

INDUSTRY DEMAND FOR FINANCIAL PLANNING GRADUATES

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ABSTRACT

The financial planning industry is evolving into a profession, underpinned by a range of regulatory, professional and market changes. A key component of the challenge to professionalism is to attract high calibre new entrants to financial planning degree programs and into the emerging profession. This paper details results of a survey of 191 financial planning practices on their expectations and plans for new entrants. The study finds that there is growing interest in the graduate pathways and methods of obtaining access to a talent pool. In addition, the majority of firms indicated that they would like to grow their staff numbers in the five years (to 2019) and nearly two thirds indicated that they will be seeking graduates for these growth positions. This paper will explore the demand for new entrants, particularly university graduates, into financial planning.

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Introduction

In Australia, there is an increasing need for a reliable, accessible and professional financial advice profession to assist individuals in effectively managing their finances to achieve financial independence and well-being. The last five years have seen the financial planning industry evolving with significant regulatory, professional and market changes driving the evolution of the industry.

The purpose of this paper is to gain insight into the demand from the financial planning industry for new entrants, including industry expectations about qualifications and contributions to supporting new entrants.

This research is timely with the Australian Government having undertaken to introduce legislation in 2016 to raise the professional standards of financial advisers, as part of the government response to the recommendations of the Financial Services Inquiry report in 2015 (Commonwealth of Australia, 2015a). Most notably, in the draft legislation released in 2015, new terms 'requiring advisers to hold a degree, pass an exam, undertake continuous professional development, subscribe to a code of ethics and undertake a professional year' were included (Commonwealth of Australia, 2015b). The new standards regarding education and exam requirements are proposed to commence on 1 January 2019 and existing advisers will have until 1 January 2024 to reach degree equivalent status and until 1 January 2021 to pass the proposed exam (Australian Government, 2016). Notwithstanding transitional arrangements for existing planners, only suitably qualified financial planners will be able to be registered as a 'financial planner' following implementation of the proposed legislation.

This paper will demonstrate that industry is already giving strong support for the new qualification requirements for new entrants and that the bulk of expectations regarding qualification levels are in line with new qualification requirements. To do that, we detail data from a comprehensive survey of 191 financial planning practices across Australia on their expectations and plans for new entrants, including career changers. The challenge of transition arrangements for existing planners was out of scope for the survey and will be an area of further research.

With the nascent stage of the financial planning profession, research such as that undertaken as part of this project will help to build a baseline of expectations about new entrant qualifications and expectations for growth and opportunity in the industry. This research may be useful as a benchmark for growth and qualification arrangements for future research as the regulatory reforms regarding financial planner qualifications are implemented, and contributes to the emerging body of knowledge regarding Australian financial planning.

Ultimately, this paper supports the broad stakeholder agenda for quality and timely financial advice. With less than one in five Australians having an ongoing financial planning relationship (AFA, 2014), those financial planning practices who are able to meet the challenges of human capital management in the emerging financial planning industry will have significant potential opportunities for reward.

The next two to five years are critical for financial planning practices, which have an opportunity to consolidate their position in the industry and lead the drive to professionalism. However, there are also significant challenges for business owners including attracting high calibre, suitably qualified new entrants and growing a business in a challenging business climate. For those businesses that are able to attract the right new entrants as part of their growth and help their current people to adapt to the new paradigm of professionalism, there will be significant opportunities to consolidate or grow their business.

This paper is organised into six sections with the next section, section 2, providing more detail on the context of new entrant qualifications and the financial planning professionalism agenda. Section 3 of the report presents the method deployed for the study and the resultant data obtained is provided in section 4. The last two sections contain discussion of the results (section 5) and the conclusion, limitations and future research directions (section 6). This early entrant perspective helps shed light on demand for newcomers to a financial planning profession.

Background

The economic and social importance of financial advice has become increasingly apparent as the Australian community, government and industry seeks to improve the quality of advice outcomes. The global financial crisis (GFC) of 2008 placed financial planning and financial planners firmly in the spotlight, as client losses revealed numerous questionable business practices. The 'Future of Financial Advice' (FoFA) reforms followed the GFC and were in progress from 2010 through to 2015, as well as a Parliamentary Joint Committee report on financial services in 2014 and the Financial Systems Inquiry (FSI) report to Government in October 2015 followed by related draft legislation (Commonwealth of Australia, 2015a).

