Professional Judgment

With apologies to Dire Straits… I want my, I want my, I want my 'Professional Judgment' to be recognised.

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For as long as I have been a financial planner (maybe too long?), I have been told what to do by others who have never done, or done for a short time, what I do. Whether that is regulators, politicians, lawyers, compliance teams or even the media, everyone has an opinion on what financial planning is about and how it should be conducted.

For goodness sake, why is a financial plan even called a 'statement of advice'!

I am a highly qualified and experienced financial planner who understands the rules regarding superannuation, life insurance, Centrelink, taxation (as it applies to financial planning), estate planning (as it applies to financial planning), debt management, aged care and other areas of professional advice. I also understand how people react to financial issues, and I am acutely aware of the lack of financial knowledge and capability within western society. Yes, it is not just Australia!

Additionally, I have travelled to many parts of the world to see what financial planning looks like in other jurisdictions.

My conclusion – professional Australian financial planning is amongst the best in the world.

There are a few reasons for this that include the holistic nature of financial planning often practiced here, and the fact that commissions (other than life insurance) were banned years ago thus forcing a better service offering to justify the fees charged. Naturally, education standards are significantly higher here too.

Yet, we have one of the most prescriptive regulatory and legislative regimes in the world.

While I understand that, looking back 15 or 20 years ago, things needed to change, surely they have to the point where some of the regulatory imposts can be relaxed to allow for more 'professional judgment'.

> *"Practitioners face multiple goals and value conflicts, requiring delicate balancing acts. They must be mindful of rules, procedures, and manuals and draw on their intuition, emotions, and experience. Practitioners must understand that the future cannot be objectively known—no matter how sophisticated the risk assessment tool." — Karen Broadley, 2019*

Professional judgment can flourish where self-regulation is allowed to exist. Practitioners develop practical solutions and norms, dynamically, that become acceptable across the profession. This allows for innovation, professional growth, status in society and confidence in outcomes. It is the difference between focussing on the 'right thing to do', rather than the 'legal thing to do'.

Of course, there are examples of where the 'legal thing to do' has failed – fee consent forms and 60–100 page Statements of Advice to name just two. And yes, I know that we may be finally about to see some sense in fee consent forms and that 100 page SoA's are unnecessary, but they exist because we are frightened of breaking the rules.

Professional judgment also allows for important development in areas such as peer review, specialisation and sadly lacking (in general) academic research into process and systems improvement.

There is a lot of talk about principles-based regulation, but all I can see is black letter legal regulation. Making this even more overwhelming is the compulsion by government and the regulators to continue to increase legislation without giving previous legislation time to actually impact. The result is regulatory fatigue – what are the rules today – sometimes I wonder if I am living in Orwell's 1984.

So far, I have vented about what is wrong – so what can be done to improve our situation?

For starters, we can form subject specialist groups who are willing to take responsibility for the development of professional standards in each of the different fields of financial planning. Superannuation, Life Insurance, Technology, Applied Behavioural Finance, Social Security, Investment, Taxation, Education and others all have financial planning specific elements that need researching and documenting. These 'Special Interest Groups' need resourcing and a 'home', but they should be driven by elected members who must justify their positions, interest and expertise.

The Special Interest Groups must have professional standing and need to be chaired by practitioners or retired practitioners who can enlist academics to research what is necessary to move forward. In this way, we will see a much more collaborative relationship between academia and our profession.

Initially, the logical home for these groups would be the main professional association, but a word of warning here – the association should not try to control these SIGs. It is vital that SIGs remain independent of professional advocacy groups and are seen as credible expert bodies with the sole purpose of developing and enhancing financial planning knowledge and expertise in their respective areas.

We might even agree to 'approved' risk profiles that would hold up in court? Or properly define the asset allocations related to what is a 'balanced' fund?

Heaven forbid!

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