

# MBIE FAA submission

## AFA Adviser retirement pathway

### Current situation

An adviser wishing to retire has to cancel their AFA.

When a colleague retired last year he rang the FMA to find out what the AFA cancellation process was. They asked him to stay on as an AFA to act as a mentor. He asked if I stay on part time like the consultant in a law or accounting firm, working say 1-3 days per week for 40 weeks, will you reduce my compliance fees and reduce my CPD requirements. The answer was no. At that point my colleague, who is at the beginning of the baby boomers, cancelled his AFA and retired. All his experience, knowledge, wisdom and relationships of 25 years as an adviser was lost.

The FAA has no allowance for a retirement path way for AFAs. As more AFA baby boomers start to retire the number of AFAs with experience will reduce. Who will look after their clients as less younger advisers come on stream to replace the baby boomers? This is a demographic issue.

### Law and Accounting Rules

The Law Society requires lawyers to have 10 hours CPD per annum and has a schedule of reduced CPD for a lower number of months worked.

Chartered Accountants have to do 120 hours over a rolling three year period with a minimum of 20 hours per annum. For ACA and accounting technicians this reduces further. The CPD content is very wide.

Fees for a Certificate of Public Practice (CPP) are \$1,145 pa. Concessionary membership is \$214 pa.

The point is that Law and accounting firms value experience, wisdom, knowledge and mentoring, plus practice management experience. The law and accounting rules allow for this, the FAA rules do not.

### Recommendation

I recommend that MBIE under takes some research as the demographic profile of AFAs and their ideal retirement expectations, with reference to their ideal reduces hours and reduced number of clients during a phase out period, in order to be able to quantify the issue.

For example would an AFA with a full client base looking form age 65 or 67 to reduce working hours to three days per week and reduce the number of client relationships that they manage? In return they would receive lower complice fees from all regulators including disputes providers, and lower CPD for a period of up to say 8 years.

This could be a new designation, Consultant AFA.

It is important to keep experienced and well qualified advisers in practice to serve the growing needs of clients or there will be a serious shortage of advisers available to the detriment of the investing public over the next 5-7 years. An AFA consultant adviser retirement pathway is required.