

This ED is misguided as it proffers simplistic, populist knee jerk solutions to complex issues.

The notion that “Fee for Service” necessarily provides a better advice outcome for clients is fundamentally flawed as it is the adviser and their service delivery that determine this, not the method of payment of the adviser. **If the ability to deduct advice costs from the product is removed, you will also remove the ability to access advice for the majority of Australians.**

As with other professions, the financial planning industry does have some unprincipled, poorly educated and inexperienced advisers. It is largely this group who are giving us a bad reputation. These advisers must be weeded out by putting higher educational prerequisites in place to qualify for and retain a Proper Authority. A period of supervised traineeship should also be mandatory. It is laughable that a person with only secondary education and no relevant experience can qualify for a proper authority by doing a 3 day course.

It would also help if the accounting bodies and the FPA collectively lobbied law makers for a more common sense approach – as set out below – rather than issuing band aids like APES 230.

It is grossly unfair that financial planners are being subjected to onerous (both existing and proposed) compliance requirements at the same time as real estate agents and industry super funds appear exempt from any equivalent standard of professionalism in advice delivery. The largest investment that most people ever make is their house and yet real estate agents can do this with negligible requirements as far as written advice is concerned.

The professional accounting bodies and the FPA should be doing more to redress this imbalance.

The following paragraphs are verbatim from a submission by a colleague of mine – Kim Scott – whose sentiments I wholeheartedly endorse.

In summary, here are some solutions to this whole debate:

- Push for a minimum entry level of university qualification and “internship” to be licensed as an Authorised Representative ie make CFP the minimum entry level NOW. Being able to call yourself a planner after 3 months training with no prior industry experience is an insult to qualified and experience Financial Planners, and more importantly is dangerous for uninformed clients. Have a different designation for those “planners” who don’t meet the education or experience standard.
- Mandate membership of a Professional body for all qualified planners – like the Institute of Chartered Accountants. This body can work with Practitioners to develop standards of Advice and guidelines for methods of remuneration.
- Retain flexibility in the method of charging at Practitioner level - **Hourly based fees or even fixed fees don’t automatically guarantee better or worse service and quality advice than ongoing commission – the adviser, and their support team (including their Licensee) determine this.**
- **If the ability to deduct advice costs from the product is removed, you will also remove the ability to access advice for the majority of Australians who need it most.** Being paid by the hour (where there is less reward for being efficient) from a client's bank account no more guarantees good advice than being paid for from a product, as long as the client agrees to the fee. A middle ground is to ensure that when the advice is given, the ongoing advice fee is agreed to between client and adviser, noted separately both in the Statement of Advice and the application form, and the client signs off on both.
- In addition to the above, to make good advice more affordable, ASIC needs to relax the Statement of Advice requirements for lower \$ investments (say \$20,000 in super

or non-super), and Replacement product disclosure requirements so that the length and therefore COST of the Advice document can be reduced.

- To meet the need for the majority of Australians who need our expertise, but can't afford it, perhaps Centrelink or Family Assistance office or Medicare could issue a voucher to the value of say \$1,000 which can be used to pay the cost of qualified Financial Planners. This short term cost to Government will be recouped many times over when we can help people to become financially independent, reducing the need for Centrelink payments, marriage break-ups over money disputes, and lower health care costs as we know financial stress is a major contributor to poor health, lack of productivity etc.
- Push for a level playing field with sharebrokers – in particular ongoing written trade advice (or lack thereof) is totally different to Advice requirements in relation to advice for changes to investments in managed funds, particularly Replacement Product disclosure if platforms are changed.
- Push for a level playing field with Real Estate Agents – this asset class usually requires a far greater investment of cash (or risk in borrowings) than many of our clients make in super, shares or managed funds. Property is purchased by the majority of Australians yet education standards for accreditation as an agent are low, and no written advice is required in relation to the “appropriateness” of the purchase of this investment, either on it's own merit, or in relation to other asset classes.

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