



PATTINSON F.S

Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
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By email: corporations.joint@aph.gov.au

Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Bill 2012 (the "Bill").

Dear Sir / Madam,

My business specialises in providing financial advice services to employers in relation to meeting their superannuation guarantee obligations on behalf of their employees. The measures contained within the Bill will have significant and lasting impacts on my business and the staff I employ.

The delivery of financial literacy programmes, insurance s claims support, retirement and savings planning, assistance with SG compliance as well as the many general financial planning services we delivery to our clients (both employer and employee) serve to better equip the employees of my corporate clients, for financial security, now and in retirement.

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. Most of my corporate superfunds already operate at a total MER below 1%. The assumption that only a MySuper account will deliver low cost retirement solutions is wrong.

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. Removing my ability to aggregate the cost of service delivery across whole employer groups. This will increase the cost of service delivery

The financial advice industry is currently in the midst of the most significant transformational program for many decades, due to the recent commencement of the Future of Financial Advice (FoFA) legislation. As a result, the financial advice industry is currently undergoing 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

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how it has traditionally been (ie: largely commission-based remuneration). The viability of many financial planner practices will need to be carefully evaluated during this transition period, and this may have broader impacts on employees of such practices.

However, 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. The decision as to when a member will be moved is also completely out of my hands – rather it is the Trustee that has the control as to when they will choose to move members. From a small business perspective I have no control over this process. Therefore the ability to manage the transition for my business, including impacts on cash flow and servicing of customers is completely out of my hands. We have been completely excluded from the transition process.

Each of the 8 employees of my business depend on the income they earn from their job to support their families. There are 30 Australian men woman and children who depend on my business directly. My business will NOT be able to trade with the removal of the income it receives from the superannuation funds it currently services. The Bill (in its current form) will cause 30 people to be directly affected by a change will not delivery more than additional confusion, cost and lower levels of financial literacy.

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,

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