide for the needs of Australia's ageing population.

Skills priority list (SPL)

As discussed above, the demand for financial advisers/planners has risen substantially in recent years. Combined with the significant decline in adviser/planner numbers, this has created a significant supply/demand issue which has underpinned the recognised shortage in financial advisers/planners.

The FAAA supports the inclusion of ANZSCO 222311 Financial Investment Adviser¹⁰ on the SPL and the recognition of both the current shortage of financial advisers/planners and the issue of future demand for this occupation.

Professional year

As mentioned above, 'new entrants' to the Australian financial advice profession must complete a 'professional year'. The *Corporations (Work and Training Professional Year Standard) Determination 2018* sets out the requirements that apply to the professional year. The PY comprises of one year full-time equivalent comprising 1,600 hours relevant experience, of which at least 100 hours is to be structured training. The PY can be commenced whilst in the final stages of an approved degree.

The PY requirements provide a progressive quarterly framework to develop on the job skills in the provision of financial advice. The framework details key activities to be undertaken and competencies that must be acquired and demonstrated. Starting with a preliminary focus on back-office administrative tasks, financial planning software skills, and assisting with the preparation for client meetings; the framework moves towards increased client engagement, modelling strategies, researching products, and developing and producing advice recommendations and documentation. This approach enables an individual to transition from a directly supervised approach to an indirect supervision approach as follows:

- Quarter 1 – Client observations and support to supervisor/ experienced planner
- Quarter 2 – Supervised client engagement and advice preparation, and
- Quarter 3 and 4 – Indirect supervision of client engagement and advice preparation.

⁹ Source: Investment Trends 2023 Financial Advice Report, March 2024

¹⁰ See Attachment 1 for proposed changes to the ANZSCO classification of financial investment adviser and financial investment manager.

A professional year plan meeting the following legislated competency areas and requirements must be developed and approved by the licensee before commencement:

- Technical competence
- Client care and practice
- Regulatory compliance and consumer protection, and
- Professionalism and ethics.

A completion certificate must be provided by the supervisor at the end of each quarter verifying that the legislated work activities for that quarter have been satisfactorily completed. Before commencing the third quarter of the PY, the individual must have completed an approved degree or equivalent qualification, have passed the financial adviser exam, and be authorised by their licensee as a 'provisional relevant provider' and listed on the ASIC FAR. The individual must complete four ethical dilemmas as part of the PY.

Section 6 of the Determination details the outcomes and key competencies of the professional year and includes:

(2) The activities are:

(a) to analyse, compare and apply underlying principles and theories from relevant areas of technical competence to complete work assignments and make decisions, and to do so effectively; and

(b) to integrate technical competence and professional skills in managing and completing work assignments; and

(c) to understand and apply the Code of Ethics, including in relation to avoiding inappropriate personal advantage, and applying professional values and attitudes, to work assignments; and

(d) to present information and recommendations, and explain ideas, orally and in writing in a clear confident and professional manner likely to be understood by retail clients; and

(e) to make appropriate judgments on courses of action, drawing on professional values, ethics and attitudes; and

(f) with appropriate consultation, to assess, research and develop appropriate solutions for complex business or client problems and issues.

The legislated PY competencies and job readiness outcomes are similar to those in the Accounting Professional Year Program (Accounting PYP) approved by the Department of Home Affairs. The Accounting PYP ensures participants complete relevant accounting tasks with learning focusing on preparing for work including culture, ethics and expectations. This program consists of at least 44 weeks training, including classroom study for 32 weeks and a 12-week internship placement. Migrants are charged a fee to participate in the program.¹¹ Under the current points test, the Accounting PYP provides 5 points to graduates in accounting. A similar PYP exists for graduates in engineering and ICT, which also received 5 points.

