

# THE PROFESSIONAL DIVIDEND

It takes time, commitment and no small expense to achieve a professional designation. The payback comes in more ways than one. **Simon Hoyle** reports.

**D**r Adrian Raftery is a senior lecturer in financial planning and superannuation in the school of accounting, economics and finance, faculty of business and law, at Deakin University. He is a Bachelor of Business (BBus), a Chartered Tax Adviser (CTA), a Certified Financial Planner (CFP), a Fellow of the Institute of Chartered Accountants (FCA), is a Master of Business Administration (MBA) and completed his PhD studies on self-managed super funds.

Raftery understands a few things about the importance of educational standards, and what it takes to achieve them. By his reckoning, the CFP designation was as tough to achieve as any of his other qualifications.

“I remember when I was doing the transition for chartered accountants across to CFP designation, there was 122 of us [who] sat the exams, and I knew exactly that the FPA wasn’t going to make it easy, to prove to these Chartered Accountants [CAs] it was going to be a tough experience – and it was.

“It was as tough as any study I have completed. There hasn’t been anything tougher – and you can look at my business card; I’ve done enough study over the years. There was only nine of the 122 [who] actually passed the CFP qualification – all either CAs or CPAs [Certified Practising Accountants].”

Achieving the necessary standards of education and expertise to be regarded as a professional isn’t easy – that’s partly the point. And while the focus on raising

standards of education among financial planners has most recently been related to the benefits for consumers, it should never be forgotten that it’s a two-way street. It brings benefits for practitioners, as well, known as the “professional dividend”. Like a dividend from a share, it’s a reward for a smart investment – only in this context it’s an investment in education, and a commitment to following professional codes of practice and ethics.

Based on research conducted in 2012,

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the Financial Planning Association of Australia (FPA) says a financial planner holding the CFP designation earns more, on average, than a non-CFP; is more employable; is more likely to be sought out by the public; and is less likely to fall foul of the Australian Securities and Investments Commission (ASIC). And CFPs are perceived as representing a lower risk to planning practices.

## RECOGNISED OUTSIDE PROFESSION

Now the benefits of professionalism and achieving professional designations are

being recognised outside the profession as well. Gareth Bird, head of adviser services for BOQ Specialist, says the company’s analysis of the financial planning industry has led it to conclude that CFP-designated planners are an attractive market segment in their own right. BOQ Specialist has a history of dealing with professionals – initially medical practitioners and accountants – and is now pushing into the financial planning space, focusing on CFPs.

“We do recognise that CFP group of advisers as the elite group of advisers in the community – and it’s an international designation as well,” Bird says.

“It provides us with more comfort around the client we’re dealing with. It doesn’t give you a blanket rule over everything. But it does help. And for us, with a new strategy, we’re looking for as many comfort factors as we can find.”

Bird says that for six years BOQ Specialist had been “distributing our treasury products to planners for their clients – very much the typical third-party strategy”.

“Over the course of those six years we’ve met a number of different planners, who have predominantly been in the independent space, and we have got a good idea of good financial planners and good business models versus other sorts of businesses,” he says.

“We kept on picking up that the CFP qualification means something to those advisers. For them, it’s a demonstration to their clients of their education and of their professionalism.

## What the research says

### Investment Trends FPA Professional Dividend Report, September 2012

- Three-quarters (75 per cent) of planner licensees said they would pay up to \$40,000 per annum more for planners with a CFP designation. On average, CFP professionals earn \$35,000 per annum more than other financial planners.
- Forty-four per cent of planner licensees said their practice would favour a CFP practitioner when it came to employing a new planner.

### Investment Trends August 2012 Advice and Limited Advice Report

- Consumers most commonly cite the CFP designation as what they look for when choosing a financial planner.
- Consumers who use (or express a preference to use) CFP practitioners were willing to pay 28 per cent more for financial advice.

