

Entry Level Competencies (ELC)

Overview

This is an entry level subject dealing with the generic knowledge areas required for working in the financial services industry. It is usually the first course undertaken by students as it encompasses a wide variety of financial planning areas at a general level.

Learning Outcomes

Module 1: The Financial Planning Process

On the successful completion of this module, you should be able to:

- Define financial planning and identify its role in meeting consumer needs
- List and summarise the functions of an adviser
- Identify aspects of collection and analysis of client information that forms the corner stone of an effective financial plan
- Define client rapport and explain how it can be effectively developed
- Define and identify quantitative and qualitative information
- Determine your current financial position
- Reflect on your financial goals and objectives
- Name the 'five seasons of life' and make generalisations about their characteristics and the issues which may be of concern to clients in each of the five seasons
- Outline the steps involved in analysing a client situation
- Identify the key areas to be addressed when developing recommendations
- Explain the role and contents of a Statement of Advice (SOA)
- Explain the purpose and importance of the client review process.

Module 2: Operation of Financial Markets

On successful completion of this module, you should be able to:

- List the primary functions of a financial system
- Explain the role played by households in the functioning of a financial system and the interdependent nature of saving and borrowing
- Analyse your household financial activities and determine your long-term savings needs
- Describe the role played by the banking sector in the Australian financial system
- List and describe bank services available to meet consumer needs in the five areas of household financial activity
- Identify non-bank financial institutions by their main characteristics and develop an understanding of the functions that they perform
- Describe the roles key personnel play in the provision of advice in the Australian financial services industry.

Module 3: The Australian Economic Environment

On the successful completion of this module, you should be able to:

- Define and use key economic terminology
- Apply purchasing power parity theory to determine the relative value of currencies
- Summarise the likely effect changes in the exchange rate will have on the economy and describe their relevance to financial advice
- Explain the interrelated nature of key economic indicators and briefly describe the economic changes that they measure
- Describe the impact of exchange rate movements on the economy
- Outline the role of the Reserve Bank in the Australian financial system and describe how it implements the government's monetary policy
- Describe the impact of government monetary policy upon the domestic economy
- Outline the likely effect of particular economic events on interest rates and exchange rates
- Analyse the key characteristics of each phase of the business cycle to interpret a given situation
- Identify the considerations that financial advisers should be taking into account when analysing the economy's influence upon investment performance.

Module 4: Introduction to Financial Products and Investment

On successful completion of this module, you should be able to:

- Analyse and graph investment returns to examine relationships between asset classes and the key investment concepts of risk and return, volatility and compound growth
- Calculate the future value of an investment
- Describe the characteristics of the main asset classes, discuss their relative advantages and disadvantages and classify investments according to their specific features
- Describe the characteristics of managed funds and analyse the advantages and disadvantages of holding investments indirectly via a managed fund
- Summarise the fundamental elements of managed fund evaluation
- Calculate investment yield
- Define and calculate dividend imputation
- Explain diversification and its importance in the construction of an investment portfolio.
- List the qualitative and quantitative tools used to achieve genuine diversification
- Explain the correlation between asset allocation and client risk profile
- Define hedging and describe how it is used to reduce risk
- List the benefits of administration platforms
- Calculate additional contributions allowable in relation to insurance bonds, according to the 125 percent rule.

Module 5: Regulations and the Financial Services Industry

On successful completion of this module, you should be able to:

- Summarise the main areas covered by the Financial Services Reform Act
- Explain the role played by the Australian Securities and Investments Commission (ASIC) in the licensing and regulating of the financial services industry
- Identify when a person or entity requires licensing pursuant to the Corporations Act
- Define 'authorised representative' and give examples of activities that would require someone to be an authorised representative of a licensee
- Outline the legal responsibilities that financial advisers owe to their clients in respect of both statute and common law
- Outline the obligations of the licensee in regard to appointing authorised representatives
- Identify the disclosure requirements of licensees and their representatives
- Explain the implications of the 'know your client rule' under Section 945 of the Corporations Act 2001
- Analyse and evaluate the contents of the Financial Services Guide

Module 6: Introduction to Taxation

On successful completion of this module, you should be able to:

- Apply taxation fundamentals to calculate an individual's tax liability
- Define the criteria applicable to claiming tax deductions
- Outline the basis upon which Medicare is levied
- Recall the types of tax offsets available and recognise when they may be available to an individual
- Calculate the Medicare levy
- Calculate certain tax offsets for individuals
- Define and calculate dividend imputation
- Describe the application of Goods and Services Tax (GST) and Fringe Benefits Tax (FBT)
- Recall and apply Capital Gains Tax (CGT) provisions and calculation methods
- Describe a variety of tax planning strategies
- Identify the type of investor best suited for participation in investment gearing strategies.

Module 7: Introduction to Superannuation

On successful completion of this module, you should be able to:

- Examine the importance of retirement planning in light of current demographic and economic trends
- Describe the benefits and limitations of superannuation in relation to retirement planning
- Explain and calculate an employer's superannuation guarantee obligation and the implication of the Superannuation Guarantee Charge
- Use key terminology used in association with superannuation planning
- Summarise and calculate relevant tax deductions, tax offsets and other calculations relating to superannuation contributions

- Apply the relevant taxation rates that apply to superannuation funds
- Identify superannuation legislation that relates to an individual's eligibility to contribute to superannuation and the retention/preservation of superannuation benefits
- Explain the withdrawal status and the tax treatment of superannuation lump sum payments

Module 8: An Introduction to Social Security and Retirement Income Streams

On successful completion of this module, you should be able to:

- Describe the various retirement income stream products currently available in Australian financial markets
- Discuss and compare the advantages and disadvantages of a range of income stream products
- Establish the minimum and maximum payments that may be paid by an account based pension and other allocated income stream
- Identify the various social security services and benefits provided by Centrelink
- Outline the key characteristics and eligibility requirements for the aged and service pensions and Newstart Allowance
- Identify and apply the key concepts of Centrelink means testing provisions
- Apply deeming provisions to calculate the income deemed to be earned by financial investments
- Classify assets according to whether they are assessable under the assets test
- Describe Centrelink's treatment of income streams for means testing purposes
- Calculate the deductible amount of an income stream for Centrelink and tax purposes and ascertain any superannuation tax rebate applicable
- Calculate pension entitlements under both the income and assets tests
- Apply the rules for the government taxation treatment of retirement income streams to develop client strategies

Module 9: An Introduction to Estate Planning

On successful completion of this module, you should be able to:

- Explain the importance of estate planning when developing a financial plan
- Describe the requirements for drawing up a Will
- Explain the considerations for drafting a Will
- Explain what is meant by the term testamentary capacity
- List the roles of an executor
- Explain what is meant by the term intestacy
- Describe the effects of the family provision legislation
- Explain when a power of attorney may be required
- Illustrate the importance of determining the ownership of assets
- Describe the use of testamentary trusts
- Explain what is meant by a deceased estate
- Describe the capital gains tax implications of death
- Describe the rules relating to joint ownership of assets.

Module 10: An Introduction to Life Insurance and Risk Management

On successful completion of this module, you should be able to:

- Outline the steps incorporated in risk management
- Identify insurable risks that a client may be exposed to
- Explain the key features of general and life insurance products
- Calculate life insurance and income protection needs
- Determine appropriate risk management strategies
- Discuss the features of trauma and income protection insurance
- Identify key elements of the Insurance Contracts Acts 1984