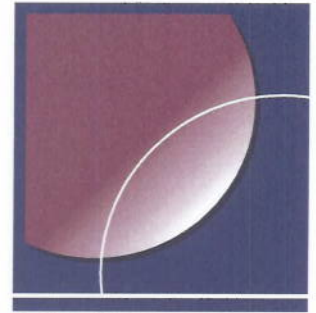




21 November 2011

Committee Secretary (reference SG 64)
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600



PRINCIPAL
FINANCIAL SERVICES

Rod Longmire
Authorised Representative

Dear Sir,

Firstly I am part of an independent financial planning practise based in Brisbane.

I want to bring to your attention several aspects that the "Future of Financial Advice Reforms" that are proposed that are either flawed and in some aspects dishonest.

- 1 Industry superannuation- versus- financial planning activities
- 2 The relationship financial planners have with their clients.
- 3 The structure of payment for services
- 4 Failure in Financial Planning

1 Industry superannuation- versus- financial planning

The expectation and responsibility of Financial Planning is vastly different to the simple advice model to be offered to Industry Fund members that is proposed.

Financial planning advice will cover

- Budgeting, cash flows
- Protection of assets and income/ debt risks etc
- Protection and provision for children
- Tax efficient savings/wealth accumulation
- Estate planning alerts/ blended families/ divorce/death. etc
- Retirement planning/ superannuation/transition to retirement
- Aged care/pension income/accommodation

This is very much more comprehensive than the "Simple Advice Model" which is being suggested as an alternative to Industry Super Fund members.

2 RELATIONSHIP financial planners have with their clients

The comprehensive planning aspects cover most stages of life and this usually means Financial Planners have a life long association with clients and their families, and much advice or assistance is not charged.

3 PAYMENT of Services,

The "Reforms" want us to bill our clients similar to accountants or lawyer.
Financial Planners have fiduciary duty to cover most of those aspects up front as pertinent to the specific needs of the client.

This requires lots time to establish facts/needs, detailed advice to present to the client.

This incurs a big time cost bill which if charged up front will discourage most customers seeking advice.

The "Reforms" do allow payments by way of "trail fees" however it will be required to have the clients opt in every two years as well as an annual statement by the Advisor to the client detailing the services given for the period, the cost of those and the amount of fees in credit or debit as applicable, as well as the services available prospectively for any remainder of the two year period and the cost of those.

Sounds very reasonable and fair except the additional administration costs will need to be passed on and never before has the way fees charged by professionals been legislated, dangerous precedent .

4 Failure in Financial Planning

The Ripoll Inquiry and Cooper Review resulted from the irresponsible actions of "STORM Financial" in Mt Isa with full cooperation of lending banks which is now well known.

This class of irresponsible advice is not the practise of genuine independent Financial Planners and clients have always been protected financially from failures in the past though compulsory Professional Indemnity Insurance.

Why these changes are FLAWED

Purpose of changes were meant to make cost of Financial Planning cheaper and fairer.

Special advantage to "Industry Funds" as part of the MySuper legislation in that the cost of intra-fund advice would be treated as an administrative cost and would be charged to every member of an industry fund every single year, even if those members did not access advice.

Charge does not have to be disclosed.

This is a **trail by another name without "Optin" or issuing "annual statement detailing service"** .

Business advantage : Banks and tied agencies offering financial planning advice are able to ensure significant investments made through their planners are invested into investment funds they manage with management fees that can be used to subsidise the true costs of Financial Planning.

This allows a much lower charge up front without **"Optin" or issuing "annual statement detailing service"**.

Effects of FoFA Changes

In simple terms the Financial Planning Industry is already loaded with numerous compliance requirements.

The extra work that FoFA requires will add nothing to the safety of clients, it will add significantly to the costs of advice.

The "Industry Funds" are being allowed exemption as explained above.

Banks with their expanding ownership of many of the "products" with cross subsidy will be able to offer advice below its real cost.

This is very anticompetitive to genuinely independent financial advice practitioners and will eliminate them. Loss of true competition always leads to loss of choice.

I write to recommend deleting the legislation on how professionals may charge especially with outcomes that so obviously will favour protected and dominant sectors.

Yours faithfully

Koa Longmire

