

Time has come for industry to assess reform consequences – especially mental health distress says UFAA

Before any further industry reform with respect to LIF, FASEA, remuneration and professional standards is undertaken, it is imperative that the consequences of the past are put into context, quantified and documented said Alex Vaglivello, Chairman of the United Financial Advisers Association (UFAA).

In calling for an industry study on behalf of the Association, Alex Vaglivello said the toll on advisers has been immense, especially in terms of mental illness. “Very few industries can relate to the two decades of relentless legislative and regulatory changes experienced by financial services, especially the advisory sector”.

“In addition to issues of adviser mental wellbeing, the legacy of constant change has included industry rationalisation, less competition, reputational damage, decimation of advice business values, exit of advisers and advice becoming unaffordable”.

Two decades of industry reform failure and mismanagement have been exposed repeatedly with the most recent being the FASEA exam. While on the surface, the exam may appear noble, the reality is far different, further compounding the distress of many practitioners.

In voicing its objection, UFAA has affirmed the FASEA exam is completely opaque, non-transparent in application and meaningless as an academic industry entry requirement. Nor does it bestow an industry accreditation or even count as a CPD requirement. Yet failure to pass the exam will end an adviser's business putting an end to their livelihood regardless of years of practice and experience.

Alex Vaglivello continued, “Moreover, constant tinkering with remuneration structures has seen value of practices plummet and the unjust vilification of all advisers for the sins of the few has added to distress. These factors are deterring the next generation from considering a career in advice, further jeopardising the viability of the sector”.

Hence the need for these to be documented and put into context before embarking on further change.

Former adviser and industry advocate, Barry J Daniels said that one of the most disappointing aspects of reform is government and industry not acknowledging and addressing the very real mental health issues of financial advisers. “Advisers are literally fatigued and the prospects of further reform the final straws – especially for mature age advisers”.

“Incessant reform brought about the perfect storm that was further escalated with the demise of practice resale values and BoLR arrangements that were supposed to fund retirement aspirations.

“Is it any wonder that once resilient individuals simply find themselves unable to cope?”

There is also angst amongst those advisers with significant borrowings that funded the purchase of practices / books of clients to underpin business growth plans and provide continuity of service to the clients of the acquired businesses.

The impact on this group cannot be overstated as their plans have been completely derailed as business valuations spiral downwards as the result of pending legislation to disqualify revenues.

Even large institutions that were the initial beneficiaries of industry consolidation are now seeking to divest themselves of their wealth and insurance operations as the regulators obsession with reform has devastated previous profitable business models.

By putting the history of reform into perspective, the two key objectives sought by the UFAA are –

1) an understanding and appreciation of the mental health issues and consequences is derived in order for structured support to be provided to affected individuals. This is crucial for at present far too many advisers are dealing with their mental health concerns alone and without support.

2) as context for legislators and industry associations in order to better understand the human consequences of future reform.

In closing, Alex Vaglivello said, "The damage done to the sector in terms of advisers that have left the industry and their financial and mental health has been nothing short of catastrophic.

"However, there still exists a tiny slither of time in which to bring the situation back from the brink – especially in the current environment where the services of experienced practitioners have never been so needed by so many people and businesses in financial distress. Losing advisers now would be no different to losing doctors in the face of a pandemic".

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