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PERSONAL FINANCIAL PLANNING IN POLAND AGAINST THE BACKGROUND OF INTERNATIONAL EXPERIENCE

Summary: The objective of this article is to present a profession personal financial advisor in Poland against the background of an international perspective (the USA, the United Kingdom and the EU). The main hypothesis of this article is as follows: personal financial planning in Poland is developing area and its role will be growing in the future, especially in the pension, investment, insurance and credits area, but this growth will depend on the growth of economic and financial literacy, the enrichment of Polish society and the creation of public confidence towards the personal financial advisor profession. The auxiliary hypothesis of the article is as follows: the main barriers in the development of the financial advisor profession in Poland are low financial knowledge/financial literacy, lack of awareness in the benefits of personal financial planning and advising, reluctance to pay for professional financial advice, low savings rate and lack of regular savings habit and the low level of advice services' market regulation. Verification of the hypothesis will base on literature study and own study executed among independent personal financial advisors.

Keywords: personal finance, household finance, financial literacy, financial advisor.

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1. Introduction

Although households are a very important and the most numerous sector in the economy and state, the financial system (banks and other non-depository financial institutions) and companies' theoretical and practical interest in household finance, also called personal finance[1], is much smaller than in the case of finance other than the above listed three sectors. Decisions made on a microeconomic level influence savings and consumption level on a macroeconomic level that are the main factors of the GDP rate of growth. Due to demographic, social, cultural, economic, regulatory and technological changes and trends, the personal finance management process in

[1] In literature there are specified differences in notions of household finance and personal finance, but in this article they will be used alternatively. More [Świecka 2011].

the future will be more common and gaining in importance. Decision-making in the household finance area can be done individually, but it requires both time and adequate financial knowledge and experience or can be done with the participation of a professional called a financial advisor or financial planner. The origin of this profession is the USA, where in the early 1970s an initiative was undertaken by 13 people under the direction of Loren Dunton. This resulted in the creation of financial advisors with CFP (Certified Financial Planner) certificate movement connected with education, certification, lifelong learning and observing an ethical code [Brandon, Welch 2009].[2] In 1985 The American system of education, certification and association of personal financial planners was adopted in the United Kingdom by founding the Institute of Financial Planning (IFP). It started the international expansion of this certification and educational system. In Poland personal financial planning and personal financial counselling are at the early stages of development, because of Polish poor financial literacy, the lack of long-term savings habit, lack of professional regulation, financial supervision by a central body, and the obligatory standard of consumer and ethical code. The issue of personal finance in Poland is still gaining importance among economists and a few empirical studies in this area have been conducted.[3]

2. Personal finance as a discipline of finance and its growth factors from financial system and households

Personal finance as a discipline of finance is relatively new, but it is growing rapidly (still new subdisciplines of personal finance are being created – behavioural finance, nanofinance, neurofinance). Personal (household) finance as a private finance subdiscipline means the processes and phenomena connected with collecting, dividing and spending money by a household as a whole or individual household participants. Additionally, the management of personal finances is a process of planning in consumer spending, investment and fundraising (financing) in order to optimize the financial situation of the household (or an individual) and should be a habit. The Certified Financial Planner Board of Standards in the United States provides a broad definition of financial planning. This definition explains financial planning as a process of determining how to best meet one's life goals through the proper management of finances/resources (*Financial Planning Process,* CFP). A more comprehensive definition is provided by Warschauer: financial planning is a process that takes into account the client's personality, financial status and the socio-economic and legal environments, and leads to the adoption of strategies and use of financial tools that are expected to aid in achieving the client's financial goals

[2] More about the origin of a personal financial planner: [Dunton1986].

[3] By the end of 2013, three postdoctoral works directly related to household finances were published in Poland (in chronological order): [Smyczek 2007; Świecka 2009; Fatuła 2010].

[Warschauer 2002]. Decisions in the context of personal financial planning can have a long-term horizon (investment, financing, securing capital) or short-term secured liquidity associated with the household (short-term investing and financing) [Jajuga 2013]. Depending on the financial goals there are a few types of financial plans – money management plan (called budget planning or budgeting), savings plan, investment plan, liability plan, housing plan, insurance plan, retirement plan and estate plan [Koh 2012].

The aim of a household is to meet the needs of individual household members, as well as the collective needs at the highest level. Personal finance management enables the realization of these objectives. Furthermore, personal financial planning has its own financial goals that correspondent with the household life-cycle stage (protection, accumulation and distribution phase). Financial goals should be realistic, precisely defined and cover a wide range of financial aspirations: controlling day-to-day expenses, meeting retirement needs, setting up a savings and investment program, minimizing taxes, and being financially independent [Gitman, Joehnk, Billingsley 2013]. Financial goals should have time for achieving them [Madura 2010].

Table 1. Reasons for the role of personal financial planning and advising increase

FINANCIAL SYSTEM		HOUSEHOLDS
The changes taking place in financial intermediation: • Diversification of financial services offered • Differentiation of institutional financial intermediation (formation of universal financial intermediary) • Financial innovations • Intensifying competition on the financial services market • Strategies based on value creation for the customer, e.g.: bank advising, open architecture product • Lean management strategies – bank outsourcing • Advisory orientation of financial institutions as a challenge in the future for their business and part of the new paradigm in financial sciences	INCREASING ROLE OF PERSONAL FINANCIAL PLANNING AND ADVISING	The changes taking place in households and their finance: • The increase in the number of new bank account users • Increasingly widespread use of innovative financial instruments • Lack of sufficient knowledge and time to compare financial offers • Increase of financial awareness in the consciousness of personal finance management • Increased awareness of the risks and the need to manage them • The increase in households' wealth and net financial worth • The increase in households, debt • The need to collect pension capital (demographic changes, more and more childless families and 2+1 model families)

Source: own study.

The origination of a new subdiscipline in financial science is connected with new conceptual instruments. New notions of personal financial planning, such as disposable income, passive income, personal balance sheet (household assets and liabilities), personal cash flow (personal budget), household net worth, household financial net worth, personal financial plan, are still being created.

There are reasons connected with the changes taking place in the financial system and in households (Table 1). The increase in the importance of personal finance management in the future will be due to the following reasons:[4]

- Financial markets development.
- Financial innovations creation and the ever-growing advancement of financial products.
- Increase in well-being of many societies.
- State pensions system's insufficiency needing voluntary saving for retirement needs.
- Specialization in financial professionals leading to the creation of the personal financial planner profession.
- Growth of importance of risk assessment and management of household activity.
- Increasing financial awareness, literacy and knowledge of modern societies in developed and developing countries.
- Change in the approach of financial institutions towards the customer – the new model of activity is based on customer value creation by meeting needs.

