An Empirical Examination of the Effects of Professional Credentials on Personal Financial Planning Practitioners’ Income in Hong Kong

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A dissertation submitted in partial fulfilment of the requirements for the degree of Doctor of Business Administration in the Newcastle Graduate School of Business, Faculty of Business and Law, The University of Newcastle, Australia

December 2012
Declaration

I hereby certify that the work embodied in this Dissertation Project is the result of original research and has not been submitted for a higher degree to any other University or Institution.

(Signed) ___________________________

Lam Chung Sing
Acknowledgements

This dissertation would not have been possible without the support of many people. I would like to express my deepest appreciation to my supervisor, Associate Professor Frank Wogbe Agbola of the University of Newcastle, Australia, who provided excellent advice and continual support. I thank him for his patience and professional guidance in the research. I would also like to thank the chief executive of the insurance company whose data I used to perform the study. I am grateful to him for allowing my research into this valuable business information. In addition, I thank the agency management team of the insurance company, who provided significant assistance in completing this project. And finally, thanks to my wife, daughter and son, who endured this long process with me, always offering support and love.
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<tbody>
<tr>
<td>CFP</td>
<td>Certified Financial Planner</td>
</tr>
<tr>
<td>ChFC</td>
<td>Chartered Financial Consultant</td>
</tr>
<tr>
<td>CPA</td>
<td>Certified Public Accountant</td>
</tr>
<tr>
<td>FChFP</td>
<td>Fellow Chartered Financial Planner</td>
</tr>
<tr>
<td>FPSB</td>
<td>Financial Planner Standards Board</td>
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<tr>
<td>GFCI</td>
<td>Global Financial Centres Index</td>
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<tr>
<td>HKD</td>
<td>Hong Kong Dollar</td>
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<tr>
<td>HR</td>
<td>Human Resources</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<td>LUA</td>
<td>Life Underwriters Association of Hong Kong</td>
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<tr>
<td>LUTCF</td>
<td>Life Underwriter Training Council Fellow</td>
</tr>
<tr>
<td>MPF</td>
<td>Mandatory Provident Fund</td>
</tr>
<tr>
<td>MPFA</td>
<td>Mandatory Provident Fund Authority</td>
</tr>
<tr>
<td>OCI</td>
<td>Office of the Commissioner of Insurance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
</tr>
<tr>
<td>PFS</td>
<td>Personal Financial Specialist</td>
</tr>
<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
</tr>
<tr>
<td>RFC</td>
<td>Registered Financial Consultant</td>
</tr>
<tr>
<td>RFP</td>
<td>Registered Financial Planner</td>
</tr>
<tr>
<td>SAR</td>
<td>Special Administration Region</td>
</tr>
<tr>
<td>SFC</td>
<td>Securities and Futures Commission</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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Abstract

The objective of this dissertation is to empirically investigate the effect of professional credentials on personal financial planning practitioner’s income in Hong Kong. Financial planning in Hong Kong is relatively new among financial services, dating back only to the early 2000s. The financial planning industry in Hong Kong is largely unregulated, and professional certification is not required to act as a financial planner. Regardless, many individuals working in the financial planning field choose to undertake one or more professional certifications, such as a CERTIFIED FINANCIAL PLANNER™ (the most common and most highly regarded) and others. There are currently over 66,000 CFP-certified financial planners in Hong Kong, along with an unknown number of other certifications. This study seeks to investigate why individuals undergo certification in the absence of external regulatory requirements. We employ human capital and inequality theories to describe the process of certification as a voluntary investment in knowledge and skill building, and then posit that this would only be justified if there were an expected financial return in the form of higher income. Utilising data from a sample of 5,019 financial planning professionals from a single Hong Kong insurance firm, we examine the relationship between earnings and certification, human capital factors (education and experience), and demographic factors (age and sex). The empirical results indicate that certification, level of education, experience, gender and age do impact on the earnings of financial planners in Hong Kong. The results also reveal that a cluster of certifications do impact on earnings of financial practitioners with four certifications (CFP, LUTCF, FCHCP, and RFC) all of which are highly associated with higher incomes, while only one, the RFP, was not. The RFP was also the least popular certification among financial planners. These findings, taken together, have two implications. First, certification is a path to increased income. Second, certifications do have different market values, thus offering an insight into why individuals choose one form of certification over another. Finally, company policymakers as well as regulators should take cognizance of the rewards associated with certification in order to determine whether it is worthwhile to mandate professional certification of financial planners in the financial services industry in Hong Kong.