



2 October 2012

Committee Secretary  
Parliamentary Joint Committee on Corporations and Financial Services  
PO Box 6100  
Parliament House  
Canberra ACT 2600  
Australia

By mail and also email at: [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au)

Dear Committee Members

I am writing to you in relation to the current inquiry into the Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Bill 2012 (the "Bill").

I am the director of a small business that is dedicated to providing advice to employers and employee members of corporate superannuation funds. I have been involved in the corporate superannuation industry for well over 26 years and just over 18 months ago, I established my small business with 2 staff members. Our service includes the provision of educational seminars and specific superannuation, investment and insurance advice to our corporate clients and their employees who are members of the employer sponsored superannuation fund. We are not aligned with any superannuation fund, and as such provide unbiased advice to all members and assist them in making informed decisions about their super. Our mission is not just about providing advice; it's about caring for the people we serve, acting in their best interests and making a positive impact on their lives.

I support the Future of Financial Advice (FOFA) reforms that have previously been introduced into Parliament, but like most changes, they have elements that are not in the member's interests. In fact the proposed changes in this Bill will make the affordability of receiving advice go well beyond the reach of the average person. The recent Tranche 3 of FOFA has these negative elements as well as having elements that will directly impact adversely on our business and my staff's employment. In short, it prohibits our business from receiving adequate remuneration that will allow us to continue to serve our clients.

This latest Bill in its current form will sound the death knell for what we do and may ultimately lead to the collapse of our business. Let me explain further. Our business currently charges a 'fee for service' that is paid to us by the super fund, with whom we have negotiated with on behalf of our corporate employer clients and their employee members. This fee for service is passed on to us by the super fund as part Commission and part Plan Service fee. Both fees combined allow us to provide an effective and competitive service to members. The combined fee is transparent and fully disclosed on all communications to members, especially when they choose the fund of their choice when they first commence employment. This fee is also shown on their six monthly account statements. In all cases, the super fund has outsourced the elements of advice to our practice and we in turn provide these advisory services to our clients.

To prohibit these servicing fees from being charged and passed on to advisors by superannuation funds under this current Bill, or in any part of the FOFA reforms is not right. It has a direct impact on the affordability of our services and the life of our business. To cut this fee arrangement out is entirely ridiculous and un-competitive. It will bring us back to the dark ages of the 1980's when the big players



like National Mutual, Prudential, AMP etc. had tied agents/advisors that acted solely in the interest of the licensee/entity that is providing the product.

These changes also play into the hands of the big institutions and the big industry super funds. No doubt these changes will bring about the big Coles and Woolworths of the super fund industry, thereby reducing competitiveness in the market and disempowering members from making choices that benefit them. It is silly to believe these changes make it easier or more transparent for the average super fund member to access and pay for advisory services.

It is truly sad to think that one of the objectives of FOFA was to make advisors act in the best interest of their clients. Unfortunately this is being high jacked by self-interested parties who would like to push the Bill through in its current form because it serves their interests more so. We all recognise the many notable people in history who have fought for the common good e.g. Moses, people who tried to do it through regulating, or to put it more bluntly, through 'commandments'. We all know from experience however that we can never stop people from acting badly and nor will excessive regulation fix things. My point here is that the Bill in its current form does not serve the interest of the people, you need only look at the benefits and the monopoly that will be gained by the big players to see whose interest it will serve.

Another issue I would like to point out is that unlike the FOFA legislation that provides "grandfathering" relief for existing contractual arrangements, this Bill does not recognise or provide for the existing contractual rights of advisors such as myself and their respective businesses.

The current Bill before parliament effectively seeks to set aside our existing contractual rights and the basis in which our business is remunerated. The Bill requires that over a period of time to 1 July 2017, all accumulated balances of superannuation members within an existing super fund's default investment option be moved to a MySuper compliant fund. A MySuper fund is expressly prohibited from the payment of commission-based remuneration to an advisor. This would result in existing contractual arrangements currently in place with superannuation clients/members to be forcibly terminated in a very short period of time. It also disregards that a member may in fact have chosen that particular default investment option in the past without written confirmation. Hundreds if not tens of thousands of members have made an effective investment choice in this manner, i.e. without confirming it in writing.

I understand this Bill will ultimately result in advisors being remunerated very differently to how it traditionally has been in the past. I have no difficulty with this, but to extinguish the existing arrangements I have in place for our clients is totally wrong. To forcibly move a member's account balance from one fund to another just because the regulations have deemed they have not made an investment choice is also wrong. To remove the ability for advisors to be remunerated by super funds in a particular way for the services we provide is totally wrong and un-competitive in its very nature. As I pointed out previously, it will also push access to advice 'at a reasonable price' beyond the reach of the average person.

The Bill also enables the Trustee of a super fund to decide when they will move members to a MySuper product. From a small business perspective, I have no control over this and I feel we have been totally excluded from the process. The impact of this particular process on our business and our employees is enormous and managing its impact on how we service our customers is completely out of our hands.

#### **Important Information**

Any financial product advice contained in this letter is general advice. That general advice does not take into account your personal investment objectives, financial situation or needs. Before acting on any general advice contained in this letter you should consider the appropriateness of the advice having regard to your own personal objectives, financial situation or needs and you may wish to do so with the assistance of your financial advisor.



I urge this Inquiry to recommend that the existing obligation within the Bill to forcibly move existing superannuation members to a MySuper product be removed on the grounds that:

1. it is unnecessary given other reforms proposed;
2. it will reduce competition in the market place; and
3. it will result in significant hardship for businesses such as ours, with no appropriate compensation.

I would welcome and encourage the inquiry to have further consultation with corporate superannuation advisors like myself. I will gladly make myself available to the panel of inquiry if required.

Yours sincerely,

**Mike Capiron**  
**Director, Verum Financial Partners**  
**Authorised Representative No. 333834**

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