3. Personal financial planning process and the role of the financial advisor in increasing its effectiveness

Personal financial planning is a process that literally incorporates all items of financial interest to an individual. The most common areas are [Altfest 2004]:

- tax planning – minimizing taxes,
- cash flow planning – savings and spending policies,
- investment – efficient deployment of resources for the future,
- risk management – incorporation of insurance and other practices to establish and limit household exposures to uncertainty,
- retirement planning – life cycle planning for the period in which work-related income ceases,
- estate planning – organizing finances with respect to other household members and other people and causes, most typically, for the period beyond the death of the asset holder.

Despite the rapid development of personal financial planning, it was not until 2005 that the international standard ISO 22222 for the process was created. The process consists of 6 repeatable steps (Fig. 1).

[4] See [Jajuga 2008].

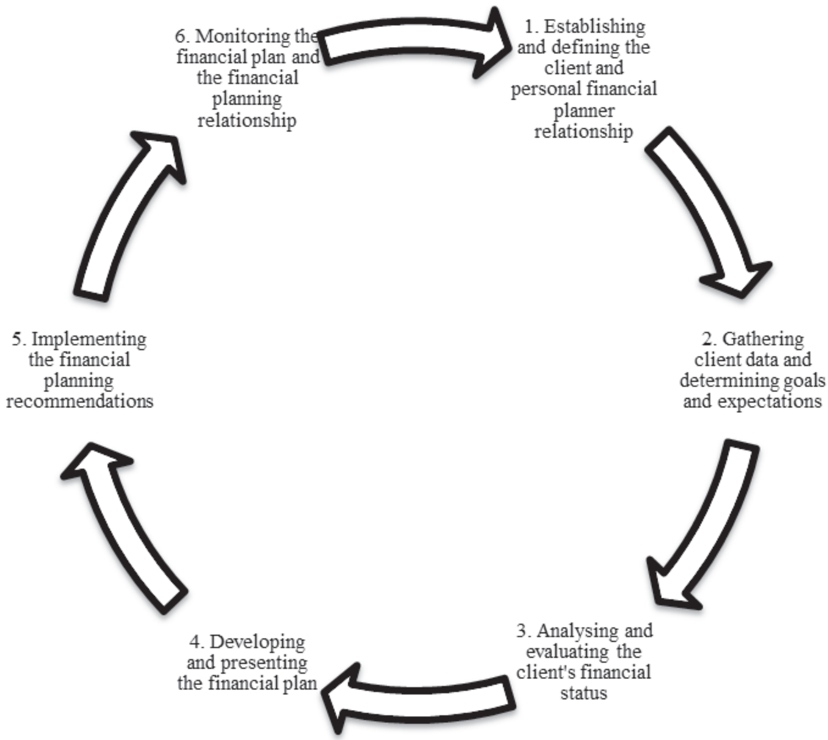

Fig. 1. Steps of personal financial planning process

Source: [*Personal financial*…].

ISO defines a personal financial planner as an individual who provides personal financial planning service to clients and who meets all the requirements in terms of ethics, competence and experience stipulated by this international standard. ISO 22222:2005 was created with the objective of achieving and promoting consumer confidence by providing an internationally agreed benchmark for a high global standard of personal financial advice. This standard specifies the requirements and provides a framework that applies to the ethical behaviour, competencies and experience of a professional personal financial planner regardless of their employment status. The support of a high level benchmark of best practice requires [Internet 14]:

- Ethical behaviour and financial planning.
- Information security, client confidentiality and data protection.
- Risk management.
- Continual improvement.

A very important aspect of financial planner activity and standard of independence is the method of remuneration. Financial planners can earn in four ways: commission-only, fee-based (up-front fee and commission from financial institutions), fee-offset (annual/hourly fee and commission from financial institutions), fee-only financial planners (hourly fee and a percentage of client's assets annually, no commission from financial institutions). Only the last example of financial planner is unbiased and independent (IFA, Independent Financial Advisor) and this form of remuneration will be a challenge in the future [Garman, Forgue 2011].

Table 2. Financial planning process and the role of a financial planner in each step

Step of the financial planning process	Characteristics of the step and the role of financial planner
Establish and define the client-planner relationship	The financial planner should clearly explain and document the services that he or she will provide you with and define both his/her and your responsibilities during the financial planning engagement. The financial planner should explain fully how he or she will be paid and by whom. You and the planner should agree on how long the professional relationship should last and on how decisions will be made.
Gather client data, including goals	The financial planner should ask for information about your financial situation. You and the planner should mutually define your personal and financial goals, understand your time frame for results and discuss, if relevant, how you feel about risk. The financial planner should gather all the necessary documents before giving you the advice you need.
Analyze and evaluate your financial status	The financial planner should analyze your information to assess your current situation and determine what you must do to meet your goals. Depending on what services you have asked for, this could include analyzing your assets, liabilities and cash flow, current insurance coverage, investments or tax strategies.
Develop and present financial planning recommendations and/or alternatives.	The financial planner should offer financial planning recommendations that address your goals, based on the information you provide. The planner should go over the recommendations with you to help you understand them so that you can make conscious decisions. The planner should also listen to your concerns and revise the recommendations as appropriate.
Implement the financial planning recommendations	You and the financial planner should agree on how the recommendations will be carried out. The planner may carry out the recommendations or serve as your coach, coordinating the process with you and other professionals such as attorneys, accountants or stockbrokers.
Monitor the financial planning recommendations.	You and the financial planner should agree on who will monitor your progress towards your goals. If the planner is in charge of the process, he or she should report to you periodically to review your situation and adjust the recommendations, if needed, as your life changes.

Source: [Financial Planning…].

Financial planning is a multi-disciplinary profession – it draws on a range of disciplines to create an appropriate approach to satisfying the individual's requirements [Harrison 2005]. A personal financial advisor as a professional can play a very important role in personal financial management. Personal financial planners can help households in the management of their finances at each stage. The first function is making an individual aware of the advantages of financial planning, setting and pursuing life and financial goals. The second function is drawing up a personal financial plan based on the current household situation and future goals, and correcting and monitoring the plan's execution. The third function is seeking financial products on the financial market which are suitable for the personal financial plan. Personal financial planners also inform customers about detailed contractual provisions connected with depository/investment products, credit agreements and insurance policies. The other important role of financial planners is to identify threats, risks and clarify consumer rights on the banking, credit, investment and insurance services connected with the ever-growing consumer protection regulations on the financial services market. All the above mentioned functions result in a more effective personal finance management process that plays a significant role in the household sector in the scope of the national economy. On the other hand, because of the consumer education carried out by the financial adviser, a large part of households manage their finances on their own.

