

PRINCIPAL EDGE



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

By email: corporations.joint@aph.gov.au

Dear Sir / Madam,

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 a small business owner/operator specialising in providing financial advice services to employers in relation to meeting their superannuation guarantee obligations on behalf of their employees; these services also encompass supporting employees. The measures contained within the Bill will have significant and lasting impacts on my business and the staff I employ.

In partnership with our clients and platform providers, we:

- Facilitate the relationship with our clients and providers to negotiate the best outcomes for the plan.
- Work in partnership with our clients and providers to ensure the full range of features and benefits of the plan are maximised for our clients and their staff.
- Deliver workplace education around superannuation, preparedness for retirement, asset protection strategies and general financial literacy.
- Provide ongoing employer reporting and support services.
- Deliver ongoing platform reviews, regular communication, consultation and a comprehensive program of education and support.

Our Commitment to our clients:

- Provide a simple and efficient superannuation solution that complies with the legislation and is tailored to your specific needs and objectives.
- Work with your staff to assist them to accumulate wealth, better preserve and protect their assets, and educate them to make informed decisions about their financial future.
- To ensure our service standards remain superior to the marketplace and meet the needs of the employer and the staff.

With the vast majority of Australians heading towards a retirement with inadequate funding, ultimately leading to increased pressure on social services and social security, it seems inconceivable that a government would initiate measure that will result in reduced access to financial education in the workplace (an initiative that ASIC's "National Financial Literacy Strategy" as a gap in existing financial advice services).

The Bill provides further details regarding the proposed MySuper product. This product is primarily designed to ensure that employers contribute their employees' superannuation contributions to a default investment product that minimises unnecessary fees and charges in order to promote better retirement incomes. Whilst I generally agree with the principle of the reforms, there are elements to the legislation that cause me significant concern.

The Bill requires that over a period extending to 1 July 2017 all accumulated balances of superannuation members within an existing superannuation products default investment option must be moved to a MySuper compliant product. A MySuper product is expressly prohibited from the payment of commission-based remuneration to an adviser. Therefore, this will result in existing contractual arrangements with the superannuation members being forcibly overturned and voided.

The financial advice industry is in the midst of significant upheaval due to the recent commencement of the Future of Financial Advice (FoFA) legislation, resulting in significant changes to the way it interacts with, and is remunerated by clients.

Over time, these changes will ultimately result in the industry being remunerated very differently to current arrangements (ie: largely commission-based remuneration). The viability of many financial planner practices will need to be carefully evaluated during and after this transition period. This may have broader impacts on employees of such practices.

Unlike the FoFA legislation that provides "grandfathering" relief for existing contractual arrangements, the Bill does not recognise or provide for the legitimacy of existing contractual rights of financial advisers.

The Bill effectively seeks to set aside my existing contractual rights, for no compensation. From a small business perspective, I have built a business over many years on a model created in response to the previous legislation. As a result of you government's "exclusive" approach to the consultation process, I have no control over a process which threatens the existence of my business and potentially an industry. Many employees have committed their time and resources to become qualified for what is now an uncertain future.

My business employs 14 people. The potential impacts of not having adequate time to prepare my business for these enforced changes could result in me no longer being able to continue to provide employment for them.

My understanding is that the broader Stronger Super package of reforms contains a variety of provisions that encourage or force superannuation members to reduce the number of superannuation accounts they maintain. Over the short to medium term, I would expect there to be a significant amount of movement of superannuation balances as a result of the following initiatives:

- auto-consolidation of low-value accounts;
- the ability of superannuation providers to track accounts through the use of tax file numbers; and
- changes to the back office processing of accounts to make it easier for members to consolidate or transport their balances.

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 from the Bill on the grounds that it is unnecessary given other reforms proposed and that it will result in significant hardship for businesses such as mine, with no appropriate compensation.

Please do not hesitate to contact me should you require further information.

Yours sincerely,

Bruce Kluk