

31 August 2006

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

Sent by email: corporations.joint@aph.gov.au

Dear Sir

Inquiry into the Structure and Operation of the Superannuation Industry

I have been running a Financial Planning business for the last 18 years and would like to make a submission to the Committee for its consideration on the issue of **“the role of advice in superannuation”**.

I applaud successive Australian Governments for implementing a long-term strategy to provide a better financial outcome for most Australians in retirement. Unfortunately, a large number of Australians are financially illiterate, confused by constant change and/or just don't care about their financial future. Many people think “she'll be right mate” and/or believe they will win Lotto and/or believe the Government will look after them and/or believe their parents will leave them an Estate upon their death.

However, 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.

Many Australians want help and advice but do not necessarily want a detailed Financial Plan with a 35 page Statement of Advice (SOA) and will not read an 80 page Product Disclosure Statement (PDS). Whilst I appreciate that these measures should improve the transparency and financial security of all concerned, you cannot “open a walnut with a sledgehammer”. The client must have the option to opt out of the costly and detailed SOA process provided that the Adviser provides them with a Financial Services Guide and the PDS and a short form statement covering the important points such as entry and exit fees, conflict of interest, if any, reasons for advice and other relevant information.

If ASIC believe a costly and time consuming advisory process including a 35 page SOA is the solution, then maybe they should provide a booklet of basic financial information whereby the client can sign an acknowledgement of its contents and the Adviser can add value by providing the client with a short-form SOA of a few pages in a timely and cost effective manner.

Unfortunately, many people do not have the time and/or financial resources and/or need to complete a detailed analysis of their affairs when seeking basic advice on superannuation and yet the FSRA regulations still apply. If only there was an exemption in some circumstances whereby a short-form SOA could apply.

Superannuation and retirement planning involves far more than simply looking at fees. Professional retirement planning advice to a client will involve the discussion and consideration of many inter-related issues such as the client's current financial position, their family's lifestyle aspirations, their future retirement goals, appropriate diversification of investments in line with their risk profile, salary sacrifice strategies and determining adequate levels of risk insurance. Superannuation advice should also include guidance on death benefits and appropriate beneficiary nominations as well as the impact of taxation and legislative restrictions, how it applies to their Estate and the role of a valid Will and Enduring Power of Attorney. Unfortunately, too much emphasis on fees can divert attention away from other important aspects which can add significant value over a lifetime.

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 likely that a large percentage of Australians will not 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.

Yours faithfully

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