



PROFESSIONALISM: FREEDOM, CERTAINTY, INDEPENDENCE AND UNQUALIFIED TRUST

Robert MC Brown says there is a growing body of advisers providing services free from the conflicts of the past, and others could learn from them.

If ever we needed solid evidence that the financial planning industry has a lot more work to do before it can reasonably call itself a true profession, we need go no further than the ABC's Four Corners program of March 4, 2013. The program presented a litany of shameful scams and financial disasters in the Australian managed investment scheme sector. It seems that many of these schemes and related products were sold by highly qualified financial advisers, including practising accountants, in return for handsome commissions and other incentives.

In response, some financial services industry leaders have sought to deflect criticism by suggesting that the examples presented in the program were simply the actions of a few bad apples operating at the margin. The unfortunate reality, however, is that the directors, promoters and sales people involved in many of these schemes were not marginal and shadowy figures of the nature of Nigerian email scam criminals. Rather uncomfortably, they included well-known and longstanding participants in the Australian financial services industry, including members of the accounting, legal and other allegedly respectable occupations.

Fortunately for the financial planning industry, the Four Corners program wasn't long enough to delve into the scandalous activities of advisers, particularly practising accountants, who sold failed agribusiness tax schemes (proudly promoted at official accounting profession conferences) in return for commissions and fees of at least 10 per cent. That's not to mention the many advisers who even now continue to earn or share in life insurance commissions of more than 100 per cent (with volume bonuses) and a growing number of advisers who enthusiastically sell mortgages and real estate, particularly to unsuspecting trustees of heavily geared (and accordingly risky) self-managed superannuation funds, in return for commissions from lenders, developers and real estate agents.

Unfortunately for consumers, the well-intentioned *Future of Financial Advice* legislation (FoFA) is unlikely to substantially improve this situation, at least in the short run, mainly because it is full of political compromises, inconsistencies and workaround solutions through which the proverbial "fleet of trucks" will be driven by some advisers. Of course, as with all political processes in a democracy, it was never a realistic expectation to believe that FoFA would complete the necessary reforms in the financial planning industry to establish a simple and consistent unconflicted structure that is appropriate for a true profession. The *Financial Services Reform Act* of the 1990s suffered from the same fate due to intense industry lobbying to dilute its objectives.

However, my hope has always been that leaders of the aspiring profession of financial planning would guide its participants in a sometimes-difficult journey of self-regulation and genuine reform, building on the minimum standards established by the law. Indeed, it is our willingness to undertake such a journey that distinguishes a true profession from an industry lobby group, which simply follows and defends the often conflicting commercial interests of its noisiest and most powerful members.

Therefore, what has been for some planners a tiresome, annoying, costly and repetitive debate since FoFA was first proposed some three years ago, has presented for others a positive opportunity to examine exactly what it means to be a member of a true profession. As a result, there is now a growing body of planners who are profitably offering their services without the remuneration conflicts that continue to beset and hold back the rest of the industry from achieving genuine professional status.

These planners have gained a previously unknown sense of freedom, certainty, independence, unqualified client trust and professional satisfaction which their colleagues in the rest of the industry - who are unwilling to take the journey - can only observe with considerable envy. ■



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