

Following is my submission to your inquiry, for the kind consideration of the committee.

### Submission to Inquiry into Financial Services in Australia

I write to provide an investors perspective on Financial Regulation and Financial Advisors in Australia.

I am an offshore oil rig worker aged 62 and have been engaged in this industry since 1967.

My experience with financial advisors is as follows;

- In the 1970's I found that there was almost no provision for individuals to obtain considered advice, apart from those persons with considerable assets. The small investor was obviously viewed with annoyance and sometimes contempt. At one time in 1978 I set aside two weeks to going around to obtain financial investment advice and ended up with none.
- In the 1980's the big Banks realized there was money to be made here and started offering advice. Fortunately I was experienced to identify their advice as mainly serving themselves and not the client.
- In the 1990's things started to change; a big driver here was Noel Whittaker's book "Making Money Made Simple"....this opened the eyes of a lot of smaller investors. I was working ion rigs offshore Darwin at the time and over a 6 month period I am sure everyone and their spouse read this publication.
- Since the turn of the century there are more establishments catering to the smaller investor. These seem to be easily split into three groups.
  1. Those that are there to extract as much in fees as possible from the investor
  2. Those that place all investments in large funds and espouse the mantra "Invest for the long term. Do not buy and sell. Ignore market fluctuations etc". Not of that much use but as safe as most other establishments available and usually operate in good faith
  3. The very few that treat each client individually, are active with your investments and pay attention to market fluctuations; in fact they make it their business to try to be in front of these rises and falls....I am presently using such an organization and it is pleasant relief. However these are hard to identify and it takes patient research.

My needs and wants as an investor, using the services of a financial advisor are .....

- Services at a reasonable price
- That I am not lumbered with excessive paperwork beyond my personal needs
- There needs to be a range of different styles of advice available so that each investor can find a style of advice which suits them."
- I am no expert in financial regulation but I have found that the larger consultancy companies and banks tend to hide behind government regulations; whenever they are pressed to do something which does not suit themselves they pull out the "Government regulation card" and say they cannot perform the requested service because of some vaguely identified regulation. I doubt many, if any, small investors have read any of the

applicable regulations much less be in command of all of them.....a complex field.

I think that a simple list of "Core Values", which are supported by law or regulation, listing rights and obligations of both parties in this type of relationship would be of great benefit to the investor and most probably also to the consultancies.

The things that need to be fixed in regulation of advisors, from my perspective are:-

- There needs to be a separation of sales people from advisors, so that the average investor knows whether the representative they are dealing with is working for them (the investor) or whether the representative has another agenda (e.g. to sell them a product). There needs to be clear sign-posting to enable the investor to recognize salespeople from advisors.
- Advisors need a good understanding of investment markets
- Advisors need to have a high standard of ethics.
- There need to be better disclosure of conflicts of interest. e.g. a simple standardized form of disclosure of conflicts
- For people who call themselves advisors, some conflicts are just not consistent with that role and should be banned.

Yours Sincerely

Bruce Kerr