The Committee Secretary
Parliamentary Joint Committee on
Corporations and Financial Services
Department of the Senate
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1 September 2006

Dear Sir,

Inquiry into Structure of Superannuation Industry

Count Financial Limited is Australia's largest network of accountants specialising in wealth advice. We provide this submission on behalf of our advisers to the Committee for its consideration on the issue of **"the role of advice in superannuation"**.

The first major issue we believe is that the ability of financial advisers to efficiently provide quality strategy and product advice to help clients meet their retirement income needs is greatly reduced following the introduction of the FSRA reforms.

We believe that quality retirement planning should consist of advice to a client on a number of factors such as:

- How much income is needed in retirement;
- How much super the client will need to fund this income;
- The level and type of contributions required;
- The effect of changing legislation on a client's superannuation fund;
- The most appropriate superannuation product; and
- Other issues such as social security impacts and tax considerations.

Given these issues need to be considered as part of a comprehensive retirement plan, even before the adviser gets to the point where they commence documenting their advice in writing, significant investigation and time have been taken to formulate the best strategy.

However, from our experience, as a result of the introduction of FSRA in most cases it takes the adviser longer to disclose their recommendations in an advice document than it does for them to formulate their strategy. We don't believe that this is the best or most efficient way for superannuation advice to be provided.

We do agree that a client needs to be made aware of key issues regarding retirement planning recommendations in an advice document, as this helps to protect them against inappropriate advice and makes them aware of any risks that come with the advice, as well as the cost. However, envisaging a scenario where we are a client and seek financial advice, the money that we paid for advice should be used for an adviser's time in formulating the best recommendations for us, rather than the majority being spent on document writing.

Another point about the required disclosure in an advice document is that there is a major focus on product recommendations, such as disclosing fees and commissions in dollar terms, replacement of existing financial product, required disclosures for switching advice and disclaimers when an adviser cannot provide advice on a certain product. We believe that these product related disclosures are generally excessive, because, as shown above, when providing a client with a comprehensive retirement plan, product advice is only one of a number of areas that are considered. Generally, we would think that strategy advice should make up a much larger and more important part of a retirement plan than product advice.

How much time should be spent on disclosing a basis of advice/comparison of a current and recommended superannuation product where the cost and benefits are much the same when some of that time could be used making recommendations about contributions that will leave a client many thousands of dollars better off in retirement?

If written disclosure requirements were relaxed, advice would also become less expensive due to the reduction in time taken to provide it. This would benefit clients who are less well off financially, as well as younger clients with smaller superannuation balances, as these clients would be able to afford invaluable comprehensive advice.

We therefore ask Committee to consider recommending the reduction of complex disclosure regulation in relation to superannuation advice. We believe this will lead to more efficient, less expensive retirement advice available to all clients, which, instead of being focused mainly on a long disclosure of the particular advice that has been given, has a main focus of helping the client meet their retirement income goals. In other words, the major focus for advisers needs to be on the advice itself.

The second issue is the consideration of a client's existing superannuation product and a comparison to the fund you are recommending when giving super switching advice. Although the requirement to have a reasonable basis of advice has long been required, prior to Super Choice, the majority of super switching advice involved a comparison between superannuation funds that were structured the same way. For example, many switches involved comparing one retail master trust with another. This meant that the comparison was relatively easy.

When Super Choice commenced, the door was effectively opened to allow many clients in Industry Super Funds and 'in-house' Corporate Super Funds the option to switch to another fund. This creates a major problem when attempting to make an accurate and fair comparison as part of establishing a reasonable basis of advice, because these type of funds are often structured very differently, in terms of costs, investment choice and insurance, to the fund that the adviser wishes to recommend switching into.

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To allow a fair and accurate comparison between a client's current super fund and a possible recommended super fund, we ask the Committee to consider recommending that a succinct client-specific comparison disclosure document be required to be produced by all super funds, in a format that allows for comparability.

This disclosure document could be quite short, such as one or two pages, but would need to cover all information that ASIC requires in order to establish a basis of advice, such as:

- The total cost that the client will pay to the fund per annum (in dollars and percentage terms)
- The applicable entry, exit and switching fees, as well as buy/sell spreads
- The investment options that the client is in, and those available to them
- The current underlying fund managers of these investment options
- Details of the client's insurance, the provider of this insurance and the cost of insurance, as well as the cover available through the fund.
- The main benefits that the client has access to through the fund, such as pension options, Binding Death Nominations and super splitting.

Under the current situation, superannuation funds that disclose their costs inadequately or have an obscure fee or investment structure are advantaged (even though they may not be quality funds), simply because it is much harder for advisers to compare them and be able to advise a client to switch out of them.

Yours Sincerely

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