

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 806

Topic: Opt-in Proposal – Future of Financial Advice

Hansard Page: Wednesday 19 October 2011, Pg 106-107

Senator Cormann asked:

Senator CORMANN: Given that the opt-in proposal did not come out of the Ripoll inquiry, where did the proposal for an opt-in requirement first come from? Did somebody present it—

Mr Murphy: Yes, that would have come through submissions.

Senator CORMANN: Who first put it to government as an idea to pursue?

Mr Murphy: I cannot—

Senator Sherry: We might have to take that on notice.

Senator CORMANN: I would be very interested to find out. I am happy for you to take it on notice.

Mr Murphy: I think what is important is: what is the policy objective you are trying to achieve? But we will find out for you.

Answer:

Opt-in was a recommendation of the Super System Review (Cooper Review). Recommendations 1.12 and 1.25 of the final report read that Members of MySuper or Choice products should only be provided with advice about superannuation (other than intra-fund advice) under arrangements that require the member to renew the advice service each year on a renewal notice from the adviser.

In fact the Super System Review issues paper, Phase Two Operation and Efficiency of 16 October 2009 asked, at paragraph 8.2.13 on pages 23-24:

“What if, each year, funds were required to send members a bill for next year's estimated fees; effectively a renewal notice similar to those sent by insurers? ... This is likely to invite scrutiny from members, lead to comparisons with what other members were being charged and, above all, might lead to considerably more engagement with the product.”

This was further elaborated on in the Super System Review issues paper of 20 April 2010, Optimising Australian superannuation. Second Phase One — Preliminary Report, which stated:

“Trustees could have an arrangement with advisers to provide the service to MySuper members. However, every arrangement for payment for advice would require express renewal by the MySuper member every 12 months (that is an opt-in regime for advice where members are in control)”.