



25 January 2012

Bernie Ripoll MP  
Chair  
Parliamentary Joint Committee on Corporations and Financial Services  
Parliament House  
Canberra, ACT, 2600

Dear Chair,

During my testimony before the committee on January 24 in respect to the inquiry into the FoFA Bills, I indicated I would provide as soon as possible a copy of the updated Rice Warner research on the economic impacts of the reforms on the financial advice industry.

This update (attached) supersedes the original March 2010 report included in our first submission to the committee. This new report contains vital information which I believe the committee should take into account before finalising its inquiry into the FoFA Bills.

The new report takes into account policy changes since 2010 as well as updating baseline adviser employment and business volumes and revenues. It highlights very positive impacts from the reforms, including:

- **A near doubling in the provision of financial advice** to Australians - by 2026 there will be 1.76 million pieces of advice provided compared to 831,000 pieces under a no reform scenario;
- **Increased availability of cheaper scaled advice** with the average cost of advice nearly halving from a cost of \$2,135 to \$1,188;
- An **increase in superannuation and other savings** by individuals by an estimated \$130bn by 2026;

Importantly the new report updates the **employment impacts** from the reforms. We believe this is vital information for the committee as a number of witness who have given testimony relied on information contained in the Regulatory Impact Statement (RIS) on the bills which was sourced from the original March 2010 Rice Warner report.

As I described in my evidence to the committee, the employment estimates referred to in the RIS and used publicly in recent days were based solely on changes in employment for advisers providing full advice without account for the growth of advisers employed to provide scaled advice. Further, the original report used policy assumptions which are not part of the final reforms before the Parliament. For example the March 2010 report dealt with commissions on risk products and grandfathering of existing business differently to the final reforms which the committee is now considering.

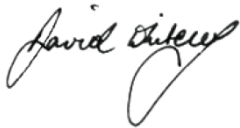
After taking into account the policy changes and the increases in scaled advice employment since publication of the first report in 2010, the latest report finds total employment in the sector will be broadly stable, with the most profound change being the type of advice advisers provide, in response to consumer demand. There will be increased use of IT and the internet to provide cost effective advice to Australians.

The updated report also notes that total employment may increase depending on the success of commercial strategies developed in response to the reforms. For example the new cohort of Australians accessing scaled advice may be more receptive to upgrading to more costly full advice by being familiar with the benefits of advice.

Finally the 2012 report notes that the key drivers of an aging population, maturing superannuation system, and increased SG contribution rate will provide a solid basis for growth prospects in the sector for many decades to come. Intuitively claims of mass job losses are at odds with these fundamental trends.

If you have any questions in relation to my evidence to the committee or this updated Rice Warner report please don't hesitate to contact me.

Regards

A handwritten signature in black ink, appearing to read "David Whiteley". The signature is fluid and cursive, with a large loop at the end.

David Whiteley  
Chief Executive

cc. Deputy Chair  
cc. Committee Secretariat