Ethics in Financial Planning: Myth, Fact or Rhetoric Paradox?

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Abstract

Purpose: This paper examines ethics in financial planning in the context of the events that have occurred in the Australian economic and regulatory environment in the last decade and provides empirical evidence of the ethical behaviour of financial advisers in Australia.

Design/ methodology/ approach: A mixed methods research design was employed using questionnaires and semi-structured interviews with financial advisers and clients. Client participants were randomly recruited using the Unaddressed Mail Service (UMS) and financial adviser participants were randomly selected from Australian Financial Services Licence (AFSL) holders/representatives. The study used qualitative data mining software (Leximancer) and statistical software (SPSS) to analyse the results.

Findings: Clients ranked financial advisers highly on their technical competence but lowest on social/ethical awareness, nonetheless clients generally found their most recent financial adviser to be ethical and possessing the necessary technical competencies. Furthermore, clients rated the ethical values of financial advisers as more important than technical competence and advisers were found to genuinely care for their clients. Both clients and advisers acknowledged that rogue advisers give other more ethical advisers a bad name and that education has an important role to play in this regard.

Practical / social implications: Findings support both a code of ethics and ongoing professional development for advisers and suggest an ethics curriculum is desirable.

Originality: This is the first study to explore ethical behaviour of financial advisers in Australia from both the client and adviser perspectives using a mixed method approach.

Key words: Ethics; ethical behaviour, financial advisers; financial advice; financial planning.

JEL Classification: G20
PsycINFO Classification: 3450
FoR Code: 1502; 1701
ERA Journal ID#: 123340
Introduction

The financial advice industry in Australia, has been the subject of significant negative publicity in the last decade. While the global financial crisis (GFC) has been blamed for loss of the public’s trust in the financial services industry (Collett, 2009), high profile collapses of financial product and service providers such as Westpoint in 2006, Opes Prime in 2008 and Storm Financial in 2009 highlighted the conflicts of interest created by the widespread use of commission based payments. It has been acknowledged that “while there are many financial advisers who operate to very high ethical standards… there has been a significant minority of financial advisers being driven by self-interest” (Commonwealth of Australia, 2014, p. 65). More recently there have been widespread reports in the media about the profit-driven culture in the banking sector of the financial planning industry, allegedly fuelled by commissions and self-interest (Ferguson & Masters, 2014; Cull & Sloan, 2016; Dagge, 2014; Ferguson, Christodoulou & Toft, 2016; Robertson, 2016). This has raised serious concerns about the ‘big banks’ in particular and their ‘unethical’ practices, with some calling for a Royal Commission into the banking industry (Matthews, 2016; Schmulow and Longstaff, 2016).

The Australian government through Future of Financial Advice (FOFA) reform (Corporations Amendment (Future of Financial Advice) Act 2012 (Cth) and Corporations Amendment (Further Future of Financial Advice Measures) Act 2012 (Cth) ) has attempted to remove the moral hazard that exists when advice recommendations that are not in the best interests of the client attract more lucrative commissions for the adviser by banning commissions, and introducing a statutory fiduciary or ‘best interests’ duty (Commonwealth of Australia, 2016a). Professional bodies have also made changes to professional codes of conduct; for example, the main accounting bodies as part of the Accounting Professional and Ethical Standards Board (APESB) have introduced the Accounting Professional Ethical Standard (APES) 230 (APESB, 2012) and the Financial Planning Association in their Professional Code of Practice, incorporating a Code of Ethics (FPA, 2013) in an attempt to mitigate against unethical practices.

Although there has been much discussion in Australia by the media, professional bodies and regulatory authorities regarding the integrity of financial advisers, there is little empirical research that examines the ethical behavior of financial advisers in Australia. Accordingly, this study examines the ethical behavior of financial advisers in Australia from both the client and adviser perspectives. Such research on ethics in financial planning is required to assist in the development and implementation of the recent legislative changes.