Matching job opportunities to financial planning graduates with the right skills and experience (to meet new legislative requirements) is critical to helping industry keep pace with demand for financial planning. Adding to the complexity of recruiting to meet demand and legislative change is the need to manage the transition of graduates through the first stages of their career. The transition into financial planning has been found to be difficult and expensive for both students and prospective employers as outlined in the following statement:

It may take years for a new graduate to become worth more than an entry-level wage; therefore, the employer pays a wage in excess of the value actually contributed by the graduate. In addition, employers incur costs in the form of in-house training, certification and licensing, supervision, and turnover. Employers hope to recoup these expenses when the graduate becomes more productive by paying a wage that is lower than the value of the employee to the firm at that time, typically within two to three years. It is at this point that many employees leave their original mentors for greener pastures with employers more willing to recognize the current value of their newly acquired skills. This tendency leaves the graduate's mentor less willing to hire inexperienced candidates in the future. (Goetz *et al.*, 2005, p. 232-233).

This cycle of turnover in the early stages of a financial planning career may be improved through implementation of 'career path' focussed recommendations from the raft of policy reports and regulatory reforms mentioned earlier in this paper, starting first with the professional year recommendation. Part of the focus on increasing standards across the industry as outlined in the FSI report, includes recommendations regarding establishing an independent body to lead a number of key reforms such as the professional year or other structured pathway into the profession for new entrants, which could alleviate the uncertainty and hence some of the turnover in the early financial planning career stages (Commonwealth of Australia, 2015a). Numerous definitions of professionalism have been used throughout the debate on professionalism in the financial planning industry. Some of the earliest hallmarks of a profession have been listed as: an occupation for which the necessary preliminary training is intellectual in character, involving knowledge and to some extent learning, as distinguished from mere skill; an occupation which is pursued largely for others and not merely for one's self; and an occupation in which the amount of financial return is not the accepted measure of success (Brandeis, 1914). As the financial planning industry evolves, the ability of the profession to provide clear and viable career paths for new entrants is vital to the future health and prosperity of the profession (Putnam *et al.*, 1998).

Throughout the FoFA and related reform process, academic stakeholders have also undertaken reform in the financial planning teaching area across numerous universities and TAFE institutions across Australia. In 2010, the Financial Planning Academic Forum (FPAF) was established and in 2011 the Financial Planning Education Council (FPEC) was established, bringing together tertiary stakeholders who are leading change in the academic area to support the drive to professionalism in financial planning.

In addition to offering a wider range of programs in formats that are preferred by industry stakeholders and students, the academic community has undertaken an increasing range of financial planning-specific research. Quality, focussed research is needed for a financial planning profession, not only in building a body of knowledge about financial planning, but also in building a theoretical basis for financial planning practice. The financial planning industry has been identified as having a weak theoretical base. Even though financial planning is based on a process, as noted by Grable (2005, p. 94) "there is no unifying theory of how financial planning works".

Researchers currently borrow theoretical models from home economics; agency theory; Modigliani's life cycle theory; Markowitz's modern portfolio theory through the Capital Asset pricing Model (CAPM) and Efficient Market Hypothesis (EMH) and other frameworks from disciplines such as finance and psychology, but there is no formal body of theory available for financial planning (Warschauer, 2002). Borrowing theories from other disciplines is sound; however, when university administrators look for ways to streamline academic offerings, those programs that lack a strong theoretical basis tend to be the first to be eliminated (Grable 2005). A stand-alone theory base for financial planning would assist the public in understanding why financial planning is performed (Altfest, 2004). Stronger theoretical development in financial planning will bring longevity to financial planning programs as well as bringing greater recognition of financial planning as a

profession (Cull 2009), which has been building as a focus of study and industry development since the 1980s (Cowen *et al.*, 2006).

Building the theory and research base for financial planning will, in turn, help meet the demand for appropriately qualified new entrants to financial planning, by strengthening the qualifications pathways for new entrants. Further, along with increased efforts to build a body of knowledge regarding financial planning, there has also been an increased focus on sharing research among the academic community, and with industry and the community. In addition to publication of research in a wide range of trade press and at industry stakeholder forums, Australia's Financial Planning and Investment Symposium has been held annually since 2012 to bring together financial planner researchers and stakeholders interested in leveraging research outcomes, and the Financial Planning Research Journal was launched in Australia in 2015.

