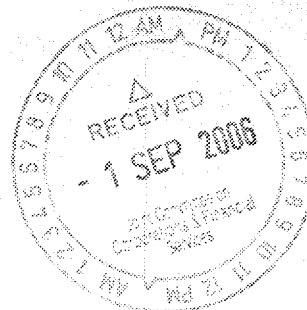


**COMPLETE  
FINANCIAL BALANCE  
Pty Ltd**



**AON**

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Services Licence No. 239187*

*Life Insurance Broker*

22 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

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**Specialising in:**

- Risk Management
- Key Person Insurance and Business Planning
- Wealth Creation Plans
- Family Succession Planning
- Superannuation Advice
- Rollover Advice
- Retirement and Estate Planning
- Regular Savings Plans
- Portfolio Review
- Social Security Advice

Dear Sir

I wish to provide this submission to the committee for its consideration of "the role of advice in superannuation".

The broad objective of a retirement incomes (superannuation) policy should be to advance the financial well being of the majority of Australians which will in turn lessen their dependence on the Age Pension (taxpayer funded) system. Whilst the Government has provided both the structural and economic environment, the vast majority of Australians will still require professional advice to achieve this objective.

The introduction of FSR and the current approach which is being taken by ASIC is removing basic financial planning from the reach of the majority of Australians. In making this comment I would point out the following:

**Costs of Advice are Increasing**

The cost of providing financial services is increasing at an alarming rate in Australia. This is due to the increasing complexity of financial services regulation.

In particular, whilst ASIC promotes the principles based approach of FSR, in reality enforcement is based upon strict adherence to ASIC's own interpretation of these rules. This has resulted in an army of compliance specialists becoming employed within the financial planning industry. This increased cost of compliance is being passed on directly to the consumer. Constant change has resulted in confusion and has reduced the ability to provide services to the consumer in an efficient manner.

### **Regulator's Ongoing Attack on Financial Planners**

Despite the enormous effort that the industry has put into the implementation of FSR ASIC repeatedly denigrates the providers of advice. This undermines consumer confidence in the regulated sector and effectively re-directs consumers to the unregulated sector where scamsters and rip-off merchants abound.

I would ask that you imagine the destruction within the banking sector if APRA constantly derided the banks and made comments regarding their trustworthiness.

### **Unlevel Playing Field**

A new unlevel playing field is being developed where ASIC appears to openly favor industry funds over all other participants in the industry which provide advice. Whilst it is expected that financial planners promote industry funds at their own expense there is no requirement that the same industry funds provide the support and information to financial planners which would enable financial planners to operate efficiently. It appears that an Industry Fund may consolidate a clients dozen or so small super funds efficiently but a financial planner may not.

Within this environment, industry funds will increasingly take market share. Whilst providing an inexpensive option, many clients will (despite the advertising) end up with lower accumulated funds at retirement as ongoing advice will not be provided.

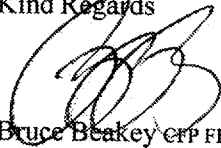
### **Fees Versus Commission**

There is an ongoing debate regarding the suitability of commissions and the potential conflict that this creates. The capitalist society is built on the foundation of conflicts of interest or reward for effort. If all potential for conflict is removed then there is no incentive to operate efficiently (reduce costs), take risk (ie commence a small business), aim to provide excellence in service (compete), innovate etc etc etc.

I would argue that a salaried financial planner employed by a financial institution is more conflicted than a self-employed commissioned financial planner who can select a wide variety of products. The banning of commissions will no doubt result in many small financial planning groups disappearing in favour of a higher number of salaried planners employed by the major institutions. This will result in lessened competition, increased costs and reduced service to the consumer.

If you have any queries please call me on 07 3257 3944 or 0401 677 839.

Kind Regards



**Bruce Beakey** CFP FFin ANZIF (Fellow) CIP

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