

The Committee Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600



18 August 2006

Dear Sir,

Inquiry into Structure of Superannuation Industry

I wish to provide this submission to the Committee for its consideration on the issue of **"the role of advice in superannuation"**.

As a professional financial planner I am concerned at the regulatory obstacles confronting the provision of affordable, high quality professional advice on superannuation. The ability for financial planners to provide advice in the area of superannuation has been rendered extremely difficult since the introduction of the FSRA reforms and Super Choice. The FSRA reforms have imposed a costly and detailed level of regulatory compliance on financial planners advising clients on superannuation and this has been further compounded by ASIC's ongoing denigration of advice and APRA's non recognition of independent planning advice in their Circular II.D.1 on super switching.

Superannuation and retirement planning involves far more than simply looking at fees as fees is a broad term which encapsulates a number of services, i.e. Advice, investment, research and administration. The Professional retirement planning advice to a client will involve consideration of issues such as the client's retirement goals, the breadth and depth of investments based upon their risk profile, salary sacrifice strategies and determining adequate levels of risk insurance. Superannuation advice will also include guidance on nomination of dependants and binding death benefit nominations.

It has become particularly difficult to provide advice to clients with lower levels of superannuation savings (arguably those in most need of advice) because of the complexity of regulation and lack of regulatory support for the value of advice coupled with the client's inability to pay.

Indeed without the benefit of ongoing professional advice it is unlikely that a large percentage of Australians will achieve their retirement goals at a time when the Federal government is going to be burdened with an increasingly aging population and continuing demands on the Age Pension system.

I would urge the Committee to recommend the reduction of overly complex regulation in order to promote the provision of appropriate scalable advice on superannuation to all sectors of the community.

This urge for change can be a simply one that suggests that as long as the client know what they are paying and what they are paying for and agrees in principal and writing to pay for this amount, then that is sufficient for the clients needs.

The bold theory that all advisers will look at every product in the market for every client is impossible. Fees are not everything for consideration but suitability and flexibility is. It is the clients choice that should be maintained:

1. Removal of exit fee products from the market
2. ability for client to claim a tax deduction for advice regardless of what form it takes, trail, fee for service, cheque.
3. removal of statements such as non for profit and comparisons against other products being marketed and advertised. This creates a false sense of comparison with all clients. This doesn't value insurance, advice, flexibility, it compares costs of products that are not equal.

The client wants advice as with any product or service available to them which they are not able to supply it for themselves. Without advice the people will be well under funded, underinsured and under pressure to resort to government payments in sickness and retirement.

The more complex the advice process becomes, the more the client will have to pay. The more the client will have to pay, the less will receive advice. The less advice that is being received, the more the government will need to pick up the tab. Product Manufactures, Industry Funds cannot delivery a product that suits everyone and everything, that is the advisers role and should be removed from these providers. The negative publicity about advice is from the industry funds self promotion of simply. It is not simple otherwise client wouldn't need superannuation, insurance. We would live in utopia. We don't and therefore advice is needed as is needed in:

1. Tax
2. Legals
3. Property
4. Financial Planning

Solutions and recommendations:

1. All product providers must have a single statement of fees including all operational costs as a percentage.
2. no product provider should be able to self promote comparing themselves to others as this cannot be done for the general population due to different needs, ages and requirements.
3. all providers should have an open public ability, i.e. everyone can join or employment exclusive can join. No other restrictions can be put on a public offer funds other than minimum fee charge.
4. All products must have an advice ability built into product where a client can elect to receive advice and therefore pay for a service out of the product. Industry funds do not allow this (but compare them selves to other public offer Master Trusts) and therefore

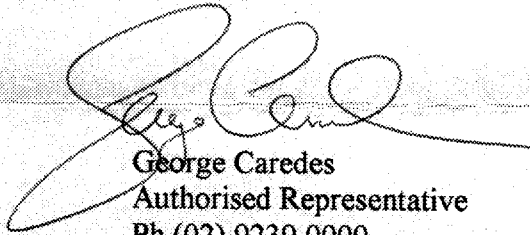
advisers will not utilize them due to the products lack of services to both users, the client and the adviser. Advisers can't access or charge via a product therefore why should the ability to recommend them be possible

5. All exit fee products should be removed from future sale.

6. Advisers must disclose the remuneration they receive. The remainder is should easily in PDS in a % format.

7. Advice fees must become tax deductible to the product and therefore the client as trail and admin plus fund manager costs are.

Yours Sincerely



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