In addition to building a formal research culture, academic stakeholders have undertaken to increase and maintain the relevance of their degree program content and format, to attract more students into the program and to increase employability. There has been an increasing focus on the broader range of skills the industry is seeking in graduates, including both technical and interpersonal skills, building on the required knowledge and skills highlighted in the Birkett Report (1996). Another area of focus has been in the area of work-integrated learning (WIL). The aim of WIL is to support the students' move to employment and to produce highly relevant qualifications, by integrating workplace learning into teaching and learning. WIL is a critical part of making students better qualified, better prepared to enter the workplace, and to have the support to challenge unprofessional behaviour and enter the profession as change agents in the future profession (Brimble *et al.*, 2012).

This paper will offer insight into the expectations of industry stakeholders for new entrants over the next five years (to 2019). The next sections of this paper will detail the methodology and results of the survey of 191 financial planning firms on the intentions for growth and expectations for new entrants.

Methodology

The data used for this paper was drawn as a component of a larger research project that was conducted as a joint industry-university project between Zanetti Recruitment and Consulting (ZRC) and Griffith University. The overriding focus of the study was on remuneration structures in financial planning across Australia. This paper details the findings regarding new entrants that came out of the broader study.

The overall project utilised a survey methodology that was operationalised in three stages with the first consisting of instrument design. A review of the literature suggested there was not a suitable instrument available that dealt with the specifics of the financial planning industry. Thus the research team designed a new instrument through an iterative question development and refinement process that drew on both the research and recruitment expertise of the research team. At this stage the research process was also designed and human research ethics clearance was obtained and the instrument was built in an online survey tool. The survey focused on issues of

remuneration, benefits, incentive and bonus structures, role types and titles, role scope and future plans for staffing.

The resultant instrument was then pilot tested (in stage two) by five practices and a New South Wales recruitment firm (outside of the research team) and then the instrument was executed through an online survey platform in stage three. A target sample of 200 responses was sought from financial planning practices, with a strong emphasis on SME firms. Small firms are defined in this study as those with less than \$1,000,000 in gross revenue and medium as those with revenue between \$1,000,001-\$5,000,000 and a minimum of four staff. A cross section of licensees was sought in order to avoid concentration in the sample and therefore avoid potential bias. This included self-licensees and outsourced licensees. Regional and CBD practices were sought for participation, to look at capital city bias. However, there was some increased focus on the eastern seaboard for practical and convenience issues. The final survey instrument was launched on 31 July 2014 and remained open until 19 September 2014.

Once obtained, the data was then downloaded from the web survey system and subjected to accepted thematic and analytical research techniques to address the research questions. An interim report on this stage was produced and informed the second empirical stage and the final white paper which was distributed to participants in the survey and to clients on a commercial basis.

One of the key premises for the project is to prepare for the ever changing and increasingly complex financial services environment. Part of this challenge is to meet industry demand for new entrants who have relevant qualifications. The research question for this paper focusses on the demand for new entrants as follows: *What is the industry demand for new entrants into financial planning over the next five years (to 2019)?*

For this paper, data from 191 respondents who completed the survey is included. The individuals who completed the survey on behalf of the firms were predominantly owners/principals or practice managers/general managers who represented 89 per cent of respondents. The majority of these had 10+ years of experience in a financial planning firm, which suggests sufficient seniority and experience of respondents in relation to the survey credibility. The aim of the project was to bring to light information on small and medium sized enterprise (SME) financial planning practices. In line with this, the sample includes 25.2 per cent of respondent firms with annual gross revenue under \$500,000, and a further 28.4 per cent with annual gross revenue between \$500,000 and \$1,000,000. A further 38.1 per cent of firms reported annual gross revenue of between \$1,000,001 and \$5,000,000.

In addition, data has been collected on what new entrants are offered in the first two years of commencing in the financial planning industry in terms of training, career planning and other development incentives such as mentoring and bonuses.

This paper on new entrants forms part of a series of high value topics that have been selected for publication to a broader audience. The results regarding new entrants are detailed in the next section.

Results: New entrants/early career financial planners

Results for new entrants reveal a growing interest in the graduate pathways and methods of obtaining access to a talent pool. This appears to be very much an emerging interest; however, the majority of firms (85.1%) indicate that they would like to grow their staff numbers in the next five years and 64.5 per cent indicated that they will be seeking graduates for these growth positions (see table 4.1 for details). When firm size is taken into account, it becomes evident that 100 per cent of large firms (over \$5 million in gross revenue) indicate that they will be seeking graduates for growth positions compared to 61.8 per cent of SMEs (<\$5 million in gross revenue).

