

# HALF OF SOUTH AFRICANS ARE FINANCIALLY ILLITERATE



## Here's why the professionalism of financial planners is so important

In a world replete with scammers, fraudsters and professional imposters, what does it mean to be a standout financial and investment advisor?

What's the gold standard in financial planning, and why does it matter?

According to Cornerstone Performance Solutions CEO Dr Derek Shirley, the right mindset can set the tone for a flourishing career as a financial advisor, as well as establish an industry standard for professionalism in the world of finance, insurance and investment. It also impacts those who matter most: the clients who depend on insight and advice from qualified professionals.

Only 6% of economically active South Africans will be able to retire comfortably when the time comes, according to a recent study by the Association for Savings and Investments in South Africa (ASISA), with other statistics suggesting that even 6% is a generous overestimate.

While ASISA's study partly attributes these worrying statistics to the economic downturn facing South Africa, it doesn't rule out other key contributors like mounting debt, inadequate savings, and a severe lack of financial literacy. In fact, it highlights that more than half of South Africa's adult population are financially illiterate.

Against this backdrop, Cornerstone Professional Solutions (CPS) CEO Dr Derek Shirley considers how South Africa's retirement statistics could improve if more people had easy access to ethical and professional financial planning.

Shirley believes the key to a flourishing financial plan lies in improving financial acumen and decision-making among South African consumers. Coupled with the upskilling and professionalisation of a new influx of financial planners, improving public access to advisory services could sweeten South Africa's bottom line, easing the burden of debt and the effect of poor financial planning on the country.



However, there are not enough professional financial planners in South Africa, and certainly not ones qualified enough to boast a thriving client base. This impacts directly on our society's financial wellness, which is why our country needs a fully representative and widely distributed group of professional financial planners, says Shirley.

He adds that financial planning services need to be made equally



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accessible to all races and demographics across the country. Traditionally, access to financial planning services in South Africa has been skewed in favour of privileged people in urban areas, a historical imbalance that needs to be rectified.

"If you're wanting to invest and plan your retirement, there's less of a chance that you'd have access to these types of services if you're a black rural person in South Africa than if you are a white urban citizen. This is why we need a community of professional educators committed to teaching both rural and urban areas about finance in a professional and ethical manner in line with international standards," says Shirley.

## Retaining high-performing financial advisors

To mitigate chronic financial illiteracy across South Africa, Shirley and his team at CPS have identified solutions to several challenges in the financial planning sector, starting with the sourcing and screening of potential candidates, and ending with a flourishing pipeline of professionalised financial planners and insurance advisors.

"Dealing with the various challenges of advisory firms and brokerages goes beyond product and systems training. What's needed is the retention of a competent, high-performing workforce of advisors who are compliant with the Financial Advisory and Intermediary Services (FAIS) Act and can manage their own portfolio and meet their client's specific needs," notes Shirley.

But in a South African context, not only is there a dearth of skilled and professionalised financial planners, there's also a large pool of clients seeking financial advice who have almost no financial education themselves.

"A trusted advisor should be able to educate and empower their client to make informed, rational choices, because that's what trusted advisors should be doing," says Shirley.

It's with this in mind that the team at CPS is so passionate about training financial planners and advisors to develop a professional mindset over a product mindset.

## Professional mindset > product mindset

The National Credit Act made it illegal for banks and credit service providers to push credit products on their customers regardless of affordability.

In much the same way, the FSCA (Financial Services Conduct Authority), the FAIS Act, and the FAIS ombudsman were tasked with controlling, constraining and diminishing the prevalence of the product mindset among service providers in the industry.

It's for this reason that CPS is geared to professionalise a new-generation customer-centric workforce that focuses on the client's financial wellness, instead of selling products for the sake of commission.



CPS gives advisors new skills that go beyond the basic knowledge of products and systems. You still need to know all those things, but only focusing on product training doesn't set you up for success as a trusted advisor," asserts Shirley.

He adds that many new financial advisors find themselves in a double bind, pushing product to get commission because they're not getting a basic stipend and need to make ends meet. The short term goal is clear, but it's not a sustainable way of retaining happy and loyal clients, or of building the type of professional workforce that the country needs.

"Successful financial advisors build a loyal client base over time by actioning things that aren't merely in their own interest," says Shirley, highlighting the first of five key factors that comprise a professional mindset.

## The 5 Factors of a Professional Mindset

### Factor 1: Have your client's best interest at heart

Changing your mindset as a financial planner is key. If you're only doing your job to sell a product and earn a commission, you're still in a product-focused mindset, which doesn't have the client's best financial interest at heart. Again, this is not sustainable in the long term. As a financial planner, any success that your client sees is mutually beneficial for you, and the product owner.

### Factor 2: Understand the ins and outs of the world you're operating in

You will never be a successful financial planner or advisor if you aren't knowledgeable about the products and systems you're operating with. In addition to taking a customer-centric approach, having the right grounding of technical knowledge will help you understand the industry landscape, giving you a map to financial success.

### Factor 3: Configure a clear route forward (with your customer in mind)

A professional financial planner needs to acquaint themselves with their client's financial goals. They also need to have a clear idea of their client's current financial situation and take note of any investment constraints. Once they've ascertained the client's current standing, they then need to take action by mapping out a clear route forward based on the goals and

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the needs of the client. A good advisor will know what your financial wellness goals are, and they will only sell you products that support those goals.

## Factor 4: Invest in mutually beneficial results

Product pushers only get personal results in the short-term, whereas professionally-minded, customer-centric advisors see sustainable results that benefit their client, the advisory firm or brokerage they're contracted to, and themselves.

Shirley reminds candidates: "You need to solve a problem for the client first before you solve any issues that you or your product supplier is facing. It's an act of faith: you ultimately

succeed financially when your client succeeds financially."

## Factor 5: Shift your paradigm

Professionalism is not a given. You don't become a trusted financial advisor or planner overnight. This is something that takes time. And that's why there's a need for Continuing Professional Development (CPD), which is critical to ensure long-term financial stability.

## Transforming individuals and organisations

Dr Derek Shirley believes that learning and development in any

workspace is best supported by solutions that transform individuals and organisations. This is where CPS comes in.

"We provide a single-source solution that can help you optimise your advisor training in a multitude of ways. We can help from a funding point of view, as well as assist with candidate sourcing, CPD points, and learning throughput."

**CPS's goal is not only to raise the bar of financial literacy in South Africa, but also to impart theoretical knowledge while developing students' practical skills and providing contextualised workplace experience for sustainable financial growth.**

Reference: <https://www.fanews.co.za/article/retirement/1357/general/1358/retirement-in-crisis-addressing-financial-stress-among-the-middle-aged-population-in-south-africa/38466#:~:text=According%20to%20a%20study%20by,are%20going%20to%20retire%20comfortably>

A large blue banner with white text and a white curved shape in the bottom right corner. The text reads: "JOIN THE REVOLUTION. UPSKILL YOUR FINANCIAL PLANNING AND INSURANCE TEAMS TODAY. Email info@cps.co.za or call 011 789 1957 to find out more about our 12-month Certified Financial Programmes. CPS. Your gateway to Certified Trusted Financial Advisors." Below the text are several raised fists of various skin tones. The CPS logo is in the bottom right corner of the banner.

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The logo for CPS (Certified Financial Planners) features a stylized smiley face with a blue dot for the left eye and a yellow square for the right eye, above the letters 'CPS' in a bold, purple font.