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Progress on professionalism

Despite the cold winter the mood among financial advisers regarding the Regulatory Exams appears to have turned more positive – not only have more written these exams but the extension has given many some breathing space.

According to Justus van Pletzen, CEO of the Financial Intermediaries Association of South Africa the stats show that more people are passing and the mood is a lot more positive. Van Pletzen says the exams are necessary to make sure that advisers understand their obligations to the client and what is expected from them.

The financial adviser's business has become a lot more client focused in recent years – as the focus on commission driven sales has been replaced by the need for appropriate financial solutions for the client. "It's a different frame of mind for the adviser," says Van Pletzen, and while the industry cannot change overnight, he believes in the next ten years we will see a new level of professionalism among financial advisers.

Keeping the client's best interests at heart also involves regular contact with clients and some financial products don't lend themselves to this – long-term insurance being a good example that is typically bought at just one particular time for life. However, to keep up with things like lifestyle changes, dependant changes, inflation and debt these products can in fact become a critical part of an annual review. Not to mention the many changes in types of products on offer.

In keeping with the client as the centre of the business Van Pletzen says the FIA welcomes the new Treating Customers Fairly (TCF) initiatives and looking forward to the implementation of this.

The last ten years has seen regulation focused on the intermediary, he comments. And despite the advances and better service and advice that has resulted – we are still seeing too many clients who buy inappropriate products and solutions. TCF sees the clients at the heart of all businesses in the financial services industry and this ensures that everyone in the product and advice chain from CEO down have to take responsibility and accountability for the financial services they offer.

TCF will also require a change in our way of looking at products and clients and Van Pletzen says it will be up to the CEOs to ensure that a culture of responsibility is instilled in every employee.

In the midst of all the regulations and changes we need to take note of what it means to be a financial adviser – a responsibility with the client and product provider to provide achievable financial solutions and financial independence.

What makes a good adviser? "It's not rocket science," says Van Pletzen. Firstly you have to do proper planning - including retirement planning and estate planning – and then be in a position to offer advice that is more than just a single need solution. As he observes, this requires training. Secondly Van Pletzen believes that an adviser must approach clients with a holistic view – so the need is not just one aspect of finance but rather focuses on their total financial plan. "This is what FAIS expects of you."

Thirdly, the financial adviser must be professional, deliver professional work and be remunerated for this professional work.

Our local industry is very advanced as far as legislation goes and recognising that the needs of the client are paramount. Two issues that still need to be addressed include churning – serial churners need to be dealt with - and the lack of financial advisers, that Van Pletzen believes will be bigger in the next few years