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*'A PROFILE OF THE PERSONAL FINANCE
PROFESSION IN NIGERIA'*

By **Seun Adeniyi**

Executive Director, Personal Financial Planners (Nigeria)

'Celebrating professionalism in Africa' is a pioneering series of case studies, published by the Chartered Insurance Institute, to showcase professional practice and innovation in insurance

A PROFILE OF THE PERSONAL FINANCE PROFESSION IN NIGERIA



By **Seun Adeniyi**

Executive Director, Personal Financial Planners (Nigeria)

Nigeria is the largest economy in Africa in terms of GDP, with a large, youthful, entrepreneurial population on the continent and a huge potential market for financial products and services.

According to Knight Frank's 2021 Wealth Report, the number of High Net-worth Individuals (HNIs) in Nigeria (individuals with assets in excess of US\$1m) is expected to grow by 19% between 2020 and 2025. These indicators present a positive outlook for the Nigerian wealth management industry.

However, there is a consequent and discernible need for more widespread financial awareness and quality advice provision. In response, financial services firms are progressively aware of the importance of equipping their advisers with the skills to meet the market's needs. Regulators are also increasingly cognizant of the need to provide a stronger regulatory environment that engenders trust and confidence in the market.

The Nigerian financial landscape is currently experiencing rapid evolution with the advent of fintechs, further developments in the capital market and rapid product development by traditional financial services to remain competitive on the one hand, and increasing appetite for financial planning and products by consumers of finance on the other.

Therefore, to avoid a crisis similar to the margin loan crisis of 2007 to 2008 that resulted in many market participants losing their life savings in the capital market due to a lack of financial planning expertise and practices, practice standards for financial planning practitioners are required urgently.

The field of personal financial planning is one which has not typically been recognised as a sub-sector of the Nigerian financial services sector, and hence lacks standardisation and direct regulation. As a result, consumers of financial services in Nigeria have to deal with a wide range of professionals, including accountants, bankers, asset managers, insurance companies, lawyers and stockbrokers who often offer their services from a sellers' perspective and sometimes with little consideration for matching their investment offerings with their clients' appetite for risk or other considerations.

Although the financial planning process of identifying clients' financial goals, investment time frames, tolerance for risk to create bespoke and realistic financial plans can be long and laborious, it is ultimately time well spent with the client in developing a lasting and beneficial relationship and thus should not be circumvented.

The establishment of guidelines to aid the process of financial planning has proven effective as financial service providers get to understand the investor needs, risk profile, preferences, amongst an array of factors that could influence individual financial planning, as a one size fits all approach should not be adopted.



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To build lasting relationships with the investing public, practitioners need to become better qualified to offer their services as investors have shown willingness to pay for professional advice.

Thus, there is a growing market of potential users of financial planning services. The Nigerian Exchange estimates about 3 million retail investors in the stock market and that number is projected to trail an upward trajectory. There is also a growing number of financial practitioners who have either established boutique firms that offer financial planning services to the wealthy or occupy positions in financial institutions where they are expected to provide financial planning services to their clients.

These practitioners have a challenge performing optimally due to inadequate financial planning education, lack of fora to share best practice, and no monitoring or guidance mechanisms to enforce and promote best practice.

There are no doubts about the benefits of financial planning especially taking into account individual preferences and so the gap between the expertise of practitioners and the increasing complexities in the financial market needs to be filled to build confidence in Nigeria's financial planning professionals and avert a crisis similar to what was experienced in 2008.

Personal Financial Planners Limited by Guarantee (PFP) is the Association for Personal Financial Planners in Nigeria established in 2007. It is a non-profit, professional association dedicated to educating, training, certifying financial planners, advocacy for the profession and influencing policies.

It was established with the core purpose of growing and advancing the financial planning profession through the establishment, preservation and promotion of rigorous professional standards in financial planning.

With the foundations in place, we are increasingly confident about the sector's prospects over the decade ahead.



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