

Why Millennials & Gen Z will be the Next Generation of Financial Advisers

Financial planning is still very much the “unknown profession”. Alisdair Barr of *Striver*, a firm which seeks to connect university graduates with accounting and advice firms via online matching and ‘speed meeting’ events, recently commented that, “the biggest barrier to creating a (pool of new Financial Advisers) is a lack of awareness about financial planning as a career.” Alisdair continues, “there’s not a whole lot of people at university and high school saying advice is a profession they want to pursue”.

This is not surprising given the history of recruitment in the financial advice industry, the lack of awareness in the broader community of what financial advisers do, and the fact the FASEA Standards are only 18 months old in implementation. Career Counsellors at high schools would not be across these things, and universities have only recently had their courses “approved” by FASEA.

With turmoil comes great opportunity

The financial planning industry is going through a once-in-a-lifetime revolution. The magnitude of change is significant, and the opportunities abundant. It is almost the perfect storm in terms of industry renewal – increased regulation, higher education, resistance from incumbents, and the challenges of recession.

With a raft of regulatory and legislative changes recently thrust upon the industry, there has never been a better time to consider a career in financial planning. With many Advisers expected to leave the industry¹ in the next five years, the reality is that the need and demand by clients for quality financial advice will not diminish as the number of advisers does. In fact, it will likely be the opposite – with COVID-19 implications, changed working conditions, and the challenges of recession, the need for financial advice will increase.

A career in financial planning offers personal and professional satisfaction. It offers excellent salaries and a working environment the envy of most other industries. Relative to other Professions (such as Law, Accounting, and Medicine) the hours in financial planning are reasonable and the work-life balance is, well, more balanced. Over time, awareness of these benefits will become more widely known and the level of interest from high school students will logically increase.

What impact are the FASEA Standards having on the industry?

The FASEA Education Standards passed into law in March 2017. The Standards were designed to raise the educational, training, and ethical standards of financial advisers to improve trust and confidence in the financial planning industry. Section 921B of the *Corporations Amendment (Professional Standards of Financial Advisers) Act 2017* embodies the main requirements which cover Higher Education, Continuing Professional Development (CPD), a national Exam, and a Professional Year for new entrants to the industry.

The main regulations came into force on 1st January 2019.

Impact on Existing Adviser numbers

In recent reports, Adviser Ratings founder and Chief Executive Angus Wood said, “354 advisers (left the industry) in (the space of one week).” Mr Wood also remarked that, “...if we play that out as it is at the moment, we expect 12,000 advisers lost from the industry from its peak” of around 28,000 financial advisers.

There are many reasons for this expected decline in numbers. Most notably, the requirements that **Existing Advisers** must pass a national exam by 31st December 2021, and meet the required higher education levels by 31st December 2025, has many assessing their career options.

For **New Entrants** to the industry, they must attain a FASEA “approved” degree or postgraduate qualification, undertake a Professional Year, and pass the national exam. In the past, the next generation of advisers was sourced

¹ General industry consensus is between 20-30% of Advisers will leave the industry by the end of 2026, based on starting numbers of approx. 28,000.

from Career Changers. The education pathway and barriers to entry are now too high for *most* Career Changes to contemplate. They are typically in their early to mid-thirties, have family and lifestyle commitments, and cannot afford the time or money to reeducate themselves and start afresh in an unfamiliar industry.

The next generation of Financial Planners will be High School and University Graduates (**Gen Z**²), or early Career Changers (**Gen Y**³). Individuals will enter the industry directly from university, or by working in a practice and completing an approved Degree, part-time.

It is likely with either entry pathway, individuals will be expected to work in support roles for at least 2 years or more before being offered a Professional Year place. University Graduates and direct entrants alike, will work in roles such as Client Service Officer (CSO), Paraplanner, or Associate Adviser.

The paradox of the Professional Year

The Professional Year is an important component of the FASEA Standards for New Entrants.

The Professional Year is a *mentor-based* concept and crucial to "blooding" new advisers into the industry. The challenge is around how licensees and advice practices will implement the Professional Year. The framework was laid out by FASEA, however some argue the framework was laid out when the Banks and other large institutions were still fully committed to the financial advice space. The expectation was that these organisations would carry most of the burden in developing and implementing the professional year. Most have since left financial advice.