4. Personal financial management – the significance for households and the national economy

Personal financial management brings benefits to households on a microeconomic level and to the economy on a macroeconomic level. In the case of a single person or a household, personal financial management can bring the following benefits:

- Increasing wealth, preventing loss and smoothing consumption [Hanna, Lindamood 2010].
- Increasing the quality of life and satisfaction by reducing uncertainty about future needs and resources.
- An increase in money management efficiency throughout the life cycle of a household in the acquisition, exploitation and protection of resources.
- Increasing control over financial affairs by avoiding the accumulation of debt, bankruptcy and dependence on others in ensuring the economic security of the household.
- Improving personal relationships resulting from well-planned and effectively communicated financial decisions.
- Sense of financial freedom planning revenue and expenditure and the achievement of its objectives.
- Avoidance and hedging against risks associated with the protection of financial capital, property, health and life.
- Avoiding chaotic, ill-considered financial behavior such as impulsive consumption, thus protecting the household from weakening its financial strength.
- Reducing the likelihood of over-indebtedness and bankruptcy of the household.

The microeconomic benefits of personal planning and financial management have an impact on the importance of these processes for the entire economy. Investments are very important for macroeconomics and growth that have their source in a household's financial savings. Planning household finances shapes the habit of saving and postponing current consumption for the future, which in turn impacts on the whole economy, resulting in an increase in savings and consequently leading to more investment which constitutes an important factor of economic growth [Liberda 2000]. The accumulation of national capital independence from foreign capital, either in the form of invested capital as foreign direct investment, portfolio investment or short-term investment, could destabilize the domestic financial market and currency [Rytelewska, Szablewski 1993]. The accumulation of capital at macro level is austerity at a microeconomic level, the cessation of ill-consumption and expenditure incurred by a spontaneous impulse. Households are net creditors of the economy, which means that of all of the parties in the economy, the state has a higher debt than households in the household debt in these entities. The funds from household provide savings to finance the entire economy, and therefore their size is not irrelevant. Personal financial planning reduces the risk of over-indebtedness, falling into the trap of debt, insolvency and bankruptcy of a household and, consequently, financial and social exclusion, which is a problem for the whole of society and a threat to sustainable growth and economic development.

5. Personal financial planning in selected highly developed countries

The most developed market of personal financial planning services is in the cradle of financial advisor profession – the USA. In this country there are a few financial advisor designations focusing on different personal financial planning areas (Table 3). The best known designation, not only in the USA, but also on an international level, is Certified Financial Planner (CFP). A financial advisor with CFP certificate should meet the initial 4 E requirements – Education, Examination, Experience and Ethics, as well as the renewable requirements[5]. In order to obtain this certification, advisors must hold a bachelor's degree, have at least three years of relevant work experience, pass an exam, and agree to adhere to a code of ethics. The exam covers the financial planning process, insurance and risk management, employee benefits planning, taxes and retirement planning, investment and real estate planning, debt management, planning liability, emergency fund reserves, and statistical modeling.

[5] Certified financial planner (CFP) professionals are required to maintain technical competence and fulfill ethical obligations. Every two years, they must complete at least 30 hours of continuous professional development education to stay up-to-date with the developments in the financial planning profession. In addition, CFP professionals must disclose any public, civil, criminal or disciplinary actions that may have been taken against them during the certification period [Financial Planning Standards…].

Table 3. Financial planning designations in the USA

Credential	Description
Chartered Financial Analyst (CFA)	Focuses primarily on securities analysis, not financial planning
Certified Financial Planner (CFP)	Requires a comprehensive education in financial planning
Chartered Financial Consultant (ChFC)	Financial planning designation for insurance agents
Certified Trust & Financial Advisor (CTFA)	Estate planning and trust expertise, found mostly in the banking sector
Personal Financial Specialist (PFS)	Comprehensive planning credential only for CPAs (Certified Public Accountants)
Chartered Life Underwriter (CLU)	Insurance agent designation, often accompanied by the ChFC credential
Certified Investment Management Analyst (CIMA)	Consulting designation for professional investment managers
Registered Financial Associate (RFA)	Designation granted only to recent graduates of an approved academic curriculum in financial services

Source: [*Professional*…].

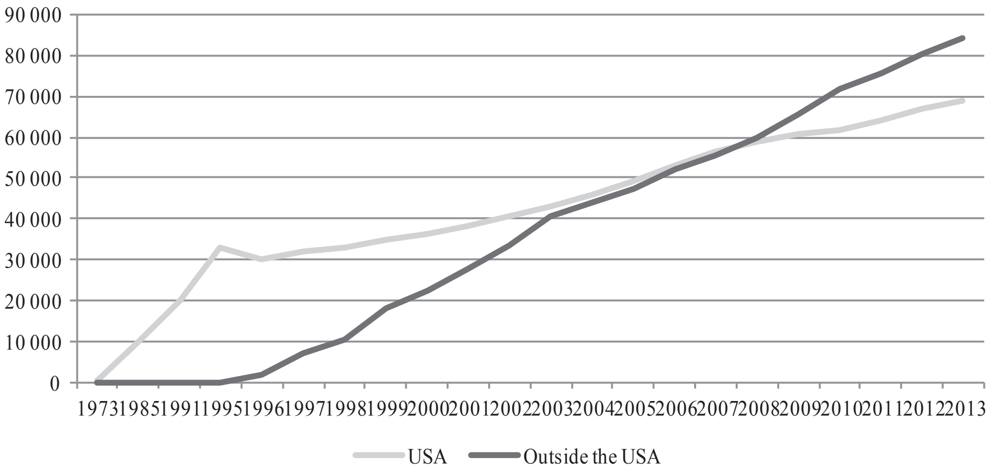

Fig. 2. The number of CFP certificate holders in the USA and outside the USA

Source: [Brandon, Welch 2009] and statistics of [Financial Planning Standard…].

The number of CFP professionals worldwide reached 153,376 at the end of 2013 in 24 countries and territories, being higher by almost 5,500 or 3.76 percent than in 2012 (147,822 CFP certificate holders).

Figure 2 presents a tendency in the number of CFP certificate holders in the USA and on an international scale. Statistics show that initially the USA dominated in the number of financial planners, but since 1996 the number of financial planners outside the US has dynamically increased – in 2008 the number of financial planners outside the USA exceeded their number within the US.