With regards to planning the recruitment of new entrants (whether graduates or otherwise), even when moderate business size is taken into account there is an evident size effect with larger firms more likely to be planning to recruit more new entrants (48% of firms with gross revenue less than \$1m; 59% for gross revenue of \$1m-\$5m; and 86% of firms with gross revenue greater than \$5m); have a standard career progression (30% for <\$1m; vs 50% for \$1m-\$5m; vs 71% for >\$5m); have a formal induction (69% for <\$1m; vs 84% for \$1m-\$5m; vs 100% for >\$5m); and have incentive packages (47% for <\$1m; vs 59% for \$1m-\$5m; vs 90% for >\$5m). Larger firms have stronger recruitment intentions (48% for <\$1m; vs 59% for \$1m-\$5m; vs 86% for >\$5m). While not as much as for firms over \$5m in revenue, all firms have moderate intentions to use graduates to meet these recruitment demands (61% for <\$1m; 63% for \$1m-\$5m; 100% for >\$5m). Small, medium-sized and large firms are similar in relation to formal (62%) and informal (95%) training and career planning (67%) offered to new entrants.

Firms of all sizes have a strong desire (78% for <\$1m; 83% for \$1m-\$5m; 92% for >\$5m) for a formal graduate recruitment process to be put in place. For smaller organisations in particular, this is largely seen to be indicative of the capacity constraints to take on new entrants including the ability to invest in building relationships with educators and students. This is further supported by the source data with smaller firms (less than \$1m) more likely to use online job sites and less likely to use recruitment agencies or go direct to education institutions. Finally, smaller firms (less than \$1m) are also more likely to expect administrative staff (receptionists/EA/PA) to have qualifications such as RG146 in comparison to firms with revenue over \$2m, most likely reflecting the greater variety in jobs tasks in a smaller office.

Interestingly, of the 54.8 per cent firms who would like to recruit new entrants, overall, 81.8 per cent, indicated that they wanted a structured graduate recruitment and development pathway through the initial years into a financial planning career. Personal networks were the most common recruitment pathway into financial planning for these firms, with 29.4 per cent (or 129 responses, which was the highest recorded number for any one choice in this question) indicating that they use personal networks to recruit new financial planning staff, followed closely by online recruitment sites (17.5% or 77 responses), direct from university (17.3% or 76 responses) or through a recruitment agency (16.9% or 74 responses) (percentages based on total of multiple responses to this question). Furthermore, it appears a majority of firms (65%) state they have a standard career

pathway in place for new entrants and many have induction programs and formal/informal training.

In terms of expected qualifications of new entrants, these generally rise from no/low level qualifications for administrative staff (receptionists) through to 45 per cent of respondents expecting new entrant planners to have a Bachelor's degree or above. This is of particular relevance given the recent moves by some licensee groups, professional bodies and the PJC recommendations regarding qualifications for financial planners to be set at Bachelor degree as a minimum qualification going forward. Thus this data may shift over coming years as these new standards are implemented.

Similar expectations are evident for CSO and paraplanners, while small firms seem to have a slightly higher preference for financial planning specific bachelors and postgraduate qualifications for financial planners.

The analysis above is supported by comments to an open ended question in this section of the survey. In relation to the broader agenda, planners note the need to improve standards and work to put recruitment processes in place as outlined in respondent comments below:

"It would need to be a structured program with some means of vetting the applicants. It is too hard to recruit when there are large numbers of applications to consider."

"The Financial Planning profession needs to improve the minimum education standards for new entrants if we are to be taken seriously as a profession."

"Minimum education standards and experience must be in place before an individual has the opportunity to provide advice."

"Finding people interested in entering the Financial Planning industry has been hard; negative publicity (eg: SMH pg3 16/8/2014) about the professionalism of Financial Planners does not encourage people to enter the industry."

There is also evidence of the recognition that new entrants can assist with business growth and development. This is however tempered by other views regarding concerns about general work readiness and the breadth of the skill set of new entrants. For some this raises questions in relation to the pathway for new entrants:

"Undergrads would be good for my growing business - part time, after hours for data input etc. to get a feel for the business."

"Plan on opening communications with unis and particularly interested in Chinese national graduates."

"I would like a new person intending to come into the industry and mentor them into a long term career."

"We hired a graduate over 12 months ago and it has been great."

