

## Big plans for NZ's financial advice bodies in 2014

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David Maida | financialalert | 03 February 2014

financialalert asked the heads of four financial adviser bodies about their plans for 2014, and what they will have on offer for advisers in the coming months.

### INSTITUTE OF FINANCIAL ADVISERS

The Institute of Financial Advisers (IFA) appointed a new CEO, Fred Dodds, effective 13 January 2014. Dodds talked to financialalert about his take on where the industry is at now and what he sees ahead.

Dodds told financialalert that he is gone to be a very hands-on CEO. "I am going to have a whole lot more communication with members," he said. "I'm pretty much a press-the-flesh sort of guy face-to-face. I'm certainly not going to be invisible hidden behind a desk here in Wellington."

He wants to open the communication channels with the product providers and the banks, too – "I'm going to go and try to break down some walls." – and, he plans on reaching out to the Financial Literacy and Retirement Commissioner and other organisations.

Dodds has a long history in the industry. He started back in 1976 as a life insurance agent and was headhunted by Prudential Investment Services in 1990. In 2001, he was asked to join Tower and over the years, ended up running their financial advisory services. In 2013, he declined Tower's invitation to move to Auckland and began doing some consultancy work for Fidelity until he saw the top job at the IFA was open.

"They said 'Look, you might be the man to make a bit of a personality change'," Dodds explained. "I said 'What a wonderful way, not so much to end my career, but to do something really at a completely different end of it'."

Dodds believes that all of the NZ financial adviser organisations are in some way working towards the same thing – and that is defining the role of a financial adviser. He said there is some real talent in the industry and a lot of valuable work being done to improve wealth in New Zealand – and recent surveys showing otherwise are misleading, he believes. "If you interviewed clients of 10 established, trusted advisers, those clients would tell you a completely different story. We need to get out there and prove that to the public."

Dodds is adamant that gaining the trust of the public is a job that each individual adviser needs to do. "They've got responsibilities not only to product providers and themselves and their own businesses but if they do the job right they will grow the perception of what they

and our colleagues do."

New people coming into the industry need to be career driven, he said – and, therefore, they should be members of a professional organisation. Dodds wants IFA to help new advisers get into the business, motivate them and fill them full of pride. But, he said, it's going to be tough for new people wanting to join the industry. He suggests they go and join a bank to start. "Until you've got \$20 million of funds under advice on a wrap account that you might be charging the client 75 basis points or something – so \$150,000 per year – by the time you pay your PA and your office costs and your regulation costs and technology costs, you're not making a lot of money."

"The IFA is about driving the profession," Dodds argued. "This word has been bandied around for a long time. But we want advisers to belong to a professional community that enables them to be the best at what they do. IFA's role is to give them access to support and networking and tools and global best practice because we get a lot of information from the Financial Planning Standards Board."

Being a member of the IFA should symbolise that an adviser is are doing more than just the minimum, he said. Members should be proud that they are achieving excellence beyond competence. "Being a member is about collegiality and sharing ideas and being able to say to clients: "I am more than just an AFA. I am a member of the Association. I've got ethics and standards I've got to abide by which are perhaps tougher than FMA (Financial Markets Authority)."

Dodds believes the IFA is very remarkable in that it has so many long-standing members who contribute countless voluntary hours to the industry while still maintaining their own practices. In May, nominations will be gathered for a new president to be voted in along with new board members.

Nonetheless, he said, the industry has many people who have so much experience and have been members of so many organisations – and he wants to be a lot more inclusive going forwards. "I've been around for a long time. Most of the members of SiFA would have been a member of the PAA (Professional Advisers Association) or the IFA in the past and then you've got to ask the question: 'Why did they depart?' We shouldn't be silly about things that have happened in the past."

The IFA has 11 branches nationwide. Dodds hopes to help these branches to be more active in attracting new members. "People join; they don't know anyone, so they come along. You've got to love them to death. We should treat advisers the same way advisers treat clients. We should ring them for no reason and ask how they are going."

Dodds also said the challenge for the branches is to make sure that they have structured credits going forward. The IFA is not a Delegated Assessment Organisation (DAO) but still requires 30 hours of structured and 30 hours of unstructured professional development credits every two years. Dodds said this policy will remain in place even though the Financial

Markets Authority no longer recognises unstructured credits. He doesn't want advisers to not go to meetings just because they don't have structured credits. He is adamant that meetings that don't meet the criteria for structured credits can still have educational value.

Dodds insists that anyone who has made the decision to make financial advice a career will receive value from being an IFA member. "I want to be more visible with our members. I'd like to think that I will speak to them all individually over the next 12 months which might sound challenging but if I can ring 15 to 20 people a week and just say: 'Hi. How are you going? I've never seen you in a meeting but I'm Fred, how are you? What's the IFA doing for you?'"

