2 Mavis St
North Ryde 2113
13 February 2014

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

Dear Sir/Madam,

Re: Future of Financial Advice Consultation

I would like to make this submission in a personal capacity as a concerned consumer. However, my recent experience in the financial services industry should be taken into account when assessing its credibility:

- Fellow of the Institute of Actuaries of Australia and Facilitator of their Professionalism Course from 2009-2014
- General Manager Life Insurance for ING (1999-2001) and Head of Life Insurance for Westpac (2002-2005)
- Independent Director of Macquarie Life (2007-2014)
- Business adviser to financial advice businesses on behalf of both Strategic Consulting and Training and Mulcare Professional Services (2006-2014)
- Regular columnist in "Professional Planner" magazine (2008-2014)

For the purposes of this submission I would like to focus solely on the changes outlined in Chapter 2 of the Draft Explanatory Memorandum, Ongoing Fee Arrangements. That should not be interpreted as satisfaction with the other proposed changes but an attempt at being succinct in my recommendations on what I believe are the critical amendments. My primary concern is with the complete lack of transparency and accountability with regards to advisers' ongoing revenue streams.

At the risk of stating the obvious, this is how ongoing revenue income works for the vast majority of advisers:

1. Financial institutions pay them regular income that has various forms and names such as asset commissions, administration fees and trail commissions.
2. Advisers do not have to do anything for their clients to earn that income.
3. The ongoing fees represent a tangible cost to the client and there is no requirement for them to be informed of that cost.

So, in summary, we have an industry where millions of Australians are paying an unknown annual fee that they know nothing about to businesses that do not deliver anything to them nor inform them of that arrangement. Does that sound like something that Treasury would be proud of entrenching? No wonder the majority of financial advisers and the companies they work for are desperate for it to continue.

The original FOFA legislation aimed to deal with issues 2 and 3 above by seeking client consent in the form of the "opt-in" requirement and by requiring fee disclosure statements for all clients. The draft amendments ensure that all Australians who are currently adversely affected will continue to pay unknown fees for services that they don't receive.

I understand that there is always a balance between regulatory costs and freedom for businesses. In this case, however, I suspect that the financial institutions with very strong vested interests in this matter have exaggerated the compliance costs. Surely it is not unreasonable that, like every other industry in Australia, clients are informed of the fees that they are being charged. That cannot be classed as an unreasonable cost for advisers and it will be a great benefit for millions of Australians.

Yours sincerely,

Martin Mulcare
0417 001 534
martin@etiam.com.au