



ANU  
WEALTH  
SERVICES PTY  
LTD

General Manager  
Retail Investor Division  
The Treasury  
Langton Crescent  
PARKES ACT 2600

19 February 2014

Email: [futureofadvice@treasury.gov.au](mailto:futureofadvice@treasury.gov.au)

Dear Sir/Madam

### *Corporations Amendment Bill 2014 – Submission of Comments*

Firstly, I would like to congratulate and thank the Government for their efforts to simplify the issues created by the first version of FoFA.

My business specialises in serving the needs of corporate superannuation funds and their members, and has done so for the last 5 years. I deliver general advice and education services to fund members, including induction seminars, education seminars, policy committee support, one-on-one meetings for individual support, newsletters, insurance administration, underwriting and claims support as well as phone and email support. This is all before any individual financial advice might be provided, which is not part of the points I make here.

These services are highly valued by the members and we have made significant inroads into having members engage in their super and take responsibility for their own retirement outcomes in recent years.

As a quality specialist in this part of the industry, with a clear and accountable service proposition, the impact of this legislation is likely to close my business in the next 12 months. It will also result in significant numbers of fund members not having access to these essential financial literacy services from that point forward.

#### **Intra-Fund Advice**

I would ask that this fee be made transparent and separate from the Admin Fee within super.

I would also ask that this intra-fund advice fee be negotiable at the workplace level, so that our remuneration could reflect the level of service required by the

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members. I have only ever wanted to be fairly paid for the work I do, which is not possible with the current arrangements.

### **Group Insurances Commission**

Even with the suggested amendment to allow commissions on group insurances inside super, when personal advice is provided, I would argue that this does not go far enough to fairly remunerate our effort in negotiating the best deal for all the members in a super plan.

We provide personal advice at the Employer level, negotiate the best terms and Automatic Acceptance Limits (AALs) with providers for that Employer, assist with the policy set up and subsequent underwriting needs of all members who need cover over the AAL. This is not paid for by the fund. The commissions payable are not upfront and are to a maximum of 22% of premiums so there has to be an amortization of cost over several years, which was acceptable under the previous system. Churning is not a consideration in this segment.

This ongoing commission also serves to pay for our time when members need to make claims so that we can support them with the administration and requirements of the insurer. I calculate the cost of this claim support to be \$2,750 per claim per year and many claims are long term in nature and our support is essential to minimize the stress for the member.

Because these efforts, and resulting negotiated results, are for the benefit of all members it is only reasonable that we receive commission at a plan level rather than select individuals.

### **Product Selection Services**

As a member of the Corporate Super Specialist Alliance (CSSA Inc), my clients expect me to be able to assess and recommend a high quality provider from the available pool in the market. Most employers depend on specialist businesses like mine for this service as most are too small to pay actuarial firms to do this for them.

I understand that you are considering ways that will allow my business to provide both Product Selection Services and ongoing services – the current legislation does not allow this. As it stands the legislation will result in nobody providing Product Selection advice as they follow what little revenue now remains in the ongoing services market. Employers will no longer be able to determine appropriate default funds without this service, as there are still significant differences between the new MySuper products.

By implementing a negotiable intra-fund fee, as suggested above, I believe it would remove any perceived conflict and allow for necessary services to employers.

### **Transition to MySuper of “accrued default amounts”**

I feel obliged to make you aware of my concerns around the potential disadvantages to members when transition is enforced in the near future. It is my understanding that fund managers are being pressured to apply these changes well in advance of 1 July 2017.

Many fund providers have introduced new investment strategies that are likely to be less appropriate for the members than the ones they are currently invested in, resulting in increased stress and worst results over time for the members.

For my larger employers, the MySuper option is, in fact, more expensive than the current default, so the transition will result in members paying more than they need to.

Enforced transition is likely to cause insurance issues by reducing their cover, when they may have valid reasons for holding on to the cover they have. In some cases it is likely to result in higher premiums for the members.

If any of these consequences apply, the member should be allowed to opt-in rather than have to opt-out so that each person gets appropriate opportunity to assess the consequences for themselves, with the right support from their super specialist.

I thank you for the opportunity to give you my input within this consultative window.

If you would like to discuss any of these points further, please do not hesitate to contact me.

Yours faithfully

**Harvey James**

Director

Anu Wealth Services Pty Ltd

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