

A new generation of "responsible" financial planners

by Gaetano Megale, member,
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A number of challenges to consumers of financial services emerged in the early years of the 21st century. New individual responsibilities arose as a result of the global economic crisis, demographic changes and increased market complexity. To a larger extent than ever before, individual welfare has become linked to personal choices. In this environment, professional financial consulting is an essential strategic element for individual growth and social development alike.

The role of a personal financial planner includes a number of critical aspects, not least due to the multiplicity of professional definitions and services. Laws and regulations produced by public authorities are not always helpful. They define general rules and behaviours, but allow for different interpretations of the personal financial planner's role. Regulations can therefore cause confusion for consumers trying to understand the distinguishing characteristics of different professionals.

Moreover, multiple role definitions are linked to industry and market fragmentation: insurance, credit, investment and retirement professionals have different and sometimes inconsistent cultures, competencies, methodologies and education.

This wide offering is not always beneficial to consumers. It may be preferable that consulting services include all aspects of the subject's lifestyle in a holistic approach. Secondly, customer solutions should be produced in an integrated and efficient manner, using all available tools on the market. Multiple offers may be misleading, creating difficulties in choosing a competent professional.



Supporting individuals and families

ISO 22222:2005, *Requirements for personal financial planners*, can help to address these problems. The standard was developed by a pool of experts drawn from 17 countries, to define a common framework for professionals providing personal financial consulting to families and individuals. The objective of ISO 22222 is that personal financial planning truly supports consumers in reaching individual and family goals. The standard specifies the required planning methodology, ethical behaviour, competence and professional experience of financial planners, including criteria for evaluating conformity and specifying requirements.

The standard delineates six steps in the personal financial planning process that can be periodically repeated:

- Establishing and defining the client/planner relationship
- Gathering client data and determining goals and expectations
- Analyzing and evaluating the client's financial status
- Developing and presenting a financial plan

- Implementing financial planning recommendations
- Monitoring the financial plan and the financial planning relationship.

Consulting support addresses all family needs, including insurance, investments, credit, real estate and taxation. These aspects must be analyzed, evaluated and planned with an integrated approach. Consultants must follow detailed processes to ensure consistency with the client's requirements, and provide a written report for each step.

For each of the six operating steps, ISO 22222 defines a detailed map that identifies aspects necessary for the effective delivery of personal financial planning services. This may be seen as a structured array of knowledge, capacities, abilities and attitudes. The map is articulated on various cognitive levels: knowledge, understanding, application, analysis and evaluation. Definitions and methods for evaluating competencies are provided, both for the present and for future maintenance and development. In this way, it is relatively easier to maintain consistent educational patterns.

Finally, the standard advises on how to acquire experience, as well as on



requirements for its evaluation. With quality in mind, ISO 22222 defines the roles of personal financial planners, creates transparency on delivered services and helps to describe consulting contents, according to formal law and regulation. Moreover, the standard offers an orientation frame-

work for an effective response to the fast-growing needs of global markets.

Individual and social benefits

ISO 22222 has a variety of applications. For consumers, the standard can represent:

- Protection of self-interest, as the standard enables monitoring of unprofessional behaviour by operators
- Effective cultural evolution regarding management of individual wealth, which should result in improved trust towards industry
- Better comprehension of roles and responsibilities of all stakeholders involved in the consulting process, which may prevent misunderstandings.

For operators, ISO 22222 can be a powerful tool for personal development, offering immediate recognition by consumers and improved business opportunities. The standard can assume multiple functions:

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- It can be used as benchmarking tool for verifying conformity through measurement of shifts versus assessable requirements, as well as for verifying conformity versus past situations or similar organizations
- It can encourage the acquisition of a real competitive advantage, both in terms of reputation and customer loyalty.

Moreover, looking at corporate social responsibility programmes, the standard may be seen as a formalized set of expectations widely accepted throughout society. In this sense, ISO 22222 can represent an effective meeting point for all stakeholders, becoming a tool for the development of a common and recognized consulting culture. An example is the production by UNI (Italian National Standards Body and ISO member) of a

suite of linked national standards providing guidelines for the application of ISO 22222, as well as a technical report for providing and monitoring personal financial planning services, and consumer guidelines for choosing a personal financial planner.

Members of these working groups come from consumer groups, operators and brokers, universities, and consulting, research and certification companies. Discussion and expertise exchange among all stakeholders brings value and effective results.

Generic consulting

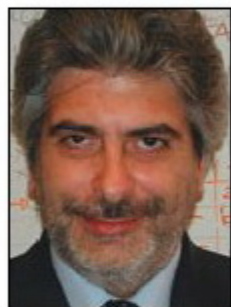
Current international trends, amplified by the recent financial crisis, are generating a re-focusing of financial consulting in all industry sectors. Recognizing the social role of personal financial planning as an effective and efficient strategy for developing the financial capacity of consumers is vital.

Various governments identify “generic consulting” as the main method, defined by the UK Financial Services Authority as “*Services and tools that use information about individuals' circumstances to help them to identify and understand their financial needs and to plan their finances. Generic advice helps consumers to identify: a. choices and possible priorities for action which are appropriate to their needs; b. how to take the next steps in addressing their priorities; and c. how to access other relevant sources of information and advice*”. This does not necessarily involve a specific recommendation for a financial product or service.

ISO 22222 can also be used as a valuable framework for defining quality requirements to be used in consumer financial education.

ISO 22222 opens new scenarios for renewed international discussion, and for producing additional voluntary and common technical tools. Our hope is that new markets and stakeholders will fully exploit the potential offered by ISO for further improvement of financial sector processes related to transparency and professionalism, and for consistent affirmation of the social relevance of personal financial planning. ■

About the author



Gaetano Megale is Chairman of Progetica, an independent consulting firm based in Milan, Italy, providing culture, models, tools and educa-

tion on insurance, retirement, credit and investments. He is a member of the UNI (*Ente Nazionale Italiano di Unificazione*, ISO member for Italy) services technical committee. Mr. Megale is Project Leader of ISO 22222 adoption in the Italian (UNI) work item, *Guideline to application of ISO 22222 – Terminology, classification and service requirements*.