Banks were often the pathway into the industry for many Financial Advisers. This pathway has effectively closed. The obligation now falls to individual licensees and advice practices. Most practices are small businesses. The paradox is that although the learning experience may be more "hands on" and involve an earlier and wider exposure to the operations of a financial planning practice, it may be the case that smaller practices do not have the resources to invest in the development and maintenance of a compliant Professional Year program.

Smaller practices may not want to carry the risk of training up new entrants, only to see them enticed away by higher remuneration and growth opportunities just as their worth is being realised. With many new entrants likely having worked in support roles before gaining a place in the Professional Year, one could imagine they will have gained between 3 to 5 years' experience by the time they complete their Professional Year. This would make them a highly sought-after commodity.

Some may stay another year with the employer out of loyalty or a sense of obligation but, unless the employer can offer a significant career path or an equity stake in the business, most Professional Year graduates will inevitably look to move on. COVID-19 and the realisations that come out of it may change this, although this remains to be seen.

The questions need to be asked - will small financial planning practices be able to *train and retain* new talent? Given much of the industry is comprised of small to medium sized practices, what impact will this have on the industry's willingness to put someone through the Professional Year?

² **Gen Z** are anyone born between 1996 and 2010. The eldest are 25, and the youngest 10.

³ **Millennials** are anyone born between 1980 and 1995. The eldest are 40, and the youngest 26.

The 3 Cs of Millennials and Gen Z – curious, caring & cognizant

Millennials and Gen Z are sometimes described as lazy, entitled, and unwilling to conform. These are easy labels to throw around. It may be more the case that these generations are more mindful (curious, caring, and cognizant) about what it is they want to do with their lives. What their purpose is. What their passions might be. And how they can align these with their choice of career path. Curiosity and iteration are the natural way to determine these things and, in doing so, it may appear to outsiders that the labels fit.

Gen Z and Millennials are not looking necessarily for the Meaning of Life, but rather to live a *life of meaning*. I am now in a place in life where I can reflect on my journey so far and find meaning in what I intend to do going forward. In doing so, it has become clear my purpose is to help people question what success means to them, to define their personal values and strive to unlock their true potential to create a life of their choosing.

I especially gravitate towards individuals who face adversity or challenges and who, through guidance and support, can make enormous positive changes to their lives and the lives of those around them. For me, this means those in Early Adulthood (aged 18-27) because it is at these times that I faced my own greatest challenges. In fact, it may even be as young as 15 because of the formative impact new knowledge and insights can have at that age.

This is Gen Z and Millennials.

I look back now and think if only I had known about some of the books or philosophies I have since read, the nuggets of wisdom I have since taken in, or the non-university career pathways possible. What impact would this have had on my life? What impact would it have had on my relationships? What “alternative” pathways would I have taken? I believe in the “one little nugget” approach to knowledge – that is, sometimes it is that one piece of information or comment or quote that can set someone down a new pathway of positive adventures.

Career fulfilment and success

Financial advice is a career which combines the passions of finance and helping people, and a career which can positively impact the lives of ordinary Australians. The conflation of present circumstances creates the opportunity to lay the foundation for the next generation of Financial Advisers. The greatest challenge now is to shine the light on financial advice as a profession and make it something high school students and university graduates aspire to.

The “Greed is Good”⁴ mantra of the 1980s and 1990s is now fading. There is still much work to be done in this sense, however there has been a noticeable shift in recent years towards an inclusive and collaborative mindset within broader society. A career in financial planning is undergoing a similar *awakening*. Education standards are increasing, remuneration models are changing for the better, and a focus on ethical practice is taking centre-stage. Along with excellent salaries and an enjoyable working environment, I envisage financial planning will become a *profession of choice* in the very near future.

⁴ Famous phrase from Gordon Gecko, a character in the film “Wall Street”. A useful introductory piece can be found at <https://review.chicagobooth.edu/behavioral-science/2017/article/moral-ambivalence-gordon-gekko>