

Benefits of a Specific Paraplanner Qualification
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According to a recent study by NMG (in association with theparaplanner.com) 27% of the interviewed paraplanners have RDR (Retail Distribution Review) level qualifications. The study identifies a “clear hunger for advanced knowledge”.

This high level of qualification and thrive for knowledge is positive as it promotes professionalism throughout the financial planning industry and improves the quality of financial advice provided to customers.

However, at present most independent financial advisers (IFAs), paraplanners and administration staff study towards the same qualification and the question is whether the financial planning industry would benefit from different qualifications for different roles.

This essay looks at the benefits of a specific paraplanner qualification as opposed to one qualification for everyone. It discusses the, in my opinion, most important advantages and is not meant to be all-encompassing.

Promoting paraplanning as a career path

Within the financial planning industry, there is currently no consistent understanding of the paraplanning role. Definitions range from

“A relatively new position within the financial planning industry that involves the performance of the administrative duties of a financial planner.” (answers.com)

over

“Paraplanners do most of the grunt work (preparing plans and reports) for financial planners.” (investopedia.com)

to

“A ‘paraplanner’ could not only be expected to work alongside a financial planner but also offer expertise that will complement the adviser’s own knowledge and experience”. (Justina Williams, evolve consulting, in Financial Planner).

Paraplanning is often considered a stepping-stone to becoming an IFA. However, according to the NMG study mentioned above this is only applicable to 22% of the interviewed paraplanners, whereas 55% regard paraplanning as their career path.

A specific qualification for paraplanners would in my opinion facilitate the promotion of paraplanning as a career for the following reasons:

- The contents of the qualification would define the role more accurately.
- A specific qualification would increase awareness of the role, hence; facilitate recognition of the paraplanning career within the industry.
- A specific qualification enhancing paraplanners’ skills and increasing their technical knowledge would raise the importance of the role – for the paraplanners themselves as well as for IFAs and employers.

Tailoring the contents of the qualification to the specifics of the paraplanning job

The Greek prefix “para” can mean “besides” as well as “beyond” and I believe both translations suit the paraplanning role as a paraplanner works alongside an IFA but can also contribute skills which complement the skill set of an IFA. Though the roles of IFAs and paraplanners are complimentary and there are certainly overlapping areas, they can differ significantly and the study material / exams should reflect these differences.

For example, both, IFAs and paraplanners require technical knowledge; however, IFAs need a very broad knowledge, which they can utilise to identify their clients’ needs and to find solutions for their clients’ financial objectives, whereas paraplanners need more detailed technical knowledge and should focus on analytical tools as well as in-depth analyses of investment performances, charging structures, taxation and products.

Furthermore, according to the NMG study mentioned above, paraplanners typically have a different academic background than IFAs – 43% of the interviewed paraplanners hold a university degree as opposed to 24% of the questioned IFAs. Identifying the reasons for these differences would go beyond the scope of this essay. Nevertheless, it identifies that paraplanners tend to have analytical skills and a specific qualification could build on this existing capability.

One might say a different paraplanning qualification would complicate the career path for paraplanners aiming to become IFAs in the long term and I believe this is a valid argument. However, an individual with the career objective of becoming an IFA could decide to study towards the IFA qualification instead of the paraplanning qualification whilst working as a paraplanner.

Furthermore, as there are overlapping aspects to both roles, the first level of both qualifications could be identical. For example, CF1 – 5 could be obligatory for both, IFAs and paraplanners, as these exams are the basis for technical knowledge required for both roles.

A set of rules could be developed to allow for points from one qualification to be transferred to the other qualification. Nevertheless, as described above there are differences to the roles and qualified paraplanners aiming to become qualified IFAs – or vice versa – should therefore be prepared to pass further exams covering the non-overlapping topics.

In my view, the argument that a specific paraplanning qualification would complicate the career path for paraplanners aiming to become IFAs should not prevent a specific paraplanning qualification. It rather emphasises the necessity for thorough planning of the future qualification system. In addition, it will help individuals to define their career path as they will have to decide which qualification to obtain.

Increasing quality within the financial planning industry

Building on the above-mentioned advantages, a third benefit of a specific paraplanning qualification could increase quality of advice and efficiency within the financial planning industry.

If the paraplanning role becomes more defined as a career, combined with a clear qualification path, paraplanners will feel more appreciated in their role and this could attract additional skilled individuals to the paraplanning career. This could raise the overall quality of advice provided by the industry.

Furthermore, a qualification tailored to the specifics of the paraplanning role would increase expertise and improve the standard of their work. It would equip them with the tools to add value to financial advice provided to a client and if IFAs and paraplanners each focus on their specific skill set, efficiency within the industry could rise.

In summary, a specific paraplanning qualification would add significant value to the paraplanning role and be of enormous benefit to the financial planning industry – and it would satisfy some of the identified “hunger for advanced knowledge”.