Furthermore, the number of CFP certificate holders in the USA amounts to 45%. In Japan it is 13%, in Canada 11% and in China 10% of the total number of CFP certificate holders worldwide (Fig. 3). Around the whole CFP certificate system an educational system has been established, enveloping various stages of education: from bachelor's degree to master's degree and postgraduate studies. All this has become a part of the personal financial planning and advising industry [Warschauer 2012].

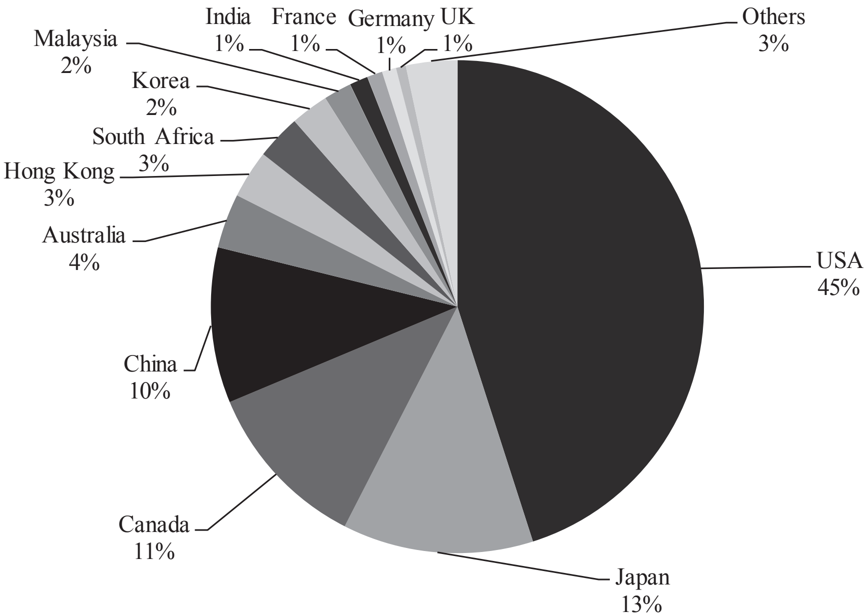

Fig. 3. Country share by number of CFP certificate holders (2013)

Source: [Number of CFP…].

The Financial Planning Standards Board (FPSB) manages the CFP Marks outside the USA and sets the standards in the scope of international competency, ethics and professional practice for the financial planning profession. The Certified Financial Planner Board of Standards Inc. (CFP Board) manages the CFP Marks in the USA. Based on the 1998 to 2007 Survey of Consumer Finances data, the proportion of households reporting the use of a financial planner increased from 21% in 1998 to 25% in 2007, with an estimated increase of almost five million households between 2004 and 2007 [Hanna 2011]. In 2010, 27% of households in the USA reported using a financial planner.[6] These numbers show that one out of four Americans uses financial planning services.

According to the United States Department of Labor, Bureau of Labor Statistics, personal financial advisors in the USA held about 223,400 jobs in 2012. Personal financial advisors mainly work for financial and insurance companies. In 2012, 20% of personal financial advisors were self-employed. The industries that employed the most personal financial advisors in 2012 were as follows: other financial investment activities (27%), credit intermediation and related activities (21%), securities and commodity contracts intermediation and brokerage (19%), insurance carriers and related activities (4%), professional, scientific, and technical services (3%). The median salary in 2012 was $67,520 per year and $32.46 per hour. Personal financial advisors who directly buy or sell stocks, bonds, insurance policies, or specific investment advice, need a combination of licenses that varies based on the products they sell. In addition to these licenses, smaller firms that manage clients' investments must be registered with state regulators, and larger firms must be registered with the Securities and Exchange Commission (SEC)[7]. Personal financial advisors, who choose to sell insurance, need licenses issued by state boards. State licensing board information and requirements for registered investment advisors are available from the North American Securities Administrators Association (NASAA) [*Personal financial advisors*…]. The employment of personal financial advisors in the USA is projected to grow by 27% from 2012 to 2022, amounting to 283,700 and about 60,300 advisors, much faster than the average of other occupations. The job prospects for personal financial advisors should be relatively favorable compared with other financial sector occupations. Those who obtain certification will likely see the best prospects. The most important drivers of growth are an aging population, longer life spans, and decreased funds for corporate and state pensions.

Outside the USA, the financial planner profession first appeared in the United Kingdom, where in 1985 the Institute of Financial Planning Ltd. (IFP) was founded with the purpose of educating advisors in accordance with CFP standard. This was not accidental, because the USA and the UK have the same financial system model called a market-oriented system, in which stock exchange and capital market play the main role in financing the economy and companies. The market model of personal

6 *Financial Planning Profiles of American Households: The 2013 Household Financial Planning Survey and Index* [*Financial Planning Profiles*...], prepared for the Certified Financial Planner Board of Standards, Inc. and the Consumer Federation of America by Princeton Survey Research Associates International [Internet 5].

7 Since 28 June 2012 the Dodd-Frank Act has changed the Registration and Requirements of Investment Advisor: advisors with between $25 million and $100 million in assets under management subject to examination by state regulators have switched to state registration of the SEC. There are 10,754 advisors registered with the Commission with total assets under management of $49.66 trillion. The cumulative impact of the Dodd-Frank Act registration changes has been a 10% decrease in the number of advisors registered with the Commission, but a 13% increase in the total assets under management of those registered [Internet 13].

financial planning services in the USA and the UK should be called the Anglo-Saxon model, in which investment advisors play the main role (about 60% of the whole market, Table 4), because of the relatively high proportion of securities and investment fund units in the financial assets of households. In this model, financial advisors fall under more regulations and supervision compared to the model adopted in continental Europe.

Table 4. Segments of financial advisory market in the UK by revenue

Type of services	2009	2010	2011	2012	2013
Investment advising	65,90%	57,49%	56,80%	56,96%	60,38%
Insurance advising	29,39%	27,44%	30,23%	32,06%	33,53%
Mortgage advising	4,71%	15,07%	12,97%	10,98%	6,09%

Source: [*The Financial Advisors Market in Numbers*… 2014].