The paper begins with a literature review of ethical behavior in the financial advising context in Australia. The research methods used in the study are then described, followed by presentation and discussion of the results. Limitations and suggestions for future research are given, before offering the conclusion.

Literature Review

Financial advisers are expected to provide independent, unbiased and professional advice to clients. However, it has been suggested that the moral hazard of commission based compensation can lead an otherwise ethical financial adviser to unethical behavior (Bigel, 2000; Rickard, 2006). The Future of Financial Advice (FOFA) reform banning commission-based compensation payments that previously served to undermine the integrity of financial advisers has been a vital step towards removing such moral hazards as well as improving the public perception of financial advisers.

Central to the provision of financial advice is a fiduciary duty, which justifies the client trusting in the competence and integrity of the adviser in accordance with the highest ethical standards (Lewis and Weigert, 1985). Brien (1998) argues that attempts to control unethical behavior in professions by using codes of ethics, self-regulation and legislation are on their own unsuccessful, and that a culture of trust in the profession and trustworthiness internalized in
each individual is the answer (p. 391). However, perhaps it is hard to achieve the latter without the establishment of the former.

To be recognised as professionals, financial advisers need to demonstrate their concern for the consumer and be seen to be serving the public interest. This is what distinguishes a profession from an occupation. Daykin (2004, p. 12) suggests that other distinguishing features include a high degree of integrity in exercising professional judgment and a code of professional conduct, including the centrality of ethical standards.

While the three main professional bodies in Australia (Financial Planning Association (FPA), CPA Australia and Chartered Accountants Australia and New Zealand) all have codes of ethics imposed on their members, there is a significant need to adopt a code of ethics that applies to all financial adviser practitioners if the industry wants to achieve consistent ethical behavior. Furthermore, as recommended in the report on the Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry (Commonwealth of Australia, 2014) and now passed as legislation through the Corporations Amendment (Professional Standards of Financial Advisors) Bill 2016 (Commonwealth of Australia, 2016b), any individual wishing to provide financial advice will be required to be a member of a professional body with an established codes of ethics under an ASIC approved compliance scheme. However, it is recognised that a code of ethics on its own is not sufficient in achieving ethical behavior as it needs to be “promoted, implemented and enforced... ethical rules do not make ethical people” (Brien, 1998, p. 392).

Ethical principles and standards included in codes of ethics are usually codified and sit above minimum legal and regulatory requirements (Smith, 2009). Most ethical codes usually include principles relating to serving the public interest, integrity, objectivity, fairness, independence, professional behavior and competence, all of which are included in the FPA Code of Ethics (FPA, 2013) and APES 230 Financial Planning Services (Accounting Professional and Ethical Standards Board (APESB), 2013) adopted by CPA Australia and Institute of Chartered Accountants Australia and New Zealand.

Method

A mixed methods research design was employed to collect the data from both clients and advisers. The use of more than one research instrument allowed for a comprehensive data set to be analysed in more than one way. Furthermore, the use of qualitative and quantitative instruments complemented one another with the strengths of one overcoming the weaknesses of the other (Neuman, 2006; Veal, 2005). The qualitative data was analysed using Leximancer (Version 4) to reveal emerging themes. Data from the questionnaires was tabulated and analysed using Statistical Package for the Social Sciences (SPSS) (Version 22). Analysis methods applied using SPSS included descriptive statistics, frequency distribution, cross-tabulation, means, percentage distributions, Chi square test, the t-test and analysis of variances (ANOVA).

Financial Adviser Sampling

Financial adviser participants were recruited from a systematic random sample of 1,500 financial service representatives who are registered with the Australian Securities and Investment Commission (ASIC) as holding an Australian Financial Services Licence (AFSL) or registered as an Authorised Representative of an AFSL licensee. An AFSL Representatives Report was purchased from ASIC’s Information Services Department which provided the mailing addresses for financial service licence holders and authorised representatives, allowing for questionnaires to be posted to a random sample of financial advisers in Australia. An invitation to respondents to participate in the interview phase of the project was provided. Participant responses were voluntary and all participants were assured of anonymity of responses.
Client Sampling

Client participants were recruited to provide insight into the ethical behavior of financial advisers. The participants were recruited using the Unaddressed Mail Service (UMS) to randomly access a sample of the Australian population aged 18 and over. Multi-stage sampling was conducted to subdivide the sample proportionately across residential postcode delivery points in each state.