### Investment Trends April 2012 Planner Business Model Report

- More than two-thirds (67 per cent) of financial planners believe that the CFP designation would have a positive impact on their reputation.
- Two in five (41 per cent) of financial planners believe that the CFP designation would have a positive impact on business growth.

### Comparator Business Benchmarking September 2012 Market Pulse Report

- More than half (57 per cent) of licensees report that business revenue increased as a result of employing CFP professionals.
- Almost two-thirds (65 per cent) of licensees claim that client relationships are strengthened by having a greater number of CFP practitioners.

### Regulation and risk

- CFP professionals account for more than 35 per cent of the planner population but less than 2 per cent of ASIC enforcement activity. (Source: ASIC and FPA)

“When we started to look at a direct strategy, we said, look at what we’ve done with the other client bases, where it is very much education and qualification-based. In the medical profession, for example, your AMA [Australian Medical Association] number and your ADA [Australian Dental Association] number and your qualification and the process that you’ve gone through to obtain that qualification is integral to the way we assess you; and then we are able to offer the kind of banking products that we do.

“Likewise in the accounting channel, you’re either a CA or a CPA or you’re not; for us it’s quite a key starting place when we start to identify target markets that have certain attributes and elements to them.”

### PRACTICAL BENEFITS

Tom Reddacliff, general manager of member growth and marketing for the FPA, says the association is actively working to create practical benefits for those with the CFP designation.

“The first dividend is your overall professional reputation – that’s the most obvious one,” Reddacliff says.

“But what I am increasingly trying to build in there is things like, for example, the Cbus [advice referral] program. That’s one example.”

Cbus – a public-offer industry superannuation fund – has about 700,000 members, and since September 1 this year has been a partner of the FPA in a national referral program. Members of Cbus seeking financial planning services will be referred by the fund to a CFP working for an FPA Professional Practice – a practice where at least 75 per cent of practitioners are FPA members, and at least half of practitioners are CFPs. Professional Practices already receive a range of practical benefits, such as discounted pricing on continuing professional development (CPD) and on undertaking the Life Risk Specialist program.

“I’m looking to expand that program so I can go out to an institution or a body that has a need for financial planning and say, ‘Here’s a group of people we have who have the best credentials, in terms of qualifications, experience and adherence to a code, everything – the whole package – that can service your needs for financial planning

advice,’” Reddacliff says.

“That’s part of my business plan for CFPs and for the Professional Practice designations. So there is a dividend, in terms of advice opportunities, as well as your professional standing.

“There’s no substitute for professional standing and being able to say with pride what you are.”

Bird says that BOQ Specialist “did some research around those different professions, and some of

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the earnings that you could attribute to a senior financial planner with 10 years’ experience versus a financial planner with five years’ experience, with or without the qualifications”.

“We got some industry stats with regards to earnings, and then that helped to guide us in terms of, if we’re going to be lending money with higher LVRs [loan-to-valuation ratios], what’s the ability of those clients to service that high level of debt? And that does become significantly greater with the qualification.

“That gives us more comfort when we say we’re not going to apply the same sort of offering and credit parameters to the whole universe; we can be a little bit more favourable towards those with the designation, because of everything it means in terms of earnings and then obviously job sustainability.”

As a result, BOQ will lend to a CFP up to 90 per cent of the value of an owner-occupied home or an investment property, with no need for lender’s mortgage insurance (LMI). It will also lend against equity in the home to enable CFPs to purchase new books of business.

“We don’t differentiate so much on the rates,” Bird says.

“Pricing is pricing, and that’s driven by a lot of other factors – your competitors being a strong element of that. You do want to price for risk, but where you’re playing in a very generic sub-80-per-cent [LVR] market, risk tends to become quite uniform for everyone and then pricing becomes a differential.

“For us, where we’ve differentiated is we’ve said for this group of advisers with these attributes – one of them being the CFP – we’ve actually got a risk tolerance level that’s a little bit higher and therefore we’ll lend them more money, as opposed to having to charge them more for that.” ■



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