The occupation of a financial advisor in the UK was derived from investment advisory and investment products, which were made possible through the appropriate legal regulations contained in the Financial Services Act of 1986 and the introduction of the professional independent financial adviser (IFA) and the appointed representative (AR) associated with a financial advisor, which marked the beginning stage of the polarization of the profession (Ennew, Waite 2013). From 1997 to February 2013, financial advisors in the UK were supervised by the Financial Services Authority (FSA). From 1 April 2013, due to reforms carried out under the Financial Services Act of 2012, that body was replaced by two regulators: in the field of micro-prudential regulation by the Financial Conduct Authority (FCA), and in the field of macro-prudential regulation by the Prudential Regulation Authority (PRA). The supervision of financial advisors investment advisers was delegated to the FCA. Financial advisors are subject to two regulatory regimes-acquirers:

- Directly authorised (DA) – a company or a person directly registered with and regulated by the supervisory authority of the FCA.
- Appointed representatives /reps (AR) – a person or company that operates as an agent of a regulated company directly authorized by the FCA, which exercises control and supervision over it (Principal Firm). The company must accept full responsibility for the liabilities that may arise for ensuring compliance of the AR with the regulations of the FCA. Between the AR and the parent company a contract must be signed, governing the mutual rights and obligations of the parties.

Fundamental changes to the regulatory activities of financial advisors in the UK were associated with the initiation by the FSA in June 2006 of the Retail Distribution Review (RDR), which was in line with the Directive on markets in financial instruments of April 2004 (MIFiD), which since 2007 imposed the necessity to act fairly and professionally in accordance with the best interests of the client. The main objectives of the RDR were: improved transparency with which companies describe their services to consumers; drawing attention to the possibility of remunerating advisors for the achieved results for clients; enhancing the professional standards of investment advisors. Changes were introduced in the RDR regulation relating to the financial advisors as investment advisors related areas, such as [*Retail Distribution Review*]:

- A clear definition to the customer of what kind of services the advisor provides: independent advice (IFA) that must be unbiased and unrestricted or restricted (selected, basic, primary) advice [*Retail Distribution Review: Independent…*].
- The requirement of a professional qualification at QCF (Qualifications and Credit Framework) level 3 to the end of 2012 and QCF level 4 from 2013.
- The obligation for Continuous Professional Development (CDP). Each financial advisor should undertake a minimum of 35 hours CPD each year, 21 of which need to be structured. Structured learning activities include: participating in seminars (web based or in person), lectures, conferences, workshops, courses and the completion of appropriate e-learning.
- Each individual financial advisor who sells investment products, securities or derivatives must have a current 'Statement of Professional Standing' (SPS), which indicates that they have signed up to a code of ethics and that they have completed at least 35 hours of professional training each year, ensuring that they are up to date with changes in the industry and in regulations. SPS certificates must be renewed annually to check that the adviser has a current certificate. SPS Statements are issued by six Accredited Bodies of the FCA: The Chartered Financial Analyst (CFA) Society of the UK, The Chartered Institute for Securities and Investment (CISI), The Chartered Institute of Bankers in Scotland (CIOBS), The Chartered Insurance Institute (CII), The Institute of Financial Services (IFS) and The Institute of Financial Planning (IFP) [*FSA formally approves IFP*…2011].
- The prohibition of charging commissions for investment advice from financial institutions and remuneration only from the customer (Adviser Charging regime, AC). The exception for which fees may be charged is the purchase of a particular investment product on behalf of the client, without the provision of investment advice or the purchase of life insurance in the event of serious illness or loss of employment and sources of income (non-sale advice, execution only).
- The requirement for capital adequacy of the investment company by 31 December 2013. Fixed in proportion to the expenditure of financial advisory companies, this is provided in the form of marketable assets and cash, up to 31 December 2015 at a minimum of three times the monthly expenditure of the company, but not less than 20 thousand GBP.

The challenge for individuals and companies providing consulting services will be to convince customers to reward the work of advisors for their results, because of the introduction of new regulations only 11% of customers pay for financial advice services [*IFAs: Turbulent Times*…2012]. Deloitte Research shows that 87% of customers in the last three years who used the advice of a bank when purchasing an investment product or securities, felt that this service was free of charge [*Bridging the Advice*…2012].

Table 5. Financial advisor numbers in UK by place of work

	2011	2012	07.2013	01.2014	2011	2012	7.2013	1.2014
	number				structure (in %)			
Financial Advisor Company	25 616	20 453	21 684	21 881	63	66	66	70
Bank and Building Society	8 658	4 809	4 604	3 556	21	15	14	11
Stockbroker/Wealth manager	4 044	2 043	2 264	1 906	10	7	7	6
DIM (discretionary investment managers)	0	1 435	1 784	1 787	0	5	5%	6%
Others	2 248	2 392	2 354	2 090	6	8	7	7
Total	40 566	31 132	32 690	31 220	100	100	100	100

Source: own study based on [*The Financial Advisors Market in Numbers*… 2013; *The Financial Advisors Market in Numbers*… 2014; *Adviser numbers*… 2013].

As the statistics show, the number of financial advisers in the UK decreased from December 2011 to January 2014 from more than 40,000 individuals to slightly over 31,000. This confirms the assumptions and predictions expressed before the entry into force of the RDR regulation. The changes and regulations of financial advisors in the UK are analyzed by other European and non-European countries from the viewpoint of their effect on the number of advisors, level of competition, and the advantages for consumers. Outside the UK and the Netherlands (a ban of commission paying for investment advice by financial institutions since 1 January 2013) it is prohibited to pay commissions for investment advice by financial institutions from 1 July 2012 (voluntary) and from 1 July 2013 (mandatory) also in Australia (Future of Financial Advice Act 2012). In Germany since 1 August 2014 a new category of financial advisor was legally introduced, who is paid only by the customer (Honorar-Finanzanlagenberater).

In continental Europe there are two models of financial planning and advising services – the German, connected with independent advisors operating in small companies or the Dutch, connected with banking advisory services, especially in the area of private banking. The first model is associated with the EFFP certificate system, the second one with the EFPA Europe certificate system. Statistics of the FECIF (The European Federation of Financial Advisers and Financial Intermediaries) show that the biggest number of financial advisors and intermediaries is in Germany and in all countries there dominate tied agents and multi-tied agents who generally sell financial products. Brokers and financial planners are in the minority.

Table 6. Number and structure of brokers and financial advisors in Europe

State	Number of financial intermediaries and advisors	Structure			
		Tied agents	multi-tied agents	brokers	Financial planners (IFA)
Germany	300 000	65%	25%	8%	2%
Czech Republic	30 000	20%	70%	7%	3%
UK	45 000	50%	35%	10%	5%
Italy	35 000	10%	75%	10%	5%
Austria	35 000	50%	35%	9%	1%
Spain	20 000	50%	35%	9%	1%
Switzerland	10 000	30%	40%	20%	10%
Belgium	9 000	40%	30%	25%	5%
France	3 000	40%	35%	20%	5%
Luxembourg	3 000	10%	40%	30%	20%
Greece	3 000	60%	30%	9%	1%
Baltic states	3 000	60%	30%	9%	1%
Netherlands	3 000	20%	40%	30%	10%
Poland	3 000	60%	30%	9%	1%
Scandinavian countries	3 000	50%	30%	10%	10%
Other countries	30 000	-	-	-	-
Total	535 000	-	-	-	-

Source: [FECIF White Book 2009].

