

Senate Standing Committee on Economics
ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into the Treasury Laws Amendment (Delivering Better Financial Outcomes and Other Measures) Bill 2024

Department: Department of the Treasury
Topic: Schedule 1 - Modelling and outcomes
Reference: Written
Senator: **Andrew Bragg**

Question:

1. Has the Treasury done any modelling on how this bill, particularly Part 1 Schedule 1, would affect the cost of financial advice? Have you measured how much it would make financial advice cheaper or more expensive?
2. How do you respond to those in the industry, such as the Joint Advice Working Group, who have written to the Committee saying Schedule 1 in the Bill as drafted would lead to poor outcomes for consumers?

Answer:

1. The Quality of Advice Review found that regulatory compliance requirements are a key driver of the cost of financial advice, which can exceed \$5,000.
- The *Treasury Laws Amendment (Delivering Better Financial Outcome and other measures) Bill 2024* (the Bill) implements an initial set of reforms to reduce red tape and provide downward pressure on advice costs. The Bill achieves this by:
 - Clarifying the legal basis for trustees paying a member's financial advice fees from their superannuation account including the associated tax consequences and exemption from the conflicted remuneration provisions.
 - Streamlining ongoing fee renewal and consent requirements and removing the requirements to provide a fee disclosure statement. This consolidates the requirements of three separate forms into one.
 - Providing flexibility on how Financial Services Guide requirements can be met.
 - Simplifying the provisions governing conflicted remuneration.
 - Retaining commissions for advice on insurance with enhanced consumer protections via new consent requirements.
- The second tranche of legislation will provide further downward pressure on advice costs by expanding the supply of high quality advice under a new model. This includes modernising the best interest duty to support high-quality single-issue advice, replacing statements of advice with a streamlined plain English advice record to help consumers make informed decisions, supporting superannuation funds in providing more retirement advice to their members and introducing a new class of financial advisers who can provide advice on simple topics without charging a fee or commission.

2.
 - The Quality of Advice Review found section 99FA of the *Superannuation Industry (Supervision) Act 1993* does not provide a clear legal basis for a superannuation trustee to pay advice fees from a member's superannuation interest and recommended that it be replaced. Without amendments, financial advice may become more inaccessible for superannuation members. Amendments in the *Treasury Laws Amendment (Delivering Better Financial Outcome and other measures) Bill 2024* provide consumers and superannuation trustees confidence that there is a sound legal basis for advice charging arrangements from superannuation. This gives greater assurance that advice fees can be paid from superannuation in appropriate circumstances.
 - These changes work in conjunction with other Parts of Schedule 1 to ensure consumers have access to affordable and quality financial advice.