The client participants were asked to complete a questionnaire which included a number of questions about the ethical behavior of their advisers. In addition, clients were invited to attend an interview where they had the opportunity to provide further information about the ethical behavior of their adviser/s. Participant responses were voluntary and all participants were assured of anonymity of responses.

Descriptive Statistics

Clients

The split of client respondents were 47% male and 53% female which is close to the general gender distribution of the Australian population. The majority of these respondents were categorised as ‘professionals’ (refer Table 1), which is approximately 11% greater than that represented by the Australian population (Australian Bureau of Statistics (ABS), 2014). This over-representation compensated for the proportion represented by machinery operators/drivers (nil in this sample) and labourers which was considerably lower. All other occupation categories closely reflected those of the Australian population in general. There is however a risk of bias in that the sample population may over-represent professional workers.

<table>
<thead>
<tr>
<th>Occupation</th>
<th>% of sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retired</td>
<td>7%</td>
</tr>
<tr>
<td>Labourer</td>
<td>3%</td>
</tr>
<tr>
<td>Sales</td>
<td>10%</td>
</tr>
<tr>
<td>Clerical/Admin</td>
<td>14%</td>
</tr>
<tr>
<td>Community/Personal Service</td>
<td>10%</td>
</tr>
<tr>
<td>Technical/Trades</td>
<td>14%</td>
</tr>
<tr>
<td>Professional</td>
<td>41%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
</tr>
</tbody>
</table>

The age range 60-64 represents 20.7 percent of client respondents compared with 13.5 percent of the general Australian population aged over 19 (ABS 2016). The age group 20-24 years is not represented in this sample, although approximately 9% of the Australian population aged over 19 are in this age group (ABS 2016). This younger age group would be less likely to be interested in the questionnaire topic due to their life stages. The age groups between 40-54 are overrepresented by around 5% while the 30-34 age group is under-represented by around 6%. Other age groups are representative of the Australian population.

Of client respondents, 73% percent had received financial advice. Advice was obtained from a range of sources including banks, dealer groups and superannuation funds (refer Figure 1).
Thirty-six percent of these clients indicated that they were required to make a flat fee for service, which is consistent with the remuneration details provided by financial adviser participants.

Figure 1:
Financial adviser organization type as reported by clients

Advisers

The mean age of the 76 financial adviser questionnaire respondents was 49.3 years, closely reflecting the research conducted in the United States by Cerulli (Financial Advisor, 2014) where the average age of financial advisers was 50.9 years. Approximately 83% of the advisers in this study were male, representative of the advice industry in Australia (Hartge-Hazelman, 2014).

The highest level of educational qualifications of advisers ranged from year ten of high school through to a master degree. Thirty-six percent of adviser respondents held a bachelor degree and a further 38% held a diploma or advanced diploma. Sixteen percent of respondents held a postgraduate qualification. Only half (51%) of advisers had an education level at bachelor level or above. Further analysis revealed that 56% of advisers who had completed a bachelor degree or higher had previously held a Certificate III/IV, Diploma in Financial Services or Advanced Diploma in Financial Services. Eight percent of respondents did not meet the level of holding a diploma. A breakdown of the highest educational level achieved by financial adviser respondents is provided in Figure 2.
Figure 2:
Highest level of education: financial advisers

The highest level of education was a tertiary qualification in Accounting, Finance or Law (see Fig. 3); the concern remains however as to whether any of the respondents have had any ethics training or recognised the need thereof.

