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Domane Financial Advisers Response to the Corporate Amendment Bill

Domane Financial Advisers (DOMANE)

We are an authorised representative of Charter Financial Planning. Our business is also a member of the Corporate Superannuation Specialist Alliance (CSSA). We have been in business since 1965. We provide financial advisory services to individual clients and to corporate superannuation funds, across metropolitan and regional Australia.

First of all we would like to congratulate the Government on their initiative so far to simplify the issues within the superannuation industry. We wholeheartedly support the Government's aim of bringing financial advice to more and more Australian people. This is in fact what we have been doing for our corporate members for the last 30 plus years at Domane. We only wish to be paid fairly and transparently for the services that we deliver and not have to remove these services that are highly valued at the workplaces we look after.

Some of our general advice and services to our members include:

- on site face to face meetings and seminars
- financial literacy and education on an array of topics
- policy committee meetings, chairing, minuting, actioning items
- insurance claims for our members and their next of kin – hands on approach.
- negotiating fees with fund managers
- insurance design for workplaces & negotiating these premiums
- review of plan every 3 years
  Note: **Personal advice for members is on a user-pays system.**

This is not an exhaustive list of our services.

Our submission.

Intra-Fund Advice

The only collective fee allowable under the My Super legislation is the Intra-fund advice fee. This fee may include a provision to pay for general advice and some services within the fund through an agreement. The fee is hidden and not transparent to the members.

- We disagree with this fee as it may be construed as a hidden type of commission. We would prefer this fee to be visible and separated so the members can see this.

- Secondly we would like the intra-fund fee to be negotiable at workplace level in the same way that admin fees are negotiable, effectively a dial up arrangement based on the amount of work required at the workplace. This would be a per member fee (not an asset-based fee). For example if there were no service provided then no fee beyond the minimum provided by the fund would be payable. As the amount of work for each fund is highly variable, and can depend on things such number of sites, demographics, and need for policy committee meetings.
- Under the current rules where fees are paid for ongoing services after the recommendation of the fund, it is arguable that this is conflicted remuneration. When considered in the context of the MySuper rules, this presents a fundamental obstacle to corporate super advisers being able to provide services to new clients. We believe that the best option is to provide a further extension to the client pays exemption that would provide for this to cover fees agreed with the employer on behalf of members.

If these changes are made, we will be able to provide more proactive advice, education and services that are desired by, and are in line with the requirements of, the workplace, and are paid for by the workplace participants. The current structure seems less than ideal, as the fund administrator is paying a fee for the services.

Group Insurance Commission
Insurance is a complicated area which a lot of people do not understand. They require the proactive assistance of advice professionals to help ensure they make appropriate decisions.

Higher levels of personal insurance must in turn decrease the Government's costs as dependence on Social Security benefits will also decrease as a result.

It is important to note that group insurance does not pay upfront commissions to financial advisers which means is no incentive to change clients from one insurance provider to another; other than to obtain better terms or better premiums for the client. Churning is not an issue.

Group insurance is generally less expensive than retail insurance. Ongoing commissions in group insurance generally range from 0% to 22% per annum, as a percentage of premiums paid. This payment is from the insurer not the member and is paid to us for the ongoing services that are provided, not as an upfront reward or an inducement for obtaining new business. The ongoing insurance services advisers provide include:

- Negotiated reductions in premiums, which are often greater than the commission paid to advisers.
- Ensuring members get the cover they want and/or are entitled to.
- Assisting members with application paperwork if they are not covered by, or if their cover exceeds, the Automatic Acceptance Limit provided by the fund.
- Representing members during the underwriting process to ensure that they obtain cover on reasonable terms. This can include arranging medical exams and blood tests, reports from doctors, etc.
- Helping members with their beneficiary nominations to ensure the appropriate people receive the claim proceeds.
- Representing the member or their grieving spouse/family at the time of an insurance claim, be that for death or disability.
- Helping members claim the anti-detriment death benefit.

Our main concern with the current MySuper legislation and FoFA legislation and the banning of commission or other fee payments to advisers is "who is going to perform the ongoing duties to service superannuation members"?

- I also offer pro bono advice to the Cancer Council and it never ceases to amaze me that most people are not aware (at all) what insurance cover they have in place. I research this for them and call the fund they with, organise paperwork, doctor's appointments follow up calls to insurers/super funds, complete forms with them, then follow up to make sure they are paid. These people are so thankful and appreciative. This is one of the services we provide for our corporate members as part of our service and is such a valuable service to lose.

Product Selection Services

As a corporate super adviser our market is the Small to medium sized employers who will require an appropriate superannuation fund for their employees. Most are privately owned and therefore it in their best interest to select a fund that will provide the benefits for all of them. Fees and insurance premium costs are often major factors in the decision making process.

Conflicted remuneration rules now prohibit Corporate Super Specialists from providing both Product Selection Services and Ongoing Services to an employer, as it is perceived that the selection of a fund may be influenced by the willingness of that fund to pay ongoing revenue to the adviser.

Some superannuation providers and Financial Services Licensees are explicitly prohibiting Corporate Super Specialists from providing any advice or service to the employer as their legal advisers are concerned that doing so may breach the conflicted remuneration regulations if ongoing income is paid.

As a result, we must now choose whether to provide Product Selection Services or Ongoing Services. Employers will not be able to access the services of Corporate Advisers if the conflicted remuneration issue is not satisfactorily resolved.

We believe that there will cease to be a conflicted remuneration issue if the solution to the Intra-Fund advice or plan service fee we have proposed above is accepted.

Transition to MySuper

We are very concerned that the enforced transition of accumulated default superannuation accounts will disadvantage members for the following main reasons:

- **Investment Strategy**
  Our concern is that members will be compulsorily transitioned from an investment option that they have selected and are familiar and comfortable with, to an investment option that is foreign to them and is not what they want or, potentially, need.

- **Insurance**
  Insurance is another major concern. We are very concerned that the transition of members from one superannuation fund to another will result in either a loss of insurance cover or in an increase in insurance premiums.

- **Fees**
  We have instances where fees have increased under MySuper, as the negotiated fee in the existing employer default account is lower than the new MySuper default. It seems unfair to compulsorily transition accrued default members to a higher fee environment.

If members were able to opt in to MySuper as opposed to an opt-out basis if they may be disadvantaged by:

- A change in investment risk, asset allocation or investment style;
- A reduction in insurance cover or insurance benefits;
- An increase in insurance premiums, or
- An increase in fees.

We are also supportive of the Government's proposed new laws:

Opt in requirement

- removing the need for clients to renew their ongoing fee arrangement with their adviser every two years (also known as the 'opt-in' requirement)

Fee Disclosure Statement

- making the requirement for advisers to provide a fee disclosure statement only applicable to clients who entered into their arrangement after 1 July 2013

The catch all provision

- removing paragraph 961B(2)(g), the 'catch-all' provision, from the list of steps an advice provider may take in order to satisfy the best interests obligation

Scaled advice

- better facilitating the provision of scaled advice

General advice exemption

- exempting benefits relating to general advice from the ban on conflicted remuneration.

We thank you for the opportunity to provide our input and feedback during the consultation period.

Please feel free to contact us if we can assist by clarifying our suggestions or if there are any questions that arise.

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