Overall, Dodds' aim for 2014 is to increase IFA's retention and make members feel more involved. "This is a fabulous industry full of passionate people. The IFA wants to be part of advisers' lives. I'm looking forward to the challenge. I've still got plenty of energy."

#### **NEW ZEALAND FINANCIAL ADVISERS ASSOCIATION**

The New Zealand Financial Advisers Association (NZFAA) was launched in 2012 by The National Partnership (TNP) – and then after it merged with the Life Brokers Association (LBA), it cut ties with TNP. NZFAA has just over 200 members most of which are Registered Financial Advisers (RFAs) and around 20 Authorised Financial Advisers (AFAs).

NZFAA general manager David Yates said some NZFAA maintain their membership in the IFA mostly to keep their Certified Financial Planner (CFP) designation – but most members of the NZFAA are drawn to the organisation because of the complementary structured professional development program which is contracted out.

"Our goal in the professional designation program is to recognise advisers who have made an additional [continuing professional development] commitment over and above the bare minimum," Yates said.

"One of the things I think differentiates us from the PAA is that all our members are required to complete a professional development plan every year and commit to at least 20 hours of CPD every year. It's mandated as part of the membership." That's compared to the proposed changes to the Code which requires 30 hours every two years.

Yates sees the NZFAA as targeting advisers who are striving for professionalism regardless of whether they are an RFA or AFA. All NZFAA members must comply with the Code, not just the AFA members. He said the objective is not to make all RFAs into AFAs but to increase everyone's competency within their particular scope of advice.

"I think over time we will see a minimum educational standard being introduced for all advisers," Yates said. "But at this particular point in time it's still a ways away."

Yates noted that the RFA and AFA designations are internal within the industry and don't carry any meaning at all with the general public. "The public haven't got a clue. It relies very

much on the adviser to articulate this."

All NZFAA members are also encouraged to complete a tertiary education.

And, in 2014, NZFAA is planning a new regional networking program. The meetings will be coordinated by a regional person and will allow advisers to network with their peers on a quarterly basis. The pilot will be run in Taranaki, Hawke's Bay and the Bay of Plenty and will be free to all advisers. "This pilot program is designed to provide advisers in each of the regions – not just NZFAA members but all advisers – with a vehicle in which they can connect with each other in a relatively formal environment to discuss industry matters and issues," Yates said.

NZFAA also plans a series of seminars in February, May and August. "This will be half-day workshops," Yates explained. "The goal of the sessions will be on the advice value proposition and will be part of the structured professional development program. The first of these sessions is entitled 'Deconstructing the Advice Process'."

Yates agrees that NZFAA is relatively new, but says it focusing on four key values: professionalism, camaraderie, openness and innovation.

"In our member services for 2014, one of the things that were going to look to do is to start challenging some of the status quos in the industry and looking at whether in fact some of the accepted norms are valid or not. What are the alternatives?"

He said one of the things that really needs to be challenged in the upcoming year is the revenue model for financial advisers. Particularly with regard to the risk side of the business, Yates said that NZFAA wants to look at how commission structures influence behaviour and public perception of advisers.

NZFAA also offers its members professional indemnity insurance. Those advisers who meet the NZFAA certified designation receive a 20% discount.

Yates says the NZFAA is not for every adviser. "Our predominant audience is in the risk and mortgage space rather than the investment space. The stuff we do still does pertain to the needs of investment adviser, but our focus is very much on the professional risk and mortgage space."

## **PROFESSIONAL ADVISERS ASSOCIATION**

The Professional Advisers Association (PAA) is one of the largest professional organisations in New Zealand. It now has 1200 advisers after having amalgamated with the New Zealand Mortgage Brokers Association (NZMBA). The membership spans mortgage, risk and investment advisers, with around 15% to 20% of members being AFAs, according to CEO Bruce Cortesi.

"We are always open to new members without any doubt and we have some new initiatives

which we are launching throughout 2014 which are designed around endorsing the good work that financial advisers do," Cortesi told financialalert.

Cortesi argues that PAA has what is regarded as the best professional indemnity insurance (PI) scheme in the industry, albeit that there is a screening process to get into the scheme. "We've been told by many that we offer the best cover and pricing. The thing is that the PAA scheme has been around for a long time. We are very effective at managing it."

PAA has contracted out to a DAO to offer its members structured CPD hours and it has bi-monthly meetings around the country for members to obtain CPD. "We are redeveloping that program to re-launch in 2014," Cortesi explained. "We also have roadshows which are critical. We have a biennial conference which is one of the largest in the industry now as far as an industry body is concerned."

