

From: Colin Hone
To: [FOFA Grandfathering](#)
Subject: Response+to:+Ending+Grandfathered+Conflicted+Remuneration+for+Financial+Advisers
Date: Thursday, 7 March 2019 7:35:05 AM

Re FOFA Grandfathering proposed legislation,

I am a 55 year old self employed financial adviser and have been in business for over 20 years employing people on the Central Coast NSW over that 20 years.

In May 2017 two of my partners retired and I purchased their client base which has a significant number of clients that pay commission through Super products. (grandfathering commissions) and insurance commission. 46 % of income is derived from grandfathering commission clients.

AMP bank entered into a contract with me and loaned the funds to purchase their clients based on a combination of the paid commissions through products and fee for service clients, a contract was entered into with the lender AMP bank on a valuation that was a combination of fee for service clients and commission paid by products and a significant loan of \$680,000 was loaned to me to purchase the two advisers client base. This was based on a valuation completed by AMP bank of 1.1 million.

We have a small family business and I have employed two people to service the clients in the practice (both fee for service clients since 2013 and commission paying clients)

We are also moving commission paying clients over to fee for service clients where it is appropriate and in the best interest of the clients but this is taking some time to implement, especially with the added compliance costs in servicing our clients and the costs to the clients in moving them to fee for service.(a Statement of advice is required which is expensive approx \$2200 for the time to put a statement of advice together for a client and there are sometimes exit fees with some super products or insurance is attached to the super products and the client will lose their insurance that they need if moved to a fee for service model as the super products don't offer a fee for device model.

The recent recommendation by the Royal commission to ban grandfathering commissions in my opinion has not taken into account all the ramifications it will have on small businesses like mine that may potentially put me out of business and my employees looking for another job as 46% of my revenue comes from commission based clients and if the government legislates banning these commission paying clients I will loose the income and still have a loan of \$680,000 with AMP and will not be able to service the loan and employ two people and the other costs like renting an office etc in running a financial practice.

We are servicing both our fee for service and commission paying clients and it's not always in the best interest to move clients from commission paying clients into a fee for servicing clients because of the high costs to the client to implement a transfer of product to a fee for service product because the product the client is in does not offer a fee for service option and insurance attached to the super product cannot be moved either to a fee for service Model.

The Royal commissions recommendations have not impacted the banks or big super product suppliers as they will still get their product fees whether there is a ban on grandfathering commissions or not but the small business like mine who employee people and who actually give advice in helping clients with there financial goals re planning for retirement or protecting there families with insurance etc are the ones that will suffer and potentially go out of business so the mum and dad clients who need the advice the most will not be able to afford the high costs now associated with giving advice and my business is potentially looking at bankruptcy unless the government makes provisions to help us transfer grandfathering clients to a fee for service model in cost effective way to the client or more time is given to advisers to implement this. One year for a labour government or less than two years under a liberal government is not enough time to implement this without some legislation to make this transition cost effective for the client and the adviser.

Why not legislate a ban on exit fees or enforce super product manufacturers with super products under grandfathering to allow a simple and streamline way of transferring them to fee for service without a cost to the client where it be a statement of advice or allowing the product manufacturers to have a form signed by the client allowing a fee for service to paid instead of a commission.

Yours sincerely

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Sent from my iPhone