



# SMSF Working Group

## Issues paper on Financial Adviser Competency

April 2011

### Recommendation 8.6

The Government agrees with the recommendation made to task ASIC, in consultation with industry and the expert advisory panel, to develop the SMSF specialist knowledge component of Regulatory Guide 146 (RG 146), which will focus on increased knowledge and competency with respect to the *Superannuation Industry (Supervision) Act 1993* (SIS Act).

RG 146 sets out minimum training standards that apply to financial advisers and how they can meet these standards. Financial advisers should demonstrate that they have met the generic knowledge requirements and specialist knowledge requirements relevant to their activities.

Currently, any person advising on SMSFs must complete, as a minimum, the training requirements for superannuation. RG 146 adds that if an adviser has previously undertaken training on superannuation that did not sufficiently cover SMSFs, the adviser should undertake additional specific product training in relation to SMSFs before advising on these products.

As financial advisers are only recommended to undertake SMSF specific training, consideration will be given to making this compulsory by including an SMSF specialist knowledge component of RG 146.

Given the important role financial advisers play in the SMSF sector, it is necessary that those providing financial advice on SMSFs have a high level of competency and knowledge. The objective of including an SMSF specific component in RG 146 is to set minimum standards across the sector and improve the quality of advice provided to SMSFs.

A financial adviser can recommend an SMSF as a suitable superannuation product for individuals as well as provide advice on investment strategies. It is considered that in order to provide high quality and accurate advice, financial advisers should have adequate knowledge of:

- Characteristics and structure of an SMSF including:
  - Membership restrictions
  - Trustee structures
  - Trust deeds
  - Trustee duties
  - Investment strategy requirements
- SIS and tax legislation relating to contributions including:

## Publication

- Types of contributions
- Contribution caps
- Deductions for personal contributions
- Rollovers and transfers
- SIS and tax legislation relating to benefit payments including:
  - Types of benefits
  - Preservation rules
  - Minimum pension payments
  - Reporting requirements
- Investment restrictions including:
  - Borrowing restrictions
  - Lending and providing financial assistance
  - In-house asset limits
  - Acquisition of assets from related parties
  - Arm's length requirements
- Taxation of fund income including:
  - Exempt income
  - Non-arm's length income
  - Capital gains tax
- Other obligations including:
  - Record keeping and reporting obligations
  - Auditing obligations

Feedback from this meeting will be provided to the *Future of Financial Advice* advisory panel which is currently undertaking the review of professional standards in the financial advice industry.

### Questions

What knowledge requirements should be included in the SMSF specialist knowledge component?

How should competency with this component be assured?