Financial advisers were also asked if they held a recognised professional designation. Fifty-one percent of respondents did not have a recognised professional designation while 30% held the FPA’s Certified Financial Planner (CFP) designation and 6% were a Certified Practising Accountant (CPA).

To obtain such designations, holders are required to complete a module which covers ethics, for example, CFP1 FPA Professionalism - Topic 1: Professionalism and Ethics (FPA, 2017) and Ethics and Governance (CPA Australia, 2017). Furthermore, Cull (2015) found that financial advisers in Australia who held these designations had a higher level of moral judgment development than those who did not.

Results and Discussion

The push for more rigid ethics curricula in business education is not new. Oates and Dias (2016) identified that only 10 percent of postgraduate courses in Australia incorporate ethics in postgraduate banking and finance programs (p. 102). Scholars (Bernardi et al., 2008, Nicholson and DeMoss, 2009; Wong and Copp, 2012) criticise business schools for not paying enough attention to moral and ethical behavior, rather focussing the teaching on theories dominated by the pursuit of short-term profits over long-term sustainability. Completion of an ethics course at university has been found to improve moral judgment in accountants (Eynon et al, 1997) and may
also do the same for financial advisers. However, McNeel (1994) suggests that higher education may not accomplish moral judgment growth if it is vocationally oriented or where the emphasis is on teaching technical competence with little attention given to broader questions of human values and morality, as is the case in financial planning where much of the education is technically focused and compliance based.

Clients in the current study ranked financial advisers highly on their technical competence ($\bar{x} = 3.5, M = 3, x^* = 3.55$) but lower on their social/ethical awareness ($\bar{x} = 3, M = 3, x^* = 3.37$), as shown in Table 2. Ethical awareness means that a person is capable of recognising when an ethical situation or dilemma exists - it is argued that this is the first step to ethical decision making as one must recognise that an ethical situation exists before they are able to weigh up alternative courses of action and make an ethical decision (Rest, 1986b; Langenderfer and Rockness, 1989). To address the emphasis on teaching technical competence at the expense of ethical awareness, McNeel (1994, p.29) suggests that educational approaches in business should “integrate vocational education with a broader liberal arts focus”. Nino (2014) upholds that business students should be trained to become more socially responsible in organizations that act ethically.

Table 2:  
Financial adviser competence-based skills

<table>
<thead>
<tr>
<th></th>
<th>Time Management</th>
<th>Verbal</th>
<th>Written</th>
<th>Problem Solving</th>
<th>Technical</th>
<th>Numeracy</th>
<th>Social/Ethical Awareness</th>
</tr>
</thead>
<tbody>
<tr>
<td>N Valid</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>19</td>
<td>20</td>
<td>20</td>
<td>19</td>
</tr>
<tr>
<td>Mean</td>
<td>3.58</td>
<td>3.85</td>
<td>3.60</td>
<td>3.26</td>
<td>3.55</td>
<td>3.75</td>
<td>3.37</td>
</tr>
<tr>
<td>Median</td>
<td>3.00</td>
<td>4.00</td>
<td>4.00</td>
<td>3.00</td>
<td>3.50</td>
<td>3.50</td>
<td>3.00</td>
</tr>
<tr>
<td>Mode</td>
<td>3.00</td>
<td>4.00</td>
<td>3.00*</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td>Std. Dev</td>
<td>.902</td>
<td>.745</td>
<td>1.046</td>
<td>1.195</td>
<td>1.146</td>
<td>.851</td>
<td>1.165</td>
</tr>
<tr>
<td>Minimum</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

*Multiple modes exist. The smallest value is shown  
(Likert scale: 1= Very Poor, 2= Poor, 3= Satisfactory, 4= Good, 5= Excellent)

It is evidenced in the findings below that a code of ethics for the financial advice industry and ongoing professional development is a recommended necessity to maintain a trust relationship between the financial adviser and the client.

