



What accountants really need to know about **licensing**

AND IT IS A JOURNEY. KEEP IN MIND THERE ARE VARIOUS OPTIONS AVAILABLE – THE KEY IS FINDING A GOOD FIT FOR YOU, YOUR BUSINESS AND YOUR CLIENTS

In the first part of a new series on licensing options for accountants, **Kath Bowler** explains that accountants should not be agonising over whether or not to get one of the new limited licences – they should first be deciding whether or not to be licensed at all.

Accountants and licensing. Where do we start? Over the past 15 years, I've worked closely with accountants who have transitioned into financial services. And now, with the new regulations, the space is even more complex. Most accountants know there is a July 2016 deadline looming, but don't really understand what that means, and what they have to do now.

Over the coming months, my series of articles will debunk licensing myths to help accountants understand the right licensing journey for them. And it is a journey. Keep in mind there are various options available – the key is finding a good fit for you, your business and your clients.

Let's start with four key points all accountants need to understand:

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1 ONLY ONE EXEMPTION

Only one exemption has been removed, which leaves three remaining.

The so called “accountants’ exemption” implies that there is only one exemption for accountants – but that is simply not true. There are a number of exemptions for accountants that allow them to provide tax advice and traditional accounting activities, such as the preparation of self-managed super fund (SMSF) accounts, without needing to be licensed under an Australian financial services (AFS) licence. The only exemption that is being removed is the one that allows accountants to recommend the establishment and closing down of SMSFs without needing to be licensed under an AFS licence. There is no doubt in my mind that if an accountant wants to run an advice-based business, they will need some form of licensing. But they are also likely to continue offering compliance services and will need to understand the remaining licensing exemptions for this part of the business.

2 DIFFERENT LEVELS OF LICENSING

Not all licensing is the same. Licensing is broken down into different categories, so you can be licensed just to provide SMSF advice; general superannuation advice; strategic advice that covers super and non-super issues; and licensing that allows you to provide product recommendations. These levels exist for self-licensing as well as for authorised representatives.

To add to the confusion, licensees who have a full licence can “slice and dice” their authorities however they wish. Hence, there are a wide range of licensing options in the marketplace, all allowing slight variations – making it difficult for accountants to compare like with like.

3 TRAINING REQUIREMENTS VARY

Depending on the level of licensing you choose, training requirements will vary.

Initial training requirements are directly linked to the level of licensing you select. The Australian Securities and Investments Commission’s (ASIC’s) Regulatory Guide 146 (RG 146) stipulates minimum training requirements that must be met before you can provide licensed advice. To add further complexity, RG 146 is broken down into specialist knowledge areas – your specific requirements will be determined by your licensee and those areas you will be advising in. So when investigating RG 146 compliant courses, confirm which RG 146 specialist knowledge areas are covered.

Before any advice can be provided, you will need to demonstrate that you have met these training requirements. In most instances, this training should have been completed in the past five years, unless you have been actively advising as an authorised representative.

4 MAKE THE OVERRIDING DECISION FIRST

Don’t make a decision about self-licensing versus becoming an authorised representative until you have first made the overriding decision about licensing.

Almost every accountant I speak to is grappling with whether to obtain a limited licence or not. This is not the place to start, so it’s no wonder so many accountants are confused.

You need to look at whether or not you need licensing at all, regardless of whether it is via a limited licence or by becoming an authorised representative. And to make that decision, I recommend approaching the issue from one of three ways, depending on what your key driver is.

Firstly, you could assess licensing from a business perspective – thinking about where you want your practice to be in three to five years and the services you want to offer. Once you know where you want to be, you

can then work out who your ideal clients are, what resources you need internally to support that business and whether those

THE DEADLINE IS LOOMING, SO KEEP THESE POINTS IN MIND AND START YOUR LICENSING JOURNEY NOW

staff (including yourself) require licensing.

Take note, at this point, that licensing is personal – which means that you will need to make a licensing decision for every person in your practice who is providing advice; and the type of licensing required can be different for each person.

A second option is to look at your existing client base and what their needs are. Do you have lots of business owners, or SMSF clients that need advice? This is slightly different to the first option, where you may need to source new/different clients to have the business you want.

A final way to approach licensing is from your own perspective and what you want to be doing with your time – compliance work or advice-based work; technical work or growing your business.

The deadline is looming, so keep these points in mind and start your licensing journey now. 