"It's not about the knowledge they have but their character and ability to relate to people."

"It is extremely difficult to manage expectation of Gen Y entrants. They generally want to achieve so much in very little time so staff retention becomes very challenging."

"I have found graduates have an unrealistic expectation of their ability and knowledge and as such are overpaid for their worth to a professional practice. As a result they can go to a bank and receive higher salaries and bonuses and become corrupted and frankly useless."

"The industry is now technically driven and is losing key people skills and prospecting ability."

"Additional note, there is a high level of "selling" involved in financial planning, be it selling yourself or selling the company services and we've found that new entrants are not qualified/prepared in this area."

"It is "Risky" as they historically have no knowledge of the Industry...and Gen Y folk think they should progress from CSO to CEO within 2 years :-)"

Finally, in relation to the issue of skills/attributes in demand, our respondents focus in on soft/interpersonal skills and suggest more needs to be done to prepare new entrants:

"The best planners have not just technical skills but also empathy and wisdom, and the social graces. I think a new entrant pathway should include volunteering, the development of genuine interests outside the profession, communication and presentation skills and manners/deportment! It's surprising how often I come across even postgraduate degree qualified candidates who struggle to construct a sentence, don't know how to shake hands and slurp their coffee."

"Clear articulated passion to work in an environment with client focused outcomes."

"Work ethic, enthusiasm, attention to detail and excellent writing skills, adaptive and willingness are all the attributes we look for."

"Personality type (personal ethics included); and personal networking style are considered."

Overall, the data shows there is growing interest in, and recognition of, the role that new entrants play in the financial planning human capital market. While there are some differences between the intentions and structures of small and large firms, overall the results suggest that this will become a more important part of financial planning in the future. This is likely to be driven also by changing standards across the sector.

The data also shows demand for a structured industry graduate recruitment process and for further attention to be given to skills development and general work readiness. Thus in relation to the research question, we find there is strong demand for new entrants and a degree of consensus on the qualifications and support structures for new entrants, although this is likely to evolve over time as the demand for qualified and suitable new entrants intensifies as new standards for advice are implemented over the next three to five years.

While not the focus of this paper, other relevant findings in the survey in terms of attracting high calibre new entrants relate to the current prospects for women in financial planning and the overuse of personal networks for recruitment. The survey results reinforced that there is an

overwhelming lack of gender diversity in the financial planning industry. The general manager position and compliance manager position were the only roles in the survey that had 50:50 gender representation. There is still a wide disparity in terms of representation of women in financial planning roles and director level roles and women are over-represented in the lower paid client service officer and paraplanner roles. In addition, 'personal networks' being the most common recruitment pathway into financial planning for firms may also be limiting diversity. Gender diversity and recruitment channels are highlighted as areas of future research.

Summary data on new entrants and qualification expectations is provided in tables 1 and 2, followed by a discussion of the results.

Table 1: Summary data for new entrants

Question	Response	Frequency	%
Do you currently, or would you like to recruit new entrants (e.g. graduates or career changers) to the industry?	Yes	103	54.8%
	No	85	45.2%
Do you have a standard career progression pathway for new entrants?	Yes	70	64.8%
	No	38	35.2%
Are new entrants provided with:			
A formal induction?	Yes	75	78.1%
	No	21	31.8%
Formal training in their first two years?	Yes	53	61.6%
	No	33	38.4%
Informal training in their first two years?	Yes	92	94.9%
	No	5	5.2%
Incentives Packages	Yes	56	62.2%
	No	34	37.8%
Career Planning	Yes	61	67.0%
	No	30	33.0%
Other		3	-
Would you like to see a structured graduate recruitment and development process put in place at the industry level similar to that in other professions such as accounting and law e.g. long-term internships?	Yes	153	81.8%
	No	34	18.2%