In Germany, the market of personal financial planning services is the oldest in continental Europe. The first companies were launched in the 1970s. In 1995 the German Society for Financial Planning (Deutsche GesellschaftfürFinanzplanung) was founded in Bad Homburg and in 1997 the Financial Planning Standards Board Deutschland (FPSB Deutschland). In 1998 the European Academy of Financial Planning (EAFP, EuropäischeAkademiefürFinanzplanung) was created, in 2000 the European Federation of Financial Professionals (EFFP) educating and certifying financial advisors in accordance with EFFP European standards, both in Bad Homburg. In 2010 the EFPA Germany was established as a branch of EFPA Europe, educating and certifying financial advisors in accordance with EFA and EFP European standards. Until the end of 2007 the personal financial advisor profession in Germany was not supervised. Free access to professional financial advisor meant that advice for individual clients equaled dealing with people without the required knowledge and experience, and without liability insurance in the event of wrong advice. From 1 January 2008 new regulations, governed by The German Insurance Contract Law (Versicherungsvertragsgesetz, VVG), came into force. The new regulations put emphasis on the rights of consumers and information before the conclusion of the insurance contract, and during its lifetime, which consumers are entitled to receive from the insurance companies and cooperating entities (other financial advisors). From 1 July 2011, as a result of MIFiD, implementing customers using the services of investment advice must be given a brochure and comprehensive information on financial products that they recommend to purchase. The introduction of these provisions is to increase market transparency and the level of protection of individual investors [James]. In December 2012, the German government adopted a draft of Facilitation and Regulation of Fee-based Investment Advice, in relation with Financial Instruments (Entwurfeines Gesetzzur Förderung und einer Regulierung Honorarberatungüber Finanzinstrumente Honoraranlageberatungsgesetz), and its adoption took place on 15 July 2013. The law has been in force since 1 August 2014. The act introduced a new category of financial advisors, paid only by customers (Honorar-Finanzanlagenberatermiteineneigenen § 34h Erlaubnistatbestand in der Gewerbeordnung GewO). The aim of the new regulations is to ensure greater transparency with respect to the remuneration of investment advisors, and thus strengthen consumer protection. On the basis of these new regulations, each investment advisor will have to be licensed in accordance with the German Industrial Code. Rainer Juretzek, Managing Director of the European Academy for Financial Planning (EAFP), estimates that the number of Finanzanalagenberater under section 34f of the Industrial Code in the coming twelve months (2013-2015) will shrink from the current 40,000 to 30,000. He also assumes a general consolidation of the industry.

Table 7. Number of advisors employed and consumers served by the biggest financial planning companies

Company	Number of financial advisors						Number of customers				
	2006	2007	2008	2009	2010	2011	2007	2008	2009	2010	2011
DVAG	33 522	31 920	37 199	37 383	37 113	37 203	4 000 000	5 200 000	5 400 000	5 500 000	5 900 000
AWD	6 040	6 439	6 009	5 726	5 292	4 392	480 800	429 100	441 600	n.a.	n.a.
MLP	2 481	2 535	2 413	2 382	2 273	2 132	701 000	728 000	785 500	774 500	794 500
OVB	4 210	4 765	4 862	4 664	4 600	4 908	2 610 000	2 780 000	2 777 000	2 800 000	2 860 000
Total	46 253	45 659	50 483	50 155	49 278	48 635	7791800	9 137 100	9 404 100	9 074 500	9 554 500

Source: own study based on [*Finanzvertriebe: Weniger*... 2012].

In four of the biggest companies in Germany there were about 50,000 advisors employed, providing services to about 10 mln Germans. This accounted for approximately 10% of the population of Germany (Table 7). The preliminary culmination and termination point of regulation represents the recently adopted European Financial Services Directive MiFID II. This is being implemented until 2016/2017 in Germany.

In Europe there are 48 industry organizations gathering financial advisory professionals, caring for the quality of service of its members and self-regulating the activity of financial advisors and associating them in financial advisor federations [Zięba 2007]. The most important include:[8]

[8] More about EFPA and EFFP certification systems: [Waliszewski 2012].

- FECIF – an independent and non-profit organization at the exclusive service of its financial advisors and intermediary members from the 28 European Union member states, plus Switzerland and Norway; it is the only European body representing European financial advisors and intermediaries. It is based in Brussels and it was chartered in June 1999.
- EFFP (European Federation of Financial Professionals) in Bod Homburg.
- EFPA Europe (European Financial Planning Association) was founded on December 18th 2000 in Rotterdam, the Netherlands. EFPA was established as an independent, non-profit association governed under Dutch Stichting law. The aims of the EFPA Europe refer to setting and actively promoting professional standards and awarding certificates to practitioners who have achieved a standard of professional competence suitable for providing financial advisory services to clients.
- CIFA (Convention of Independent Financial Advisors) – headquartered in Geneva, a non-profit Swiss foundation created in 2001 at the initiative of a group of financial advisors, aims to protect and defend the interests of independent financial advisors at national and international level.

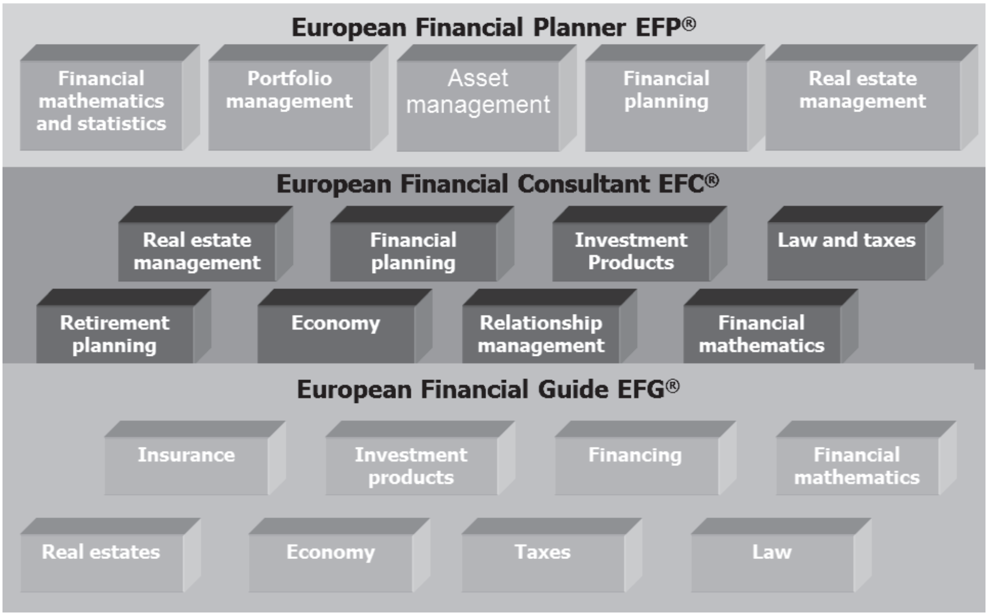

Fig. 4. Financial advisors certification levels in EFFP system

Source: [Zięba].

