



FINANCIAL
SERVICES
INSTITUTE
of Australasia

10 November 2014

c/ Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam

**Re: Parliamentary Joint Committee on Corporations and Financial Services -
Questions on notice**

Question 1: Average salaries for financial planners

The Committee asked Finsia to prepare some data on the average salary for a financial adviser.

First and foremost, we have learned that it is important to understand that the remuneration structure adopted highly influences the salary outcomes. Employers do not release this data typically (for example, commission structures, share plans, equity shares), hence it is difficult to put forward a definitive figure. Of course, years of experience, skill and client complexity also have an influence.

The definitive remuneration data is collated and validated according to skills and experience by the Financial Institutions Remuneration Group (FIRG), in which all major financial institutions in Australian financial services participate. This data is updated biannually, but it is a subscriber-only service. We would recommend the Committee approach FIRG to share this data, as it will inform both this and the following question on notice. Finsia has to date been unable to access this data.

In terms of publicly available data, recruitment firm Hays found an associate planner or paraplanner could earn between \$65,000 – 75,000 at entry level, while a qualified financial planner will earn a base salary of between \$85,000 to \$110,000 (reference: *Hays Salary Guide 2012*). This roughly correlates with entry-level salaries in other areas of finance as well, e.g. junior analysts or client services supervisors in funds management or investment banking. According to another recruitment firm, Robert Walters, salaries are expected to increase around 9% in the next year.

Note these figures do not include bonuses or any commissions, these are base salaries. While employers have reported to Finsia an overall trend in moving towards fully salaried employees for in-house planners, we cannot provide evidence on the trends in aligned groups.

Question 2: Please provide the committee with further information on the education and professional standards that currently apply in other sub-sectors of the financial services sector

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Again, the definitive data for this is contained within the FIRG report, and we strongly recommend the Committee access this, given its unparalleled coverage.

In terms of Finsia research, we have this year undertaken a substantial field research project with all of the major employer groups in the following four market sectors:

1. Funds and Asset Management
2. Retail and Business Banking
3. Institutional/Wholesale Markets
4. Financial Advice and Services.

Finsia conducted 50 interviews, representing 80% of the employment market in the first three sectors, and around 60% of the Financial Advice and Services sector (as CBA, a significant employer, has not participated in this process to date).

As part of this process, we established the following minimum entry standards for employment are upheld:

Sector	Minimum entry requirement	Minimum professional standard for client-facing employees (employer supported/mandated)
Funds and Asset Management	Undergraduate degree, at Distinction level or higher.	None mandated, but professional accreditations such as Certified Financial Analyst (CFA) seen as effective and reliable for select areas (frontline investment professionals). CPA/CA for middle office/fund accounting roles, with professional membership.
Retail and Business Banking	Higher School Certificate.	Certificate IV in Banking/Financial Services typically trained on the job. Senior general managers will often have an MBA, but not mandated. No professional standards body for individuals.
Institutional/Wholesale Markets	Undergraduate degree, often (but not exclusively) at High Distinction level.	None mandated, but professional accreditations such as Certified Financial Analyst (CFA) seen as effective and reliable for select areas (e.g. equities analysis). CPA/CA for middle office/ accounting roles.
Financial Advice and Services.	Employers moving towards an undergraduate degree, but currently only demand RG 146 for financial planners. Other advisers (e.g. stockbroker) already require an undergraduate degree minimum.	RG 146 if have non-specific undergraduate degree. May expect an Advanced Diploma if moving into a managerial role. Membership of professional standards bodies optional.

Note the above analysis does not include insurance, as Finsia does not have coverage of this sector.

What is interesting is where this education standard is compared with starting salaries (see the data in Question 1 above). Effectively, financial planners have a lower barrier to entry in qualification terms (as undergraduate is not mandated, only RG 146, which is 'Diploma-like'), yet enjoy similar starting salaries as other sectors where the barrier to entry is higher.

For the volume and complexity of the role, we believe it is currently too low compared to its peer group and the professional capabilities required. For example, a stockbroker will advise on many relatively straightforward financial products (such as shares), but not synthesise that information into a full financial plan that accounts for estate planning, social security implications and the interaction with other assets in a portfolio.

Note that while the retail banking sector currently has a lower entry standard for bank tellers/customer service officers, this area is undergoing rapid change courtesy of technology (such as the widespread adoption of mobile banking). 'New' banking centres typically have fewer, more highly skilled staff. These are only currently in 'testing' phase in select locations, but is a broad skills base shift that is expected to continue. See Innovation and Business Skills Australia's *Financial Services Workforce Development Survey* (in press) for anticipated qualification/skills trends.

If the Committee has any further questions, please do not hesitate to contact me

With kind regards,

Siobhan Brahe F Fin
Head of Accreditation and Development