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18 September 2020

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

By email: economics.sen@aph.gov.au

Dear Committee Secretary,

AFA Submission: Treasury Laws Amendment (Self Managed Super Funds) Bill 2020

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for over 70 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

The Board of the AFA is elected by the Membership and all Directors are currently practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.

AFA's feedback/response

The AFA supports the Treasury Laws Amendment (Self Managed Super Funds) Bill 2020 and the intent to increase the maximum number of members of an SMSF from four to six. We expect that this will be beneficial in a number of ways, including the following:

- Allowing larger families to participate in the one SMSF.
- Better enabling the establishment and continuing operation of intergenerational SMSFs.
- Increasing the level of funds within individual SMSFs to better enable diversification and participation in additional investment opportunities.
- As most SMSF costs are fixed, increasing the number of members will result in a reduction in the per member operating costs and therefore making SMSFs more cost effective and also more suitable for members with lower investment balances.

In consideration of this legislation we have given thought to the risk of negative outcomes and unintended consequences. We are not aware of any additional risks or other problems that may arise specifically as a result of this legislation. There are risks involved in intergenerational SMSFs, however those risks already exist and are unlikely to be made greater, simply as a result of increasing the number of members within the fund.

We are conscious that 93% of SMSFs are currently one or two member funds, and therefore the increase in the maximum number of members from four to six is unlikely to have an impact on the vast majority of funds. This change will have a more targeted impact, and most likely be limited to use by larger families.

Ultimately, the exercise of assessing the suitability of an SMSF and the ongoing management of an SMSF is a complex exercise, and one where we believe access to financial advice is critical. Financial advice would also be important in the consideration of adding additional members to an existing fund.

We believe that the proposed arrangements for the signing of financial statements by both corporate and individual trustees are appropriate.

We are not aware of any issues with the drafting of this Bill and have no further feedback on the Bill.

Concluding Remarks

The AFA supports the extension of SMSFs to a maximum of six members and we therefore support this Bill.

The AFA welcomes further consultation with the Senate Economics Committee should it require clarification of any points raised in this submission. If required, please contact us on [redacted]

Yours faithfully,

[redacted]

Philip Kewin
Chief Executive Officer
Association of Financial Advisers Ltd