Increase your value proposition - and boost your practice

David Maida | financialalert | 28 November 2013

The two-tiered legal framework for NZ financial advisers has produced around 1,900 Authorised Financial Advisers and 6,000 Registered Financial Advisers (RFAs). Plus, there are 372 financial advisers in NZ who hold the Certified Financial Planner designation - and, according to those who hold it, it can boost an advisory practice.

CFP℠ is positioned by Financial Planning Standards Board (FPSB) as the highest global accreditation for providing financial planning advice. The brand is owned by FPSB, the global non-profit standard setting body for financial planning, and there are 147,822 CFP professionals in 25 territories around the world. Organisations within those territories are licensed to oversee the certification process according to local laws and regulations. Twice a year, the member organisations meet somewhere in the world to discuss financial planning standards and best practice. Last month, the FPSB met in Sydney with some members visiting New Zealand and holding discussions with CFP professionals in Auckland.

Noel Maye, FPSB Board CEO, says CFP certification is for advisers who want to achieve more than the legal minimum standards. In his home country of Ireland, the legal minimum for financial advisers is QFA (Qualified Financial Adviser) status. But, he found advisers wanted to achieve more. "They came to us and said, 'We want to bring in CFP certification because, you know what, we've got a bunch of people who don't want to be the minimum, they want to be the best'." Ireland has 12,000 QFAs and nearly 200 CFP professionals.

"There is a lot of passion about this around the world," Maye said, adding that as new countries join FPSB, they take advantage of learning from all the other countries' successes and failures over the past years. The only drawback financial planning has compared to other professions such as law, medicine or accounting is time - the industry just hasn't yet achieved the recognition of the other professions, but he is confident that the CFP mark will help the industry achieve that status.

"We're going to get there. We are the world's youngest profession. We see our goal as to benefit the public. We do that by establishing and promoting worldwide professional standards in financial planning," Maye argued.

But, certification is just the first step towards forming a profession, Maye said. Professions serve the public - so, to be considered a profession, financial planners need to be client-focused. "We can say we're professionals - it doesn't matter. The consumers, the public need

to recognise us as a profession."

The client-based attitude came about after the Global Financial Crisis (GFC) and has spread worldwide, Maye said. "Regulators around the world, post GFC, are moving. It used to be in the past, regulators were rules-based. And then they said, 'hey, we'll go principles-based'. Post GFC, they're going consumer-protection based."

Regulators are trying to take product sellers and make them values-driven advisers but, Maye said, that simply will not work because you can't legislate ethics.

"We think you have to inspire ethics," Maye explained. "We think you have to draw ethical people to you and then reward them for being ethical. Regulation is what you do when you know somebody is coming to watch you. Professionalism is what you do when you're in the room on your own with that client."

The FPSB has developed a competency profile to indicate what planners need to do to be competent. They also have standards of practice and ethical behaviour requirements along with the CFP certification standards.

Maye believes FPSB should be the gatekeeper for professionalism in the industry. "We want regulators to recognise and trust us to be the profession. Hold us accountable that we will live up to the promise. We don't want regulation or legislators to feel they are establishing the professional community. We feel that's our role. That's what we do."

Steve Helmich, FPBS board chair and director of advice and client solutions at AMP in Sydney, said advisers need to identify their points of difference - and the CFP designation is a clear distinction.

"The time will come when people will come and say: 'Are you a CFP professional?' And I think that will be the benchmark of the profession, way above the minimum standards that the regulators would set," Helmich said.

Helmich said CFP professionals need to focus only on the activities the public is prepared to pay for. Those activities can also be split into smaller pieces rather than doing the entire financial planning process all at once. "All-at-once for some people frightens them. They don't have enough money to pay for it."

Every adviser business should have a client acquisition strategy to replace clients who have moved on, Helmich said, adding that advisers need new operating models with a strategic agility to respond to customer needs. Customers want the expertise of an adviser to come up with personalised advice but they want it to be effortless - and that's very difficult, although Helmich said they can try.

"Advisers are often unsure how to communicate and articulate their value proposition upfront. One thing the move to fee-based advice in Australia did was it made financial

planners polish off their customer value proposition and understand what they do."

Clients who find value with an adviser tend to stay with that adviser. Helmich said that even through the GFC, advisers lost very few clients. "Good planners don't lose clients." Why? Because the emphasis is on the relationship rather than the results because no financial adviser can control the markets. He said those who set their value proposition around beating the market should expect to fail. And, it may not even be what clients are looking for. "People want to have their anxiety reduced. They may not understand what they're doing but they want to be in control and feel like they're part of the solution."

Helmich believes advisers should stop focusing on funds under management because financial planning will never be a profession while 95% of practitioners focus on 5% of the population. "Imagine if doctors were only going to serve you if you're rich."

With the increased onus on putting the client first, Helmich said all planners should simply ask two questions of themselves:
1. Have I put the interest of the client before my own?
2. Is the client clearly in a better position as a result of this advice?

In too many instances, clients don't act on the advice they receive and are therefore not in a better position. "Let's face it, they don't get up in the morning thinking about their financial situation or superannuation or retirement," Helmich noted.

Nigel Tate, president of the Institute of Financial Advisers (IFA), has sat on the FPSB working groups for Global Ethics and Practice Standards and the Global Portfolio of Evidence of Experience Group. He presented a global survey of CFP professionals about how the brand has impacted their advice practices and client perceptions. Findings included:

- 40% – Got them a new job or got them a promotion
- 69% – Allowed them to either grow or shrink their client base as they wanted based on their goals
- 71% – Saw their income grow in the year immediately after certification
- 91% – Believe the clients that they have as a result of certification stay around for longer
- 68% – Generated higher revenues than those without certification

"If we can show that the time that we spend to become certified has value that can be quantified, then we'll start to see some more take-up in the designation, I suspect," Tate said. "It's not cheap to become certified. We hear all the time about the cost of education and about the process that you have to go through. It's not an easy process."

IFA is the one and only authority that can provide CFP certification in New Zealand. In order to even begin the process, you must be an IFA practitioner member, and you must undergo

credit and referee checks. You must adhere to the international best practice advice process - gathering facts, analysing the client's needs, researching options, providing written recommendations, implementing solutions, with on-going reviews for the client. And, you must comply with the IFA Code of Ethics and practice standards as well as complete at least 60 hours of Continuing Professional Development over each two-year period.

With that as a basis, the actual process to CFP certification has three steps - provisional member, general member and, finally, CFP professional.

A provisional member is someone who has been accepted as a member while they undertake vocational training for a Certificate in Financial Services which is equivalent to six months' full-time learning. Then, they must do two years of mentored (supervised) practical experience.

Once someone completes the Certificate in Financial Services, finishes their two years of approved experience and demonstrates initial competence as a financial adviser, they become a General Member.

For a General Member to then become a CFP professional, they must have an approved graduate or post-graduate diploma, equivalent to a year's full-time university study and sit a final case study-based Certification Examination.

Those financialalert spoke to said it was not easy and not uncommon to fail on the first try.

But, once an adviser is certified, Tate said, they often feel more comfortable with the advice that they're giving. "I think it's valuable knowing that you've got the backing of the international certification mark and the advice that you're giving has been assessed at that level. I'm proud of my CFP certification."