The EFFP worked out its own system of knowledge, competence, ethics code on a three-level certification system, which in chronological order comprises of European Financial Guide (EFG), European Financial Consultant (EFC) and European Financial Planner (EFP). This system is very popular in Germany and Poland, where EAFP educates future personal advisors.

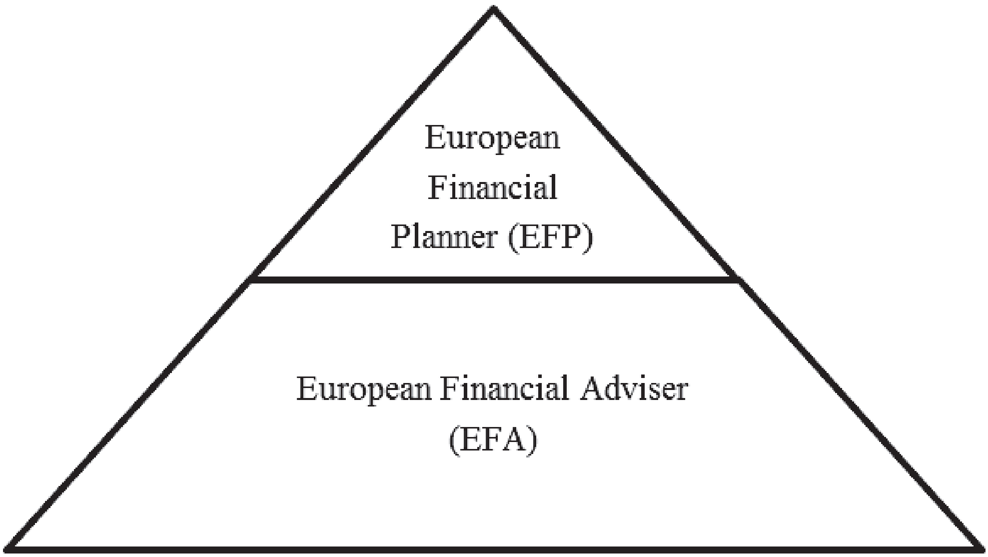

Fig. 5. Levels of financial advisors certification in the EFPA Europe system

Source: [Internet 7].

The second certification system designed for financial advisors in continental Europe was created by EFPA Europe and consists of 2 levels – European Financial Adviser (EFA) and European Financial Planner (EFP). Every financial advisor and financial planner certified by EFPA has passed an assessment process, signed the EFPA Code of Ethics and agreed to update their competences within the EFPA Continuous Professional Development Programme, requiring 15 hours of effort yearly for EFPA EFA's and 20 hours for EFPA EFP's.

There is a noticeable increase in the level of retail financial services market regulation, especially in the consumer protection area. New rights for customers of financial services indicate new information requirements for financial advisors and institutions. In the absence of a sufficient economic and financial knowledge of customers, more information leads to misunderstandings. Therefore financial advisors should clarify customers rights, risks and the meaning of the specified financial agreement content. In the field of personal financial planning services, the most important regulations at the European level are as follows: Consumer Credit Directive (CCD), Mortgage Directive, Insurance Mediation Directive (IMD, IMD II), Markets in Financial Instruments Directive (MiFID, MiFID II), Undertakings for Collective Investment in Transferable Securities Directive (UCTIS), Packaged

Retail Investment Products Directive (PRIPs). It is forecasted that in the future the role of regulation factors in financial planning area will be growing.

6. Personal financial planning in Poland and future perspectives

The history of the personal financial advisory market in Poland is not so long, because a financial advisor is one of the newer financial professions in Poland as it is only a decade old. From June to December 2004 the idea arose to create an Independent Financial Advisory Services in Poland and hold conferences about personal finance planning with the participation of the FECIF. In September the EFFP introduced into the Polish market the ethical code for financial advisors and in October 2005 it awarded the first certificates in Polish history – certificates for European Financial Guide (EFG), which constituted the first degree in education for a financial advisor and financial planner. In March 2006 the founding meeting of the European Federation of Financial Planners (EFFP) was held, officially registered in September 2007. The Association began working on the formalization of the profession, a definition of knowledge, competencies and skills of a financial advisor. The work was carried out in parallel with the Ministry of Labour and Social Policy, the Ministry of Finance, the Ministry of Economy and the Financial Supervision Commission (KNF). In 2008 EFFP Poland joined FECIF and initiated cooperation with the institutions of financial intermediation and financial advice on self-certification of the profession. The talks involved the largest companies in the financial market and the Conference of Financial Companies (KPF), as well as the Association of Financial Advisory Firms (ZFDF). In June EFFP Poland introduced the financial advisor profession to the Classification of Occupations in Poland (Journal 89/2010) under number 241202. This formally distinguished financial advisors from the financial intermediaries. In August 2014 there were 1432 certificate holders with the EFFP standard – 1299 EFG holders and 133 EFC holders.

The second financial advisor certification system was launched by the Warsaw Institute of Banking (WIB) that developed a graduate program compliant with the EFPA Europe Standard. The first certificates in Poland were issued in 2008 by the WIB, and in 2009 the Foundation for Financial Advice Standards EFPA Poland was created, taking charge of WIB in August 2009. In August 2014 there were 349 certificate holders with the EFPA standard in Poland – 298 EFA and 51 EFP [Szymańska-Koszczyc]. Financial advisors are employed by Dom Inwestycyjny Xelion Sp. z o.o., Raiffeisen Bank Polska SA, Pekao SA, HSBC Bank Polska SA, Alior Bank SA, Nordea Bank SA, DZ Bank Polska SA, BRE Private Banking & Wealth Management, PKO Bank Polski, Deutsche Bank Polska SA. It clearly shows that EFPA certificate holders are not independent financial advisors because there are private bankers in mentioned banks. This does not allow them to offer all financial products available on the market, but most often from their own bank or own capital group.

