

Creating the next-generation ‘professional’

Paul Smith of CFA Institute discusses the future of investment management under the scrutiny of regulators, and explains why moving towards higher professional standards is beneficial to everyone.

The future of investment management continues to take shape under the watchful eye of regulators. As a result, Paul Smith, president and chief executive officer of CFA Institute, says far-reaching changes are needed to restore trust and value within the profession of wealth management.

This is essential given that asset growth in Asia is higher now than ever. There

growth in AUM – to rise from the current USD75 trillion to USD100 trillion in the next seven to eight years. “Bizarrely, we have never as a profession been more needed than we are today,” says Smith. “We have never been less respected as a profession than today.”

THE NEED FOR EXPERTISE

Smith believes that fundamental trust plays a role in the growing distance

“Bizarrely, we have never as a profession been more needed than we are today. We have also never been less respected as a profession than we are today.”

is an expected 180% increase in the middle class between now and 2040, he explains, as well as 6% compound

clients are creating between themselves and their advisers. He questions whether advisers are capable of making



PAUL SMITH
CFA Institute

[Link to Video](#)

[Link to Speaker Biography](#)

what the client wants happen, and also whether the fees that they charge are even justified.

Another contributing factor to all of this is regulation.

However, Smith says regulators are only acting on the pressure they've received from the public, and will only continue to sharpen their spotlight until the issue of trust can be solved.

"If we are to be able to improve our business then we need to make some changes," he explains.

"These changes should cut towards this issue of trying to re-establish our contract with our clients and to establish ourselves as true professionals."

Wealth managers are not generally trusted by clients or regulators, and these trust issues leave a distinctive need for change in the current way things are being done.

"Trying to prove our value proposition to our clients is actually much more complicated for us than it is for other professionals," he explains.

He says wealth managers today need to be aware of the need to work harder to continue to prove to their clients that they are professionals.

THE FUTURE OF INVESTMENT MANAGEMENT

To change the way the profession is viewed, Smith believes three things need to happen.

Secondly, wealth managers need to become more diversified.

"If we're going to change the outputs or the results of our profession, then we need to also change the input," explains Smith.

The industry is therefore less attractive to many young professionals because its brand image is known as being self-centred around creating wealth for personal gain.

Thirdly, people need to be focused on acquiring the right credentials to be true solutions providers.

Smith says he finds wealth management to be a poorly-educated profession.

He believes the importance of continuing professional education needs to be made a priority by advisers.

Firms need to adapt in these ways if they are to be successful.

This will result in institutions being more knowledgeable, client centric, ethical and diverse in every sense – providing clients with solutions that are appropriate and priced fairly. ■

"The industry is less attractive to many young professionals because its brand image is known as being self-centred around creating wealth for personal gain."

WHAT MAKES A PROFESSIONAL?

Although people in the financial services industry are fond of declaring themselves as professionals, Smith says that at the end of the day a profession is not declared by its practitioners, but instead by society.

In his view, private wealth advisers today are a long way from the point at which they have reached professional standards that, for example, a lawyer or doctor would be held to.

First, wealth management institutions need a new business model that creates a fair way for advisers to get paid and recommend the best advice and products to their clients.

The intention of a profession is to sell a solution and service, not to sell a product, he adds.

However current business models are based around transactions rather than being solutions focused.

**Other event content -
click on these links below
to access more**

[Video highlights](#)

[Photos](#)

[Wealth TALKS](#)

[Agenda](#)