Client Likert Scale Statements

When ranking the perceived importance of ethical behavior and trust versus technical competence, the five-point Likert scale (1 = Strongly Disagree, through to 5 = Strongly Agree) results from the client questionnaire indicate that clients found their most recent adviser to behave ethically, with a median result of 4 out of 5, and mean of 3.68 out of 5. Client respondents rated the ethical values of financial planners as more important than competence when choosing a financial planner. This is evidenced by Likert scale responses to the statement “More importance should be placed on technical competence than ethical values when choosing a financial planner” ($\bar{x} = 2, M = 2, x^* = 2.43$), as indicated in Figure 3. This supports calls for financial planning education to include mandatory ethics and responsible-decision making classes (Commonwealth of Australia, 2014, 2016b; Conifer, 2015) in addition to technical competence. An additional measure implemented by the government in Australia is to require licensed advisers to sit a “national exam”. This has been introduced as a reform initiative to ensure the sector’s integrity, competence and quality of service standards (February 2017, Press release by The Hon Kelly O’Dwyer MP). Breakey and Sampford (2017) however argue that having a “national exam” in the finance advice industry would not be sufficient to ensure that
practitioners would either be ethical or competent; nevertheless it would raise the standards within the industry, provide safeguards to investors and increase consumer confidence in the sector.

**Figure 3:**
*Technical competence versus ethical values in choosing a planner*

Perceived financial adviser behaviour was also cross-tabulated with organization type (refer Table 3). There were five main ethical behaviours examined in the study: ethical, integrity, dependable, nurturing and benevolent. Superannuation funds received the highest median score ($\bar{x} = 5$) for all five behaviours. Banks received a low median score of 3 for all five behaviors while independent advisers received a score of 4 for integrity and 3.5 for ethical and dependable behavior.

<table>
<thead>
<tr>
<th>Ethical</th>
<th>Bank</th>
<th>Superannuation Fund</th>
<th>Dealer Group</th>
<th>Independent</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrity</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>3.5</td>
</tr>
<tr>
<td>Dependable</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Nurturing</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Benevolent</td>
<td>3</td>
<td>5</td>
<td>2</td>
<td>2.5</td>
<td>3</td>
</tr>
</tbody>
</table>

(Likert scale: 1= Strongly Disagree, 2= Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree)

While it is reassuring that clients generally found their most recent adviser to behave ethically, there is some concern that clients of advisers from banks were more neutral in their responses. Recent reports in the media (Conifer, 2015; Dagge, 2014; Ferguson, 2015; Ferguson, 2016) and the review of four major banks by the House of Representatives Standing Committee on Economics (Parliament of Australia, 2016) regarding questionable ethical behavior of financial advisers in Australia’s largest banks further endorse this concern. These results reiterate the importance of the ethical development of financial advisers on trust in the financial advice environment. Steen et al. (2016) support this and the requirement for advisers to meet higher mandated educational requirements. While the Likert scale results showed that clients generally found their financial adviser to be ethical and possessing the necessary financial and technical competencies, it also revealed that there were still some doubts when it came to trusting
advisers from banks. Likert scale results are further supported by the findings of client interviews and free responses conducted as part of the study.

**Client Interviews and Free Responses**

Qualitative analysis of clients’ free responses from the questionnaires revealed some negative sentiment with regards to how clients perceive the ethical behavior of financial advisers. For example:

- **It is a culture of greed sponsored and glorified by the insurance companies and banks sucking money by stealth out of old people pockets.** [Client 07]
- **We find most financial advisers act with more self-interest in products offered and are rarely proactive in advising market trends.** [Client 18]
- **My previous financial adviser was responsible for very bad financial and professional advice. Their engagement process and advice has given me a high distrust of the industry as a whole.** [Client 30]

Client interviews also suggested that qualifications were associated with ethical behavior of an adviser:

- **So I probably wouldn’t deal with him if he didn’t have those qualifications. We knew that he had the Degree, etcetera, when we first met him.** [Interviewee 106]
- **We wouldn't go to anybody who wasn't qualified.** [Interviewee 102]