The basic problems of personal financial planning services market in Poland indicate the initial development phase of this market. We can name the following:

- The lack of uniform regulation for the profession and the deregulation process in financial professions, despite the sectorial regulation of insurance brokers/agents (IMD and IMD II), investment advisors and investment advice (MIFiD and MIFiD II), credit intermediaries in the area of consumer credit (existing) and mortgage credit (planned from March 2016 according to the Directive on credit agreements for consumers relating to residential immovable property called Mortgage Directive or MCD).
- Open access to the profession – the lack of knowledge and experience requirements for potential financial advisors.
- The lack of a continuous learning requirement for people who work in personal financial planning (specified number of hours devoted to courses, conferences, studies in a year).
- The lack of an institutional and legal framework for the profession which does not create public trust in the profession, which is crucial for its future development.
- The lack of a mandatory certification of financial advisors.
- The lack of an obligatory financial advisors' customer services standard despite the approval in 2013 of the National Standard of Professional Competence for the profession number 241202 Financial Advisor.
- The lack of a uniform code of ethics for financial advisors.
- The lack of willingness in promoting and the development of the profession by financial institutions – banks, insurance companies, investment and pension funds.
- Mistaking financial intermediaries selling financial products – credits, investments, insurance for financial advisors.
- Remuneration only by financial institutions in the form of commission that creates conflict of interests between advisor and customer.

Statistics show that only 2% of Polish citizens use the services of financial advisors [Maison 2009]. All attempts in Poland to include personal financial advisors under the supervision by the KNF have failed. Therefore, self-regulation and association in branch federations of financial advisors is very well perceived by all stakeholders – customers and financial institutions cooperating with advisors. Low financial knowledge and literacy in Polish society is a basic limiting factor in the development of personal financial advisors sector. The second factor refers to the lack of the long-term habit of saving in households, the relatively low disposable income compared with the cost of living, impulsive and ill-consumption, and the lack of planning expenses and budgeting.

According to own empirical study executed by the author among 177 independent financial advisors, EFFP certificate holders indicate that the main barrier in advice market development in Poland is the lack of consumer awareness in the need to manage their personal finance using specialists – financial advisers (84%), ill (impulsive) consumption, low savings rate and lack of regular savings habit (70%), low economic and financial consumers' awareness (63%). Financial advisors indicate that customers do not want to pay for a personal financial plan (40%) or the charge is in in the range of 1-500 PLN (45%). At the same time, advisors expect a higher level of market regulation and they indicate that the optimum level of it is self-regulation and supervisory regulation by the Polish Financial Supervision Authority (KNF) (45%). Most advisors (60%) replied that the role of financial advisors in the future will grow.

It is expected that the role of personal financial advisors in personal finance management will be increasing in the future in Poland due to savings ratio growth, well-being growth, the increase in society's financial literacy, needs in budget, investment, credit, retirement and estate planning, and the insufficiency of the state pension system. On the other hand, it is necessary to define the status of financial advisor among the financial professions and place it under the supervision of a government organization (KNF, MF), introduce knowledge and experience requirements to potential financial advisors and verify them periodically, introduce continuous learning and compliance with the Code of Ethics, and introduce an obligatory customer service standard – all of these activities are expected to eliminate accidental entities on the market and thus contribute to building public trust in the financial planner profession. Certification will still remain important just as the standardization and association of financial advisors in branch federations. The benefits derived by customers using financial advisors in personal finance management will increase the number of independent financial advisors paid by customers (*fee*) or combined by financial institutions or customers (*fee* or *commission*).

7. Final conclusions

Considering the highly developed countries and their financial markets, including the market for personal financial advisory services to individuals and the situation in Poland, it can be concluded that in our country there is still much to be done in this regard. Specific areas of attention will be focused on financial education, raising awareness and the awareness of the benefits of financial planning personal finance and financial advisory services and the creation of public confidence in the profession of advisor. Long-term action is needed to build the institutional and regulatory framework in the area of business advice, including the restricted access to the profession by developing requirements for the knowledge and experience for those wishing to work in the profession, its compliance and verification. Advisory industry growth factors in Poland will be demographic factors, failure of the pension system, greater awareness of risks and the formation of a long-term, intentional savings habit. According to the latest research confidence in the financial intermediaries and advisors in Poland is still at a low level (25%) and at the same time is the lowest among financial institutions (banks gained a confidence level of 36,6% and insurance companies a level of 28,8%) [Maison 2014].

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PLANOWANIE FINANSÓW OSOBISTYCH W POLSCE NA TLE DOŚWIADCZEŃ MIĘDZYNARODOWYCH

Streszczenie: Celem artykułu jest zaprezentowanie nowego zawodu wśród profesji finansowych – doradcy finansów (planera) osobistych w Polsce – na tle międzynarodowym, szczególnie Stanów Zjednoczonych, Wielkiej Brytanii i wybranych krajów UE. Mimo że planowanie finansów osobistych jest relatywnie nową aktywnością na rynku detalicznych usług finansowych w krajach rozwiniętych, jego rola ciągle rośnie. Hipoteza główna artykułu brzmi następująco: planowanie finansów osobistych w Polsce jest obszarem rozwijającym się i jego rola w przyszłości będzie wzrastać, szczególnie w obszarze emerytur, inwestycji, ubezpieczeń i kredytów, ale wzrost ten będzie uzależniony od zwiększania się wiedzy ekonomicznej i finansowej, bogacenia się polskiego społeczeństwa i kreowania zaufania publicznego do zawodu doradcy finansowego. Pomocnicza hipoteza artykułu dotyczy barier w rozwoju zawodu doradcy finansowego w Polsce – są nimi niska wiedza ekonomiczno-finansowa, brak świadomości korzyści wynikających z planowania finansów osobistych i doradztwa, niechęć do płacenia za profesjonalną poradę finansową, niska stopa oszczędzania, brak nawyku oszczędzania oraz niski poziom regulacji rynku usług doradczych. Weryfikacja hipotez badawczych będzie bazowała na studiach literaturowych poświęconych planowaniu i doradztwu finansów osobistych, na statystykach i materiałach udostępnionych przez FECIF, EFPA Europe i EFFP – organizacje pozarządowe działające w branży doradczej, oraz na własnych badaniach przeprowadzonych wśród niezależnych doradców finansowych certyfikowanych zgodnie z europejskimi standardami EFFP.

Słowa kluczowe: finanse osobiste, finanse gospodarstw domowych, inteligencja finansowa, doradca finansowy.