Making an informed licensing decision

In the second part of her series on licensing options for accountants, **Kath Bowler** outlines a three-step process for deciding which strategy – if any – is best for you, your business and your clients.

All too often I see the following list of options presented to accountants who are deciding what to do about licensing:

1. Do nothing
2. Refer
3. Full Australian financial services licence (AFSL)
4. Limited AFSL
5. Authorised representative

Erase this from your minds now and, instead, follow my simple three-step process to determine your options.

SELF-LICENSED: **PROS**

- ✓ Full control over your business and clients
- ✓ Economies of scale for larger practices
- ✓ Specialist advisers, particularly in the self-managed super fund (SMSF) space, may find acting under external licensees too restrictive
- ✓ You control your advice (Statement of Advice (SoA) templates)

SELF-LICENSED: **CONS**

- ✗ You take on the licensing, advice and dealing risks
- ✗ Additional time and resources are needed
- ✗ Not recommended if you have no experience in licensing, or are not partnering with a consultant to assist you to understand and manage your licensing obligations

STEP 1:

TO LICENSE OR NOT TO LICENSE

At this point it's completely irrelevant whether you obtain your own licence or not. It should just be about whether you want or need that capability. To help you make that decision, you should be aware of the following points (covered in my previous article, in the February issue of *Professional Planner*).

1. Understand the exemptions that remain for accountants, as well as the one that is being removed.
2. There are different levels of licensing. Work out what you want to advise on, and this will determine what level of licensing you need.
3. Your initial training needs will vary considerably, depending on the level of licensing that you choose.
4. Don't even think about whether you want to have your own licence or not, until you've made the initial decision about licensing or not licensing.
5. Let your business model, your clients and/or your work preference drive your licensing decision, and not the other way around.

STEP 2:

AUTHORISED REPRESENTATIVE OR OBTAINING YOUR OWN LICENCE

Once you've decided that you *do* need licensing, the next step is to determine whether to obtain your own licence or become an authorised representative of another licensee. All too often the option of full licence versus a limited licence is presented here. But in reality, an accountant with no financial services experience is unable to obtain a full licence initially, as they will not be able to meet the initial experience requirements. I question why it's even flagged as an option.

So really, it's between a limited licence and becoming an authorised representative. Stated simply, the key difference between the two is that as an authorised representative, you are responsible for the advice requirements; but if you hold your own licence, you are responsible for the advice and licensing requirements.

The tables below outline the pros and cons of these two options.

Key factors you should consider when deciding whether to become self-licensed or not are:

- Your confidence in meeting the advice requirements.
- The time you, or someone in your practice, can dedicate to meeting your licensing requirements (at least one day per month).
- Processes in your business to ensure you can manage your licence obligations effectively and efficiently.

STEP 3:

DETERMINE YOUR REFERRAL ARRANGEMENTS

Most accountants are currently considering their options and deciding between a referral arrangement, becoming authorised, or obtaining a limited licence. However, referrals are not mutually exclusive and will be required, even if you become licensed – unless you go the whole way and take out a comprehensive authority.

If you become licensed or authorised, any existing referral relationship is likely to change as you are now taking on some of the services you previously referred out. But this is a topic for another day.

I've aimed to simplify licensing options for accountants so that you can make an informed decision best suited to you, your business and your clients. 

AUTHORISED REPRESENTATIVE: PROS

- ✓ Quicker and easier
- ✓ External licensee can offer more support
- ✓ Allows you to focus on advice and dealing requirements, rather than advice, dealing and licensing requirements
- ✓ Tools, templates and technical support should all be provided as part of licensing authorisation
- ✓ Other support, such as practice management, often also included in your licensing fee

AUTHORISED REPRESENTATIVE: CONS

- ✗ Finding a licensee that shares the same values as you
- ✗ Finding a licensee that offers what you want and need (not too little, or paying for things you don't need)
- ✗ Finding a licensee that understands accountants and strategic advice
- ✗ Finding a provider that can cater for specialist SMSF advice and advice that incorporates the needs of small business owners

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IN THE THIRD PART OF HER SERIES ON LICENSING OPTIONS FOR ACCOUNTANTS, KATH BOWLER OUTLINES – AND CLARIFIES – **THE THREE BIGGEST OBSTACLES TO BEGINNING THE LICENSING JOURNEY.**

Removing ROADBLOCKS TO LICENSING

 We are now into the final 12 months before the accountants' exemption is removed. And to date, I estimate that only a few hundred accountants have become licensed or authorised. Quite frankly, I'm astounded at how few accountants have begun their licensing journey.

