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

23 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".**

I am a Senior Professional Financial Planner with over 40 years in the Financial Services industry. The first 23 years were in the Banking sector, were I reached the role of Bank Manager.

My main area of concern is that the average Australian will not be able to afford financial advice under the current regulations and without this advice, their retirement goals will not be achieved and in turn placing a further burden on the Federal Government, particularly in the area of the Aged Pension system.

This is very important in the Regional areas and especially the areas of lower income. The regulations appear to be driven by C B D interest and the promotion of fee for service culture.

I am aware that more then 50% of income received by the Financial Adviser is commission generated and this percentage is much higher in Regional and low income areas.

I believe advisory groups that have taken up the fee for service structure are only focusing on 'top end of the market' and being rewarded by greater income to advisers and back to advisory groups. The promotion of the advisory group's services and benefits are not being utilized by their clients, overall clients are paying more.

Another area of concern is in the definition of general advice and personal advice. Accountants, Mortgage lenders, Real Estate agents and services like Centrelink give advice or information; however do not require to provide a Statement of Advice (SOA).

I have been informed by Centrelink, that because they give information and not personal advice, but because we are licenced to give advice any information given is automatically personal advice and we are required to provide an SOA.

There are Accountants doubling as Financial Planners, giving general advice as an Accountant in lieu of personal advice as a Financial Planner to avoid the cost of an SOA.

It is impossible to define the difference between general and personal advice. I suggest were you don't make a recommendation or mention a specific product it should be general advice. Were we suggest (recommend) that a client stay in the same investment and no cost is incurred too the client a full SOA is not required to be produced.

In my small community many clients call to my office for advice. This could be as simple as a budgeting issue or how to save to meet mortgage payments. Over the past 40 years I have been happy to help in any way I can with my experience; however in view of the ongoing cost to produce a SOA in every situation is a huge burden to my practice. $400 to $500; being the cost to produce a SOA.
I now have little choice then to direct them to groups like Lifeline, whose services are overstretched even further. Unfortunatly while these services have the skills in basic budgeting their knowledge in the Superannuation area is limited.

Any discussion on Superannuation choice generally evolves around the cost or its performance. As mentioned previously even if the suggestion of a prospect to stay in their original Superannuation fund we are still required to produce a SOA, leaving my practice to bare the cost of this advice as prospects in my area cannot afford this cost. The viability of my practice is then under extreme pressure.

My other concern is currently with Television companies run by Award or Industry funds. It's not which fund pays commission or not, it's which fund provides advice to its members and which one doesn't. One particular industry web site states that if members required advice they should refer to a qualified Financial Adviser and expect to pay up to $200. per hour for that advice.

Only this week my practice is helping a young lady to combine five Superannuation funds totaling under $1,000; into a new fund. We undertake due diligence and fully research costs and benefits of all 'from' funds. This can only be accessed by the relative web sites to find the required Management Expense Ratio (MER) to produce the SOA. If the policy or member fees are considered it then highlights the cost to members to remain in these funds.
For example on a balance of $1,000, MER could be as little as 1.3% pa, however with a member fee of $48. this brings the total MER to 6.1% pa.

I believe the current regulations are being proven to be unworkable and could be improved by introducing a dollars fund balance level say $10,000., were a full SOA is required and for any balances under $1,000.; it is covered by a Record of Advice. (ROA).

Disclosure is another critical area, if all cost and MER's were disclosed many issues would be resolved.
All my current clients are fully aware of my trailing commission income received from all funds under management. I offer an annual review being reimbursed by a fee for

service, as yet I have no offers to date. Our 'open door' policy is funded from trails received.

I would suggest that in the Central West area 80% of practices conduct their practices in this way as clients don't have the disposable income to meet fee for service and hourly rates.

I would love to get back to how my practice was run, with simply helping people and being the service to my community by giving information being non specific or of a general nature. I don't expect to receive any income for this service; it's all part of the ongoing educational process our industry should provide.

Yours faithfully

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