Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 84

Topic: Intra-fund advice

Hansard Page: Written

Senator Bushby asked:

1. Why has Intra-Fund Advice (IFA) been carved out of FoFA?
2. If IFA is ongoing, why is it not subject to the renewal?
3. On what basis is it appropriate to allow personal advice delivered by a superannuation fund to be cross-subsidised? Doesn't this place non-superannuation funds at a competitive disadvantage?
4. Will super fund members paying for cross-subsidised advice be able to opt-out of the advice cost if they do not wish to access the advice?

Answer:

1. IFA will not be carved out of FoFA. For example, advisers that provide IFA will be subject to the ban on conflicted remuneration introduced by FoFA and, where IFA is personal advice, advisers will also be subject to the best interest duty.

   In relation to charging for IFA, the FoFA reform will allow superannuation trustees to continue to charge members on a collective basis for the costs of providing IFA. This charge will not be subject to the compulsory renewal requirement. The compulsory nature of superannuation in Australia means there is a public interest in ensuring that members have access to a limit form of financial advice in relation to their superannuation balances.

2. Refer to the answer above.

3. Many financial product issuers (not only superannuation funds) bundle the cost of financial advice to their customers with their products. For example, a bank may provide advice to its customers about the most appropriate savings account or term deposit for their needs without separately charging the customer for that advice. Rather it will recover the costs of the advice through its product fees. FoFA will not force all product issuers to separately charge their customers the full cost of advice.

4. If a person wishes to opt-out of a superannuation fund that collectively charges for IFA, they can do this be switching into a superannuation fund that does not collectively charge for IFA.