



## Financial Planning

Wednesday 15th November 2006

**Broadly Based Financial  
Services Pty Ltd**

ABN 29 080 969 124

Authorised Representative of  
AMP Financial Planning Pty Limited

110 Jacksons Rd  
Mulgrave VIC 3170 Australia

Phone (03) 9795 2031

Mobile 0418 33 99 02

Email john.schofield@ampfp.com.au

To: The Parliamentary Joint Committee on Corporations and Financial Services,

(Inquiry into the structure and operations of the Superannuation Industry)

From: John Schofield CFP, CPA.

Item 9 on the Terms of Reference is "Cost Of Compliance"

I recently arranged the consolidation of half a dozen tiny super plans for the daughter of a friend. In the old days this would have taken between 3 to 5 hours. I estimate it took me between 50 to 55 hours. The total consolidated by roll - over is expected to be \$5,481, and the financial reward for me could be about \$11.30.

The client and I met on 14<sup>th</sup> July 2006 and I started the process of consolidation then. It took about two months before I could do the administrative work of consolidating the little plans – the compliance took about two months. I have attached in a Winzip file the email correspondence between AMP and me. There is also other paperwork on this case that I could show you (the client has given me permission to send the emails as is, without deleting names, addresses etc).

We need to protect consumers. We also need to ensure a market exists, so that consumers exist. \$11.30 reward for more than 50 hours work over two months means that it was uneconomic for me to have serviced that client. The cost of compliance (in hours) means that many potential consumers are not being serviced.

I propose that where:

- 1) a client wants to roll-over one or more superannuation plans
- 2) the receiving fund is an RSA (Retirement Savings Account)
- 3) the funds expected to be rolled - over are less than \$10,000

then Section 945A of the Financial Services Reform Act 2001 should not apply (ie no need to show a Reasonable Basis for Advice) and

Section 946A of the same Act should not apply (ie no obligation to give the client a Statement Of Advice).



**AMP Financial Planning Pty Limited**  
ABN 89 051 208 327 AFS Licence No. 232706  
Level 8, 33 Alfred Street Sydney NSW 2000 Australia



## Financial Planning

Therefore I propose that ASIC by regulation should ensure that the two sections need not apply in those limited circumstances.

My reasoning is that there is no need to protect the consumer if there is no risk to the consumer. In those limited circumstances the client is not at risk, or at least not at any risk that Sections 945A and 946A can reduce. The “Reasonable basis” for advising someone to rollover some tiny super plans into an RSA is so obvious that it doesn’t need to be documented.

The Statement of Advice is redundant. It doesn’t help anyone in the world. If you read Sections 947B, 947C and 947D (where the contents of the SOA are detailed) it becomes clear that the details are either not necessary or not relevant. Those sections say “the level of detail about a matter that is required is such as a person would reasonably require for the purpose of deciding whether to act on the advice as a retail client.” Of course in the circumstances I have described a retail client would not reasonably require the details in Section 947. These details are items such as the remuneration, interests or associations “that might reasonably be expected to be or have been capable of influencing the providing entity in providing the advice”.

Obviously \$11.30 is not in that category. When it comes to a small RSA there is nothing that might reasonably be expected to be capable of influencing the providing entity. The other details such as names and contact details of the providing entity or exit fees from the old fund are already available in writing. It is redundant to repeat them in a new document.

The things not repeated elsewhere such as the “statement setting out the advice” or “information about the basis on which the advice was given” are so simple, eg “I advise you to rollover your funds to this RSA” or “You have told me you have a few tiny super plans here and there” that I believe they do not need to be documented other than by the adviser’s file notes and/or letter to the client. Surely ASIC can prescribe the format of acceptable documentation by regulation.

The clients would get less information than they do now but it would be enough information for them to make a reasonable decision. They would not be underinformed.

My proposal would allow thousands of people get advice, and it would help them.

Yours Faithfully,

John Schofield



**AMP Financial Planning Pty Limited**  
ABN 89 051 208 327 AFS Licence No. 232706  
Level 8, 33 Alfred Street Sydney NSW 2000 Australia



**Financial Planning**



**AMP Financial Planning Pty Limited**  
ABN 89 051 208 327 AFS Licence No. 232706  
Level 8, 33 Alfred Street Sydney NSW 2000 Australia