However, based on discussions with hundreds of accountants, it may not be all that surprising. Most practitioners are confused and are receiving different messages from various sources. No wonder it's difficult to make a decision.

The opportunity for accountants to embrace licensing and use it to realign their businesses from compliance to advice is enormous; but I'm very concerned that accountants may continue to stick their heads in the sand and ultimately fail to grasp the opportunity.

From my discussions and feedback, I see three major roadblocks to licensing – grey areas that, once clarified, should leave accountants with nowhere to go, apart from the start line.

ROADBLOCK 1: **DO I REALLY NEED LICENSING?**

We have identified the top 20 financial planning strategies that accountants want to provide advice on (see table). Of those, at least 17 will require licensing – but possibly all of them will, depending on how far the conversations go with your clients. (The highlighted items are the only ones that may not need licensing.)

Let's be clear here. You have been able to, and can continue to provide factual information to your clients. In most instances, there are probably opportunities to weave some tax advice in – but if you want to avoid licensing, you need to limit your conversations. My question to accountants though is this: Why do you want to limit the advice and service you can provide to your clients? The only answer that makes sense to me is that you have someone else in your business who is providing that service, or a strong referral arrangement where these issues are appropriately managed.

However, if you're like most accountants, clients come to you for advice, not just the facts – so why would you not want to be in a position to provide it?

ROADBLOCK 2: **I DON'T KNOW WHAT TRAINING I NEED**

A major licensing roadblock surrounds the issue of training. There are specific training requirements that apply if you want to have your own licence for your nominated responsible managers. In addition, there are training requirements that apply to anyone (self-licensed or authorised) who is actually providing the advice to the client. Two major hurdles here include:

- Training needs vary, depending on what you want to be licensed for
- Licensees (who are ultimately responsible for ensuring appropriate RG 146 training has been undertaken) vary significantly in how they interpret the requirements.

ROADBLOCK 3: SELF-LICENSED OR AUTHORISED

While this is a decision you will need to make at some point, there are a couple of points to note. First of all, you don't need to make this decision before you begin your journey; just get started and do your training as you need it, regardless of the option you choose. And secondly, you're not locked in forever.

After July 1, 2016, you will not have the option of obtaining a limited licence without meeting the experience requirement first. So if you are thinking of becoming an authorised representative, and then decide it is not a good fit for you, the limited licence will still be an option, because by the time you decide the authorised rep option is not a good fit, you should have sufficient experience to meet the requirements for a limited licence.

Cost is often raised as a reason for obtaining your own licence. Next month, I will address this issue and break down the costs of self-licensing versus becoming an authorised representative. However, I urge you not to let cost drive this decision. Your decision should be based on a number of factors, including:

- Your confidence in meeting the “best interests duty” and “appropriate advice” requirements
- The time you, or someone in your practice, can dedicate to meeting your licensing requirements (at least one day per month)
- Processes in your business to ensure you can manage your licence obligations effectively and efficiently.

There's no doubt that the journey will be challenging. And while I've highlighted the three biggest roadblocks facing accountants, the underlying concern when you are offering professional advice is that you are helping your clients and adding value, not “selling” them something they don't need or want. ■

The accountants' exemption permits accountants to give advice about setting up (or winding up) self-managed super funds (SMSFs) without needing to hold an Australian financial services licence (AFSL). This exemption will be repealed from July 1, 2016.

% accountants that selected this option	Advice area
91%	Establish and wind up SMSFs – advice and implementation
90%	Contributions advice (not fund-specific)
79%	Transition to retirement (not fund-specific)
78%	Retirement income streams
71%	Rollovers into an SMSF
70%	Advice comparing SMSFs with other super structures
66%	Limited recourse borrowing arrangements
63%	Re-contribution strategies
60%	Lump sum withdrawals
59%	Cash-flow and budgeting advice
59%	Receiving death benefits (ie: recommending beneficiaries)
57%	Intergenerational and succession planning
56%	Developing investment strategies for SMSFs
54%	Salary sacrifice
47%	Debt management
45%	Retirement projections
42%	Direct property transfers into an SMSF
39%	Reserving strategies
36%	Insurance needs analysis (SMSFs only)
35%	Basic deposit products & CMTs (specific product recommendations)

Accountants who wish to continue giving this advice will need to obtain, or operate under, an AFSL. A new “limited licence” has been introduced for those wishing to apply for their own licence.

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