Question	Response	Frequency	%
Are you planning to grow staff numbers in the next 5 years?	Yes	160	85.1%
	No	28	14.9%
For firms with gross revenue of <\$500,000	Yes	40	78.4%
	No	11	21.6%
For firms with gross revenue of \$500,000-\$1,000,000	Yes	50	89.3%
	No	6	10.7%
For firms with gross revenue of \$1,000,001-\$2,000,000	Yes	37	80.4%
	No	9	19.6%
For firms with gross revenue of \$2,000,001-\$5,000,000	Yes	22	100%
	No	0	0
For firms with gross revenue of >\$5,000,000	Yes	11	84.6%
	No	2	15.4%
SME firms combined (\$0-\$5,000,000)	Yes	149	85.1%
	No	26	14.9%
Are you planning to use graduates for staff growth in the financial planning roles in your firm?	Yes	100	64.5%
	No	55	35.5%
For firms with gross revenue of <\$500,000	Yes	22	55.0%
	No	18	45.0%
For firms with gross revenue of \$500,000-\$1,000,000	Yes	31	66.0%
	No	16	34.0%
For firms with gross revenue of \$1,000,001-\$2,000,000	Yes	22	59.5%
	No	15	40.5%
For firms with gross revenue of \$2,000,001-\$5,000,000	Yes	14	70.0%
	No	6	30.0%
For firms with gross revenue of >\$5,000,000	Yes	11	100.0%
	No	0	0.0%
SME firms combined (\$0-\$5,000,000)	Yes	89	61.8%
	No	55	38.2%

Question	Response	Frequency	%
Please indicate the following methods that you would most likely use to recruit for new entrants into the financial planning pathway (multiple responses allowed)			
Direct from a university program		76	17.3%
Recruitment agency		74	16.9%
Online, large job site eg seek,		77	17.5%
Online specialty job sites eg financial planning sites		27	6.2%
Online networking site (eg LinkedIn)		46	10.5%
Personal networks		129	29.4%
Print ads		6	1.4%
Other (please specify)		4	0.9%

Table 2: Expected new entrant qualifications

Are there minimum qualifications you would require new entrants to have?	Receptionist		Personal / Executive Assistant		Client Service Officer (CSO)		Paraplanner		Financial Planner (early entrant)	
	#	%	#	%	#	%	#	%	#	%
RG146	26	17.8%	40	26.7%	73	36.5%	51	21.7%	41	14.5%
Diploma of Financial Planning (or equivalent)	3	2.1%	15	10.0%	51	25.5%	74	31.5%	63	22.3%
Advanced Diploma	0	0	2	1.3%	10	5.0%	55	23.4%	48	17.0%
Bachelors (Related)	1	0.7%	5	3.3%	9	4.5%	20	8.5%	46	16.3%
Bachelors (Financial Planning)	0	0	1	0.7%	6	3.0%	28	11.9%	64	22.7%
Postgraduate (Financial Planning)	0	0	0	0	0	0	2	0.9%	18	6.4%
Certified Financial Planner (CFP)	0	0	0	0	0	0	0	0	0	0
None	116	79.5%	87	58.0%	51	25.5%	5	2.1%	2	0.7%

Discussion on attracting new entrants/graduates to financial planning

Prior to the GFC, the market for human capital in financial services was tight, with firms competing aggressively for new talent and experience. The sheer appetite for advice (therefore growth in resources to support it) bid up the price of human capital to, arguably, unsustainable levels. Following the GFC however, the market was less restricted as human capital became more available and the pipeline of new entrants through a growing number of tertiary education and institutional academy pathways grew. During this time the debate over industry standards (education, continuing professional development, professional designations, etc.) gained traction.

For both career changers and for school leavers, there needs to be a compelling case for entering a financial planning career. Financial planners in each of the career cycle stages are a critical part of the future of the financial planning industry and will have their unique challenges and opportunities in the move to professionalism. As the regulatory and industry led changes begin to take hold, the impact on human capital management will be pronounced. Increased entry and ongoing education requirements, changes to remuneration structures, technological advances that will influence advice mechanisms and client communication, and changes in the way staff work will all be influential and drivers of change. This highlights the importance of human capital management and the need to attract and retain the 'right' people.

In terms of the survey results regarding demand for new entrants from industry, the results show that demand for new entrants into financial planning is very high with 85.1 per cent of financial planning firms suggesting they would like to recruit financial planners in the next five years and 64.5 per cent of those indicating they would like to grow those numbers through recent graduates of financial planning (or related) degrees. Expectations regarding qualifications for new entrants into financial planning are reported as being mainly bachelor level degree qualified. These results are similar to expectations for qualifications in other studies. Salter *et al.* (2011), for example, found that when US respondents were asked what type of degree was sought when hiring an entry-level graduate, 66 per cent of respondents reported seeking graduates with a financial planning degree, followed by 50 per cent seeking a bachelor's in a business area and 35 per cent for a bachelor's in any area.

Thus, the results of data analysed in this paper show that the financial planning industry is set for continued growth in terms of clients, funds under management and new entrants into the financial planning profession.