Cortesi said PAA also has Big Day Out's planned in Auckland, Wellington and Christchurch in 2014.

"Some of the other things we have which are less tangible perhaps is that we have a very good working relationship with the Financial Markets Authority (FMA) and we do a lot of submission work on behalf of our members to assist in the future shape of the industry for all industry players."

Cortesi said the amount of advocacy work the PAA does is quite substantial. He is encouraged by the fact that the FMA has listened and their interaction has improved to be a good working relationship. Particular issues recently have been the Code and the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (AML).

Cortesi admits the AML has been problematic. "But it's our role to try and demystify that for our members and help them work with that. We are fortunate to have Angus Dale Jones on our board to assist us a lot in that regulatory space."

Cortesi said the PAA also wants to do some work in the public space. He said that while the FMA website is a great resource, the public don't know anything about the regulator much less where their website is or what is available on it. "We worked quite hard behind the scenes throughout 2013. So in 2014, we will be in a position to start actually implementing those deliverables."

One of those key issues is making sure advice is available to the public, he said – and that the public knows where to go for advice.

"We don't endorse or have an opinion as to whether the advice from an RFA or an AFA or for that matter anyone who is in a QFE is better or worse. At the end of the day, that is dictated by the outcome that is achieved for the client."

But, Cortesi is clear that the AFA designation is where all advisers need to aspire to be. However, he said, advisers understand that AFA and RFA are merely designations and not qualifications. "There are many RFAs who are very highly qualified but only occupy the risk

space or the mortgage space. And there are many AFAs who have done the minimum to be an AFA who may also have qualifications that are lower than RFA – and vice versa in both camps."

One of the key values of the PAA is its culture, Cortesi argues – and a big part of that culture is preparing its members for changes within the industry. Now that regulation has been underway for three years, it's time that professional bodies focused on core values, he said.

"There are differences in the organisations and the way they deliver education and compliance to members, but we all do it. I think we are getting back to our core values which make the difference between the organisations. I think that's probably what 2014 is all about actually."

Cortesi said that with the professional bodies getting back to basics in terms of their delivery to their members and the value those members receive from the organisations, these are challenging times for professional bodies. He believes any talk of any further mergers is a long way off. "What we don't need in the industry is members just hopping from one association to the other and back again. It doesn't necessarily serve a purpose for the industry at large."

## SIFA

SiFA is one of the oldest professional organisations for financial advisers in New Zealand, having been formed in April 1994. President Scott White said the organisation is looking forward to celebrating their 20th birthday this year. SiFA members get together twice a year, and while it is not a DAO, it offers some structured CPD hours at its conferences.

"We've never had a big membership," White explained. "It's always been in the area of 50 to 70 odd people. When the new regulations came into effect a couple of years ago, we had a drop of around 10 to 15 people but we've gained about eight or so since then," White told financialalert.

The organisation has a "try before you buy" membership system. It gives out invitations to AFAs and RFAs to attend its annual conference free of charge including meals.

All SiFA members are AFAs and most are also CFPs. SiFA's former name, the Society of Independent Financial Advisers, had to be changed due to the regulations around using the word "independent". However, almost all SiFA members are still independent advisers and are usually one or two man bands.

White said regulation has meant that SiFA has changed from a collegial group to a professional body.

SiFA recently polled its members about what they want from their professional organisation and there was a strong desire for help with compliance. So, one of White's main goals in

2014 is helping SiFA members with compliance templates. But with such a small organisation and a limited budget, SiFA has limited capability.

"We've got to look through our survey results and try to come up with something to somehow be able to give our members more service without it costing a fortune."

SiFA is also heavily involved in communicating with the FMA about the ever-changing regulations. White said the organisation is doing regular written submissions regarding the changes to regulations every chance it gets. "We've got a fairly good rapport going with the FMA," White said, adding that SiFA sometimes meets with the FMA two or three times a week and an FMA member attended their last conference in Nelson.

White maintains that one of the biggest issues in the industry right now is the image of financial advisers. He said financial advisers should try to overcome all of the negative publicity in the mainstream media by informing their clients. "We're trying to get our members to get the appropriate documentations from the FMA and hand it out to the clients to make sure clients are aware of regulation."

Professional standards in the industry have been lifted with the introduction of regulation, he argues. But, he still wants to see one professional body leading the industry similar to the accounting and law professions. White himself is a member of IFA and PAA as well SiFA.

He admits amalgamation is not going to happen any time soon but he would like to see someone get the ball rolling. "I think to date the financial services sector has been a bit of a mismatch of all types of individuals doing all sorts of different things. Somehow I'd like to see them all combined together."

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