¹¹ [Accounting PYP - Accounting Professional Year Program](#)

The discussion paper states:

“A reformed points test should prioritise the characteristics that best predict migrants’ capacity to find skilled work in Australia. This will mean that migrants who receive a points tested visa are more likely to succeed in Australia, and are able to find fulfilling jobs where their skills and qualifications are used.” (Page 8)

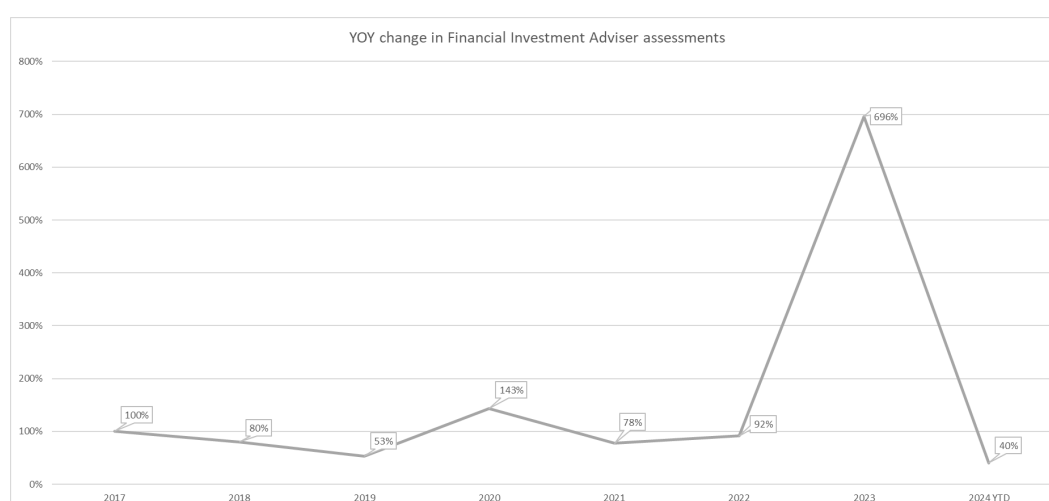
The FAAA supports this premise. All job seekers must have completed the same structured professional year in order to legally secure a job as a financial adviser/planner. It is not an optional extra to improve the competitive appeal of a candidate seeking a job. The professional year is not offered as an internship as part of a financial planning degree, rather ‘provisional relevant providers’ are generally paid while undertaking their professional year.

Given the completion of the professional year is a mandatory component of the education and training standard under the Corporations Act, migrants who undertake the PY have already made a significant commitment to working in the occupation - having already completed an approved degree (or equivalent) and passed the exam.

Since the education and training requirements, including the professional year, were introduced on 1 January 2019, approximately 83% of the new entrants who have completed these requirements continue to work as a financial adviser/planner today.¹²

FAAA recommendation

Tertiary qualifications are well recognised in the migration system. The current points test provides between 0 and 20 points for the highest level of qualification. Even though the professional year is a legislated requirement that must be completed to find a fulfilling job as a financial adviser/planner and generate successful labour market outcomes, it is not recognised in the points test. This disincentivises migrants from considering the occupation of financial adviser/planner as a future career in Australia, adding to the long training gap and skills shortage issues. This is reflected in data about applicants seeking assessment of their foreign qualifications against the Australian Qualification Framework, which indicates a downward trend in those interested in a career as a financial adviser/planner.¹³



¹² wealthdata.com.au, 21 May 2024

¹³ VETASSESS. Note: The spike between 2022-23 was due to the impact on application numbers due to the border closures during the Covid-19 pandemic. The surge reflects the border reopening, resulting in increased application numbers.

The professional year is also a substantial commitment by employers. The PY is seen as an investment in the future workforce of the firm. Employers that employ migrants to undertake their professional year require certainty that the individual will have the ability to continue to work in Australia following the completion of the PY.

The FAAA recommends the *Work and Training Professional Year Standard* for financial advisers/planners be allocated 5 points in the points test.

