19 February 2014

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

Email: futureofadvice@treasury.gov.au

Response to the Corporate Amendment Bill - FOFA

Dear Sir/Madam,

May we start by congratulating the Government on its initiative to simplify the issues without reducing member protection. We strongly support the government aim of bringing financial advice to more Australian people. The MySuper legislation introduced under the previous government was generally well intentioned. However, it is my belief that the current legislation has gone too far; and in doing so will actually lead to lower levels of financial literacy, service and poorer financial outcomes for the average Australian.

This situation could rectified through a few relatively minor legislative changes, by removing General Advice from Conflicted Remuneration and making it easier for Financial Advisers to provide scaled advice. 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 workplace.

What We Do

In brief, Stephen Financial Solutions currently provides Corporate Super services to more than 3,000 employees across 20 business. Our typical day to day services focus on financial literacy education at the workplace, through seminars, newsletters, phone/email help-desk and personal one-on-one meetings, personal insurance administration and claims. These services are all general advices and service (as opposed to personal advice). Historically, we do not charge individual fees for these general services (fees have been negotiated at a plan level, paid from within the super fund via monthly member fees and insurance commissions). Our policy has always been one of transparent disclosure of any fees receivable. Further to this, individuals can engage our personal advice services at any time, on a user-pay fee basis.

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CSSA

I am an active member of the Corporate Superannuation Specialists Alliance (CSSA) and endorse it position as a highly reputable and sincere body of professional advisers who are representative of this segment of the financial services industry. I fully support the CSSA's submission to this review as being well-considered, measured, and which will lead to fair and improved outcomes for all Australians. The CSSA submission is comprehensive, but I reiterate the main points below:-

<u>Our submission focuses on 4 central issues</u>

1. **The structure and payment of Intra-Fund advice fees.** The current structure is only "opaque" and does not best serve the interests of super fund members. The fees are determined by and paid by the product provider – employers and fund member no longer have a say. <u>We recommend that the Intra-Fund fee is transparent (i.e. separated from the administration fee). Further, we submit that the Intra-Fund fee should be negotiable at the workplace level in the same way that administration fees are negotiable.</u>

2. **Product Selection Services and Conflicted Remuneration.** Corporate Super Specialist advisers cannot currently operate their businesses. If they make default super fund recommendations to employers and receive any ongoing revenue from the fund, the revenue is deemed to be conflicted, despite many efforts to rectify this issue. <u>We believe that this is an unintended but critical failing of the current legislation and request that it be amended appropriately so as to remove the deemed conflict of interest. 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.</u>

3. **Commissions on group insurance within superannuation.** The removal of commission on group insurance within superannuation is distorting the insurance market and will lead to worse consumer outcomes. <u>We request a reversal on the ban on the payment of commission on group insurances within superannuation.</u>

4. **The impact of the transition of 'accrued default amounts' to MySuper.** Many fund members will be adversely impacted. If transition proceeds as planned investment risk will be changed and valuable insurance benefits will be lost. Costs may increase. As such, <u>we recommend the legislation to be amended so as to offer transition on an opt-in basis, as opposed to an opt-out basis.</u>

Thank you for the opportunity to provide a submission to the FOFA review.

Yours sincerely,

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