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

Dear Committee Secretary

Parliamentary Inquiry into the Corporations Amendment (Future of Financial Advice) Bill 2011

I am writing in response to the Parliamentary Joint Committee on Corporations and financial services enquiry into the proposed *Corporations Amendment (Future of Financial Advice) Bill 2001* (FOFA)

Moneywise Global thanks the committee for this opportunity to comment on the proposed FOFA legislation. However we do not believe that the discussion around FOFA can be separated from the MY Super initiatives and we are also framing our initial response to the first two tranches of the FOFA legislation with the knowledge that there will be a further Tranche/s released and also far more detail concerning the provisions outlined in Tranches 1 and 2.

About Moneywise Global Pty Ltd

Moneywise Global Pty Ltd, a fully owned subsidiary of Flight Centre Ltd (FCL), has provided financial advice to the staff members of FCL as a subsidised staff benefit since 1994. Moneywise Global is licensed to provide financial advice under the AFSL of Consultum Financial Advisers, AFSL No 230323.

Moneywise Global is an initiative set up by the Board of Flight Centre Ltd over seventeen years ago in their quest to give every employee an opportunity to become an individual success story in their own right. Moneywise Global has grown from employing a single Financial Planner in 1994 to a thirty strong team that provides Financial Advice to staff members of FCL in Australia, New Zealand, Canada and The United Kingdom. In addition to the FCL staff it also provides Financial Advice to staff members of other large and small Australian employers such as Optus and Moreton Hire.

Our motto is "we believe that advice is for everyone" and over the past seventeen years we have helped and guided tens of thousands of clients on their road to financial freedom. Moneywise is not a traditional financial advice business, it believes in the democratisation of financial advice and is very much a financial literacy initiative as much as an advisory services provider. It is a fact that a very large number of our clients would not be able to access financial advice due to their financial position. We see our main goals as Organising, Protecting and Growing our clients in order to educate and provide them with the skills to be able to run their own financial lives with the knowledge and support network to make informed choices. Moneywise has been recognised in the past by the Financial Literacy Foundation initiative that was previously run by Federal Treasury and has featured in their educational material regarding financial literacy in the workplace.

Summary

As an organisation we believe in and welcome reforms that are meaningful and are for the protection of the end users of financial advice and the betterment for the Financial Advice industry. However we have concerns

that some of the key aspects of the proposed FOFA reforms will not achieve the Governments intended objectives for our clients, and will have unintended consequences for both Moneywise Global and its clients. We do not believe the intention of these reforms is to reduce the amount of advice given, or increase the cost of advice however we feel that this is exactly what will occur in our case. Our concerns are primarily around the way a unique advice business like Moneywise Global is able to function as a business under this legislation.

The Financial Advice industry has many facets and we do not think that enough investigation has been made into the consequences of these reforms on advice models providing low cost advice to everyday people who need it the most. We feel that Moneywise Global will be adversely affected by the FOFA legislation and the mains areas that we would like to see further investigation into and dialogue around are:

- Opt in – Renewal and disclosure statements
- Risk Insurance inside Superannuation
- Advice fees within Corporate Superannuation – Conflicted Remuneration

Superannuation and the Value of Advice

Due to the demographic of our client base Moneywise Global has, through necessity, evolved into superannuation advice specialists, using our Corporate Super plans as a vehicle for financial education. It can be seen through the profile of the Flight Centre Corporate super plan that we have had a massive impact on the members of the fund and have quantifiably impacted on the fees, investment choices and returns and the insurance levels and related insurance premiums. The two major funds we are appointed advisers on have extremely low fees, are very highly featured and have insurance premiums 20% lower than like for like comparison with all forms of Superannuation plans.

Our clients are able to take advantage of this due to the fact that FCL has Moneywise Global working for its staff as an advisor to ensure that the funds trustee/ provider/administrator delivers a product to the end user that is tailored to their needs and is more effective in producing an effective outcome for the client's retirement. This is the true value of advice in Super at a corporate level. A decision around the fund that a company uses for the default SG of its staff members should not be seen as a SG/ATO compliance function, but instead, turned into a staff benefit that highlights that company as an employer of choice that is valued by its employees.

Opt In

We do not see the benefit to the client of the outlined Opt In policy. The current system of Super Choice was enacted to give people an opportunity to "shop around" and source themselves the best super plan for their needs and goals. Our experience is that the general population does not have the knowledge base or skills to understand the complexities and aspects of superannuation. Opt In will not make any difference to this fact and only serves to remove advice from current plans or increase the cost of that advice.

We feel that if an Opt In system were to be implemented then, where it applies to a fund that is appointed by a company with a staff of, for example, 100 or more then the decisions concerning the default super fund should lie with a Super Policy Committee, that contains members of management and staff that will be better informed to make decisions of this nature. We feel that Super Choice and the current Opt Out policy gives more than enough scope for people to choose which super fund suits them best, but the main fault with it is that, as previously stated, a vast amount of the general population simply do not understand how super works. We feel that the objectives that were set by the Government for FOFA and MY Super would be better served through educational campaigns aimed at arming people with the tools to make their own decisions would provide a much better outcome than prescriptive legislation.

As stated Moneywise Global's core activity has been to provide financial advice to the staff members of Flight Centre Ltd. The upfront fee for this advice is paid for by Flight Centre Ltd and not the client; however the normal adviser/client relationship exists. The Opt In obligations does not recognise that advice models are very different and we feel that it is too prescriptive in nature and does not provide scope or clear direction as to where the responsibility to Opt In lies. Is it with the client or the entity paying for the advice? We feel that every one of our clients elects to "opt in" to our advice every time we advise them and see it as a meaningless venture that will only add to our costs and will take resources away from our core function.

The cost of implementing Opt In to an advice business such as Moneywise Global will be far more than stated by Minister Shorten in his media release No 127. Moneywise has well in excess of 10,000 active clients and it is our initial estimates that to provide every one of them an annual notice with a further notice every 2 years on the anniversary of the initial notice would logistically be a major re-work of our processes and systems that would require a significant IT spend and training costs along with the loss of productivity over this time. Our estimates on this cost within our business show that it would be in the order of $200 per client, far above the $11 stated in the study sighted by Minister Shorten, with no clear benefit to the client that they do not already receive.

Risk Insurance inside Superannuation:

We have concerns that the proposals surrounding commissions on insurances within superannuation are conflicted in their nature and do not recognise the value of advice when applying a default insurance offering to a super fund, and also when a client wishes to vary their level and type of insurance. We wish to point out the following;

By applying a ban to insurance on group risk policies within superannuation but not on individual risk polices insurance is conflicted in its very nature and is counter intuitive to the stated objectives of the Government under FOFA.

It is legislated that a default insurance offering must be applied to all super funds; however it is our experience when dealing with clients that are joining FCL that they have limited understanding of this default insurance and can be far under or over insured.

An example of this is a client who has had many small jobs over a period of time and has up to ten super funds (a mixture of retail, corporate and industry funds) and can have over a $1 million in insurance where, once advice is applied, they may only need $500,000. This type of advice tailors the insurance to the client's needs, and allows more funds to be invested for the client's retirement. By structuring this advice through the client's super fund it is a far cheaper option for the client and improves their after tax cash flow. The insurance offerings that we provide, with a commission attached, are still cheaper than the client would be able to access themselves without our advice attached.

In our experience, based on market and client research, the current system works well, and as long as the adviser, employer and product provider are all working for a better outcome for the staff member then a great result for every individual can be achieved.

Timing

Due to the lack of detail that has been provided to date surrounding these very large changes to the financial advice industry, we cannot see how these initiatives can be implemented by 1 July 2012 and would welcome more detail to be provided by the Minister, Treasury and ASIC so that we are able to ensure that our clients and staff are not adversely effected by these proposed reforms.

Conclusion

Moneywise welcome any reform that improves the financial life of its clients. It is our view that the FOFA reforms as outlined in Tranches 1 and 2 will not achieve the stated objectives of the FOFA initiative and will reduce access to advice for our client base through adding extra complexity, cost and confusion.

Moneywise Global would welcome the opportunity to present to the committee with more detail relating to the activities of our company and to provide more examples of the adverse effect that this legislation could have on our clients. We also have substantial evidence that shows that financial literacy initiatives can have a major positive impact on society. We believe that if the Federal Government were to focus on Financial Literacy at every level of society then legislation such as this would be unnecessary.

Yours Sincerely

Paul Mann
Managing Director
Moneywise Global Pty Ltd