In the interviews, clients were asked to describe what ethical behavior means to them, in the context of financial advising. While some clients commented that they would not deal with an adviser that they believed to be unethical, others differentiated between following the law and ethical responsibility, as evidenced by the following examples:

- **I think morality, trust and ethics go hand-in-hand, and I think as far as ethics go, it could be prescribed rules that somebody has and you have to follow - that’s the ethics of the company. But in saying that, you have to have the right morals to follow the ethics of the company. I don’t know how to explain it, but I think it’s the whole package. It’s easy for a company to have a standard outbreak of procedure and say these are the company’s ethics and this is what we stand for and this is what we were aiming at, but it’s the person that’s putting it into practice that makes contact with the client and has to stick to the ethics.** [Interviewee 101]
- **Well, I think that someone ethical needs to have proper morals and scruples, be qualified, be forthright, not lie or deceive in any way, be open to any questions you have and answer them truthfully and look after your interest to the best of his ability... You’d like to think that someone ethical is trustworthy but I’m sure that there are still people that make mistakes.** [Interviewee 102]
- **Here’s what I think, the application of moral standards to behavior. Not legal obligations, but what is morally right or wrong, and all the shades of grey in between. So the difference between then legal compliance and ethical responsibility is that legal requirements require that a business or a planner follows the letter of the law; that is the prescribed standards of behavior. Ethical responsibility sees the financial planning meeting - all their legal obligations - and taking it further by following the intention and spirit of the law.** [Interviewee 105]
- **If there was any unethical behavior then I would lose all my trust. I would lose all of it because I’m thinking if you aren’t ethical in one part of your life then it affects the rest of it. So I couldn’t - it would probably break the relationship.** [Interviewee
This sentiment was further supported by clients who provided examples of where they had ceased using a previous adviser as they believed them to be unethical:

- **The first 20 minutes, as I said he was very perfunctory and sort of why are you wasting my time sort of concept, until I mentioned that it was a seven figure sum that I'm looking after. That got his attention, but that really annoyed me. I thought, I said to him, I'm sorry, I'm not going to continue. Politely, I didn't tell him why. But that annoyed me that he was only interested once he found out that I had a substantial amount, and I found that completely and utterly - well I just regarded that as well poor business practice. You never know who's coming in through your door. But secondly, I thought he's not acting to the highest ethical standards.** [Interviewee 105]

These client interview findings highlight three main issues in relation to the perceived ethical behavior of financial advisers. The first is that clients expect financial advisers to demonstrate ethical behavior that goes beyond the legal requirements. Secondly, a small sample of the clients interviewed had experienced first-hand, what they perceived to be unethical behavior of a financial adviser. Finally, while clients acknowledged that policies, procedures and legislation were important to encourage ethical behavior, they also acknowledged that such behavior must exist at the individual level of an adviser and that education plays an important role in developing this. These responses are further supported by interview and free responses from financial advisers.

### Financial Adviser Interviews and Free Responses

Qualitative analysis of advisers’ open-ended comments and interviews found that advisers had genuine care and concern for their clients and often provided extra services to clients for which they were not remunerated. For example:

- **Acting in the best interests of clients is paramount.** [Adviser 497]
- **Many like me receive no payment or recognition for ensuring that our aged clients’ utility bills are paid, home insured and tax returns completed.** [Adviser 1694]

Advisers generally agreed that education and work experience, along with interpersonal skills, empathy, impartiality and fee disclosure were important in providing the best service to clients but felt that over compliance was a burden to them carrying out their role effectively. This suggests that a rules-based approach to regulation of the industry may in fact undermine the exercise of professional judgment of the adviser and thus discourage decision making that is more principles-based.