This would greatly assist in attracting appropriately skilled migrants to choose the occupation of financial adviser/planner and facilitate successful labour market outcomes for migrants. The migration system should play a role in addressing this skills shortage to meet the financial needs of Australians in a culturally diverse and ageing population.

Attachment 1 – Excerpt from ANZSCO [Preliminary] Proposed Changes, Consultation Round 1, ANZSCO Comprehensive Review, Australian Bureau of Statistics, August 2023

Accepted stakeholder change requests:

- Replace the principal title for 222311 Financial Investment Advisers with Financial Advisers/Financial Planners to reflect the titles and requirements in industry practice and the Corporations Act 2001.
- Include emerging occupation Paraplanner. Alternative titles should include: Financial Advice Assistant, Financial Planning Assistant.
- Create visibility for back-office roles with the inclusion of proposed occupation Investment Administrator and include Settlements Officer as a specialisation.
- Retain Occupation 599311 Debt Collector as currently described.

Postponed stakeholder change requests:

- Implement structure change for Unit Group 2223 Financial Investment Advisers and Managers to Financial Advisers/Financial Planners and Paraplanners. Postponed until all Skill Level 1 and 2 occupations have been reviewed as part of the classification structure review.
- Implement structural change for 222312 Financial Investment Managers and move to a different unit group or remove entirely as they do not fulfill the same role or provide the same services to consumers as Financial Advisers, Financial Planners and Paraplanners. Classification structure review will assess feasibility along with proposed occupation Capital Markets Specialist in the context of a possible dedicated unit group.

Proposed updates from Financial Investment Adviser (Occupation 222311)

Recommended updates

222311 Financial Investment Adviser (existing)

1. Retain occupation
2. Update principal title from Financial Investment Adviser to Financial Advisor
3. Update alternative title – add Financial Planner and remove Financial Planning Adviser
4. Update lead statement – include investment strategies, cash management, estate planning and wealth management and exclude tax implications, securities and pension plans

All occupations include adding tasks.

Details of the proposed update

Existing

222311 Financial Investment Adviser

Alternative Title:

- Financial Planning Adviser

Develops and implements financial plans for individuals or organisations, and advises on investment strategies and their taxation implications, securities, insurance, pension plans and real estate. Registration or licensing is required.

Skill Level:

- 1 Australia
- 2 New Zealand

Proposed

222311 Financial Adviser

Alternative Title:

- Financial Planner

Develops, prepares and implements financial plans and investment strategies for individuals or organisations, and advises on investment strategies, cash management, insurance, retirement and estate planning, real estate and wealth management. Registration or licensing is required.

Skill Level:

- 1 Australia
- 2 New Zealand

Main Tasks:

- interviews prospective clients to determine financial status and objectives, discuss financial options and develop financial plans and investment strategies
- sets financial objectives, and develops and implements strategies for achieving the financial objectives
- monitors investment performance, and review and revise financial plans and investment strategies based on modified needs and changes in markets
- arranges to buy and sell financial products for clients
- may refer clients to other organisations to obtain services outlined in financial plans, such as welfare entitlements, superannuation and aged care arrangements

Proposed updates from Money Market Clerk (Occupation 552313)

Recommended updates

552316 Paraplanner (proposed)

1. Create occupation from 552313 Money Market Clerk
2. Add principal title – Paraplanner
3. Add alternative titles – Financial Adviser Assistant; Financial Planning Assistant
4. Add lead statement
5. Assign skill level 2

All occupations include adding tasks

Details of the proposed update

Proposed

552316 Paraplanner

Alternative Titles:

- Financial Adviser Assistant
- Financial Planning Assistant

Provides administrative and client services assistance and performs financial planning and analysis for financial advisers and planners.

Skill Level: 2 Main Tasks:

- assists with financial advice strategy development and the preparation of legally compliant advice documents
- uses financial planning software programs and maintains client records
- researches, compares, sources quotes and selects appropriate financial products
- may develop financial projections and modelling of client circumstances
- may coordinate and take notes in client meetings, and respond to client queries