However, there is a discrepancy between the 85.1 per cent of firms indicating intentions to grow staff numbers and the 64.5 per cent intending to recruit graduates, which is perhaps an indication of a number of factors:

- That SMEs with a small number of staff may find it difficult to replace a resource gap with a new staff member who may have less experience. The smaller firm may also not have the breadth of resources to absorb the work while training a less experienced staff member, with any impact on immediate resourcing needs therefore impacting on service to clients and pressure on existing staff.
- Churning of experienced staff (including financial planners) between firms.
- Certain roles may require a lower educational standard eg a career CSO.
- Continued intentions of training career changers without degree qualifications as they progress through current education pathways.

This data also suggests a discrepancy between the expectations evident in emerging legislation regarding qualification requirements of new and existing financial planners, and the expectations of financial planning firms regarding growth through newly qualified staff. However, this is likely due to the survey being conducted prior to educational requirements for financial planners being

announced. This is suggested as a subject for further research.

The cycle of turnover due to salaries not matching skill levels in the early stages of career transition may be somewhat tempered by a structured graduate development pathway for financial planning new entrants. However, the transition into the profession for new entrants takes a commitment from educational institutions, new entrants and industry to embrace a development pathway.

Interestingly, of the 54.8 per cent firms who would like to recruit new entrants, overall, 81.8 per cent, indicated that they wanted a structured graduate recruitment and development pathway through the initial years into a financial planning career. A structured approach coordinated, for example, by an independent body, professional associations or education councils in conjunction with employers could assist in this process and standardise the mechanism for all stakeholders. This high level of expectation for a structured graduate pathway bodes well with the recommendations of the FSI report regarding the establishment of an independent body to investigate and establish a structured graduate development pathway, including the possibility of a professional year.

In both industry and academia, there is a need for financial planning practices to work with universities to develop human capital development strategies that will align individual performance with business priorities in the emerging 'new world' of financial advice. This extends to all industry and academic stakeholders cooperating to create efficient and effective new entrant pathways. There is also a need to reposition the industry to allow more effective promotion of financial planning, paraplanning and other roles as a viable, rewarding and professional career pathway in order to attract the best and brightest candidates to universities and industry in order to meet the growth demands articulated by our participants.

The authors argue that the drive to professionalism is one of the most critical elements in attracting and sustaining high calibre new entrants into financial planning. The sustained focus on a pathway to professionalism is expected to attract high calibre cohorts of university entrants, as well as career changers directly into financial planning. The attraction of professionalism is multi-level. For example, students can anticipate more sustainable careers in a profession that has the respect and support of the community from which professionals draw clients. In addition, students can have confidence in the relevance of tertiary program offerings that integrate workplace relevant learning and even ultimately lead to a structured graduate development pathway, particularly as they have precedents to draw on for similar models such as in accounting (Yee *et al.*, 2010; Jackling *et al.*, 2007).

Other stakeholders, however, have argued that the new entry requirements may force some people out of the industry or turn people away, because the requirements have become too onerous and therefore need supportive transition arrangements for both new and existing financial planners (FPA, 2015). Over the longer-term however, the status of a profession is expected to attract more people into a financial planning career and ultimately, more clients into a financial planner's relationship (Hunt *et al.*, 2011).

We also argue that the other factors that will contribute to attracting new entrants include highly

engaging and relevant tertiary programs, as well as smooth transition arrangements into industry, such as through a structured professional year or graduate development pathway.

One critical factor that will be explored in further research, is improving the current prospects for women in a financial planning career. There is still a wide disparity in terms of representation of women in financial planning roles and director level roles and women are over-represented in the lower paid client service officer and paraplanner roles. As financial planning will be under increasing scrutiny in the move to professionalism, gender diversity will need to be improved, not only to gain credibility as a profession, but to build a larger customer base. A great opportunity awaits the industry not only in growing their female customer base, but also in reforming their culture and business models with gender balance, including improving the flexibility and attraction of the profession for all financial planners, which will be the subject of further research.

Another limiting factor in driving diversity is the overuse of 'personal networks' for recruitment, with 29.4 per cent of total multiple responses indicating that they use personal networks to recruit new financial planning staff, followed closely by online recruitment sites (17.5%), direct from university (17.3%) or through a recruitment agency (16.9%). Multiple responses were allowed in the recruitment preferences questions, so a combination of methods was also indicated. Nevertheless, personal networks can be limiting in the scope of cultural and social difference within those networks. In a changing environment focussed on customers, greater diversity in the workplace will assist in growing and reflecting a diverse customer base. Diversity in staffing will not only draw new clients by reflecting a more diverse customer base but also open up new connections for growth.

Optimistically, there is potentially no more exciting a time to enter the financial planning industry with the potential to increase the client base over the current one in five Australians (AFA, 2014). This paper has detailed the expectations of industry in terms of growth to 2019 and prospects for new entrants, including the support given for early career financial planners. This research is important for existing financial planning practices, as well as tertiary education providers, professional associations and other financial planning stakeholders interested in growing the emerging financial planning profession.

Limitations and future research opportunities

The study utilised a survey method and thus the external validation of the data rests upon the degree to which the sample represents the population. Our sample is biased towards Queensland based businesses (49% of responses) with a small number of observations from the Northern Territory and Australian Capital Territory. In some areas, as noted, the sample size once the data is disaggregated is also small. This tempers the certainty with which we draw some conclusions and readers should keep this mind when interpreting this paper.

These issues raise the prospect of future research to extend this work including in the area of transition arrangements for existing planners, gender diversity and recruitment practices. It is the research team's intention to replicate parts of this study in the future to facilitate both a larger and more diverse sample to be collected and to track trends over time. This, we believe, will add

significantly to the value of the body of work beyond the baseline data as it will allow us all to develop an understanding of what is driving changes in the financial planning environment (for example regulatory changes, technological innovations, market behaviour, business/consumer/investor confidence).

Conclusion

There are significant opportunities for financial planning firms that are able to adapt quickly to the new professional business ethos and environment, and encourage more Australians to seek financial advice. This report details the results of a financial planning survey with a particular focus on results regarding staff growth intentions of financial planning firms and their expectations for new entrants. The results highlight that the outlook for financial planning as an industry is for continued growth. The research contributes to our understanding of developments in staff planning for new entrants over the short and long-term in the financial planning industry. In addition, this research provides thematic evidence for future planning in terms of human capital management for financial planning firms.

We find our respondents are positive about the future with 85.1 per cent of the sample signalling an intention to grow staff numbers with new entrants (two-thirds with graduates) over the medium term. This signals a generally positive outlook, but also a shift in response to the increasing expectations in terms of new entrant qualifications as the industry moves towards professionalism. We argue that for this future demand to be met, industry and education stakeholders need to continue to build links to promote the financial planning career pathway and to more effectively and systematically manage the recruitment and retention of staff.

The results of this study show that the expectations from industry regarding qualification levels of new entrants are largely in line with current reform recommendations regarding a bachelor degree level qualification, with the majority (64.5%) of respondents indicating that they would like to grow staff numbers with new bachelor-level graduates. In addition, some new recruitment would likely be of existing planners with existing degree qualifications. The report also details overwhelming support for a structured career development pathway or professional year with 81.8 per cent of respondents who intend to grow staff numbers indicating that they wanted a structured graduate recruitment and development pathway through the initial years into a financial planning career.

This research adds to the body of research in financial planning particularly for small- and medium- sized enterprises which have been found to be under-researched, despite the pressing imperatives for evidence-based reform. Not only is this data important from the point of view of setting a comprehensive baseline of where financial planning new entrants are at in terms of career development demand and support, but also presents an opportunity for this baseline to be benchmarked against the optimal career development structure for the new era of professionalism in financial planning.

This paper has also highlighted key challenges for the industry in terms of attracting diverse new entrants. In particular, the gender disparity in financial planning and more senior roles is likely to underplay the compelling case for women entering the profession and will be an area of further

research. The overuse of personal networks for recruiting and managerial discretion for promotion and remuneration bonuses is also an area for change to increase confidence for new entrants of a level playing field.

Overall, this paper has shown that moving into a new phase of financial advice, there are significant opportunities for SME and large financial planning firms to engage new entrants into the emerging profession, as well as new clients who will be encouraged to seek financial advice in a fresh era when financial planners are genuinely trusted. For career changers moving into financial planning, there is also an opportunity for talent to see the pathways available to them and how professionalism may be rewarded.

The data in this paper establishes a benchmark for comparison across the sector and to support informed decision making by practitioners/licensees. Over time this will also provide useful trend data (through successive execution of survey instruments) and expand the body of knowledge in financial advice.

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