In addition, while advisers saw themselves as ethical, like clients, they also considered that a few rogue advisers, along with the media had damaged the reputation of the advice industry:

- **It takes one rogue adviser to bring down a group through perceived association.** [Adviser 12]
- **Honest people always put their clients first but as with any industry always small proportion who don’t.** [Adviser 199]
- **We continuously are branded with the same stigma as those who have entered the industry and wronged clients.** [Adviser 1694]
- **Obviously there are some crooks in every industry, so we will always have a percentage of people who will do terrible things, and it doesn’t matter how much you regulate, or try to regulate, it’s not going to stop, it’s just human nature.** [Interviewee 9]
- **…there are always going to be the odd shoddy person out there. The odd shark.**
That’s the case in any industry. [Interviewee 2]

- We feel that companies that really did terrible, and terribly immoral things, are still working much the same way as they always worked, and that’s not a good thing. [Interviewee 9]

These concerns were also supported by comments regarding the sales culture of some advisers, for example:

- Some current planners in the industry (who) have come across from a sales background and are just in it for a quick sale ($) and are not really concerned about the long term financial health of a client. [Adviser 327]

The qualitative responses from financial advisers suggest that the majority of financial advisers behave ethically but also that there have been a small number of rogue advisers that have behaved unethically and caused particular concern, supporting the interview responses from clients. Unfortunately it is the unethical behavior that has been widely publicized in mainstream media while the ‘good news’ stories of how financial advisers have helped their clients lead more fulfilling lives has been neglected. Nonetheless, efforts by the government and professional bodies to rid the financial advice industry of such behavior are needed to restore public trust and to ensure that all consumers are protected from receiving advice that is against their best interests.

Conclusion and future research

The overall results from this comprehensive study address the ethical behavior of financial advisers and support the reform changes in Australia outlined in the Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 (Commonwealth of Australia, 2016b) to improve education and professional standards in the financial advice sector in Australia in an effort to rebuild trust and confidence in the financial advice industry. Further research is now required to assist the government to implementing this legislation and to measure the success or otherwise of their adoption.

The current study revealed that the majority of financial advisers in Australia behave ethically, however both clients and advisers alluded to the fact that there are some rogue advisers who potentially behave unethically and give other more ethical advisers a bad name. While policies, procedures and legislation were noted as important to encourage ethical behavior, respondents also acknowledged that such behavior must exist at the individual level of an adviser and that education plays an important role in developing this. Furthermore, the research provides insight to practitioners as to what clients perceive to be ethical and competent conduct.

It can be concluded that there is a need for financial advisers to adhere to a code of conduct as well as consider the implications of unethical behavior and consequences thereof on their clients. Incorporating ethics in the curriculum of business degrees was identified by scholars (Steen et al, 2016 and Oates and Dias, 2016) as a means of preventing unethical behavior. Future research of a longitudinal nature could investigate whether there is a correlation between formal ethics education and the ethical behavior of financial advisers in Australia. Furthermore, the evaluation of best practice implementation of ethics in business school curricula could become a target for future researchers.

This paper has addressed the rhetoric paradox of ethics in financial planning by using empirical evidence to prove that ethics does in fact exist in financial planning and that it is not a myth as mainstream media would have one believe. Nevertheless, findings support the recent reform agenda in Australia. Whether this reform is successful in culling rogue advisers and rebuilding trust and confidence in the financial advice industry is yet to be realized. To gain a more in-depth perspective on the ethical behavior of financial advisers, a cross cultural study might also provide some fruitful results.
Acknowledgements

This article was developed from the author Michelle Cull’s PhD dissertation [Cull, M. (2015). *The role of trust in personal financial planning*. PhD Dissertation, University of Western Sydney, Digital Thesis Database Repository].

Ethical approval: All procedures performed in studies involving human participants were in accordance with the ethical standards of [insert institution name] Human Research Ethics Committee (HREC) and the National Health and Medical Research Council (NHMRC) in Australia, and with the 1964 Helsinki declaration and its later amendments or comparable ethical standards. Informed consent was obtained from all individual participants included in the study.

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