

Secretariat, Quality of Advice Review
Financial System Division
Treasury
Langton Cres
Parkes ACT 2600

By email: AdviceReview@treasury.gov.au

Submission: Quality of Advice Review 2022

Date: 3 June 2022

About Otivo

Otivo provides quality personalised financial advice online – empowering every Australian to be better off.

With subscription prices starting at less than \$3 a week, we provide personal, general and strategic advice to clients ('users') on a broad range of topics through our website at otivo.com including:

- Managing cash flow and prioritising debt repayments – with consideration given to competing objectives such as salary sacrifice.
- Building savings to reach short and medium-term goals.
- Optimising super by recommending suitable investment options, adjusting contribution amounts and advising on beneficiary nominations.
- Identifying personal insurance needs and available cover in existing super, and recommending options.
- Whether retirement income objectives are achievable, taking into account potential income sources such as the age pension, and if not, suggesting alternative strategies.

How it works and what it costs

A user starts by creating an online account on any device by selecting one of three subscription plans – Starter Plan at \$15.99pm (flexible monthly subscription), Essential Plan at \$143.88 annual fee upfront (ie \$11.99 pm) or the Premium Plan at \$299.88 annual fee upfront including phone support (ie \$24.99 pm).

Using algorithms and data feeds, we collect personal and financial information from a user and their partner - if included (aka fact-finding) to provide advice both on the platform and in the Statement of Advice (SOA). The SOA can be generated by the user from within their account, as often as they like. There is no additional cost to the user to include their partner.

A user can either manually add their information or link their financial institution to Otivo securely. If they choose to link their accounts, the data is refreshed every 24 hours (or sooner if done by a user within their account). This ensures our advice and accompanying SOA are automatically updated whenever their situation changes.

Core to our client-centric approach, Otivo's philosophy ensures our advice is solely focused on our clients' needs. We provide purposefully tailored emails that 'nudge' a user to act on their chosen goal and consider other areas impacted by their current circumstances. Not only is this an optimal user experience, it encourages the client to return to the platform and enrich their plan with additional information about their situation, which therefore increases the breadth and depth of advice they receive.

If a client's circumstances are outside the scope of our services, our algorithm ensures they are guided towards an appropriate advice professional such as an accountant, insurance broker or financial adviser.

Importantly, we customise built-in handoff points for clients to be able to reach out to an adviser for help if they wish to.

Otivo is fit-for-purpose in delivering quality financial advice that is scalable, affordable and accessible wherever a client has internet access 24 hours a day, 7 days a week.

We see online advice as playing a crucial role in delivering the Government's commitment to ensuring that Australians have access to quality, affordable and accessible financial advice.

Otivo is owned and fully licensed by Map My Plan Pty Ltd ABN 47 602 457 732 AFSL + Australian Credit Licence No. 485665.

Executive Summary

We welcome the release of this review for consultation. Otivo is also committed to providing Australians with quality, affordable and accessible financial advice while being mindful of user experience and financial literacy levels.

In fact, Otivo has been doing this for several years under the current regulatory and legislative environment at a fraction of traditional (aka face-to-face) advice costs.

Online advice platforms like www.otivo.com are unique in their ability to provide personal advice at a scale and price point which ensures a greater proportion of Australians have access to quality and affordable financial advice.

We believe that when a person is financially better off, their well being improves and as a community, we're all better off. Our mission is to ensure no Australian is left behind.

We have addressed selective questions under all sections of the Quality of Advice - Issues Paper and are open to further discussions on these points. Our response is through the lens of a client-led digital advice provider.

Section 3: Framework for Review

3.1 Quality Financial Advice

1. *What are the characteristics of quality advice for providers of advice?*

Timely advice that remains current and addresses what the client requests, accompanied by red flags on issues which could impede the success of the desired goal. It's delivered in less than 7 days, no more than 3 pages, affordable and jargon free.

2. *What are the characteristics of quality advice for consumers?*

Affordably priced, client-led digital advice that prioritises what they've asked for, is free from overwhelming regulatory complexity and prescribed jargon, empowers a client to make an informed decision about whether to implement the recommendation to facilitate its perceived benefits.

4. *What are the factors the Review should consider in deciding whether a measure has increased the quality of advice?*

Factors for consideration include:

- Will the measure encourage and enable more Australians to access affordable advice?
- Has the measure considered the broad range of advice services available to a consumer, such as traditional and digital?

3.2 Affordable Financial Advice

6. *What are the cost drivers of providing financial advice?*

Salaries, professional indemnity insurance premiums, producing SOAs and compliance costs associated with ongoing licensing obligations which are costs to a Licensee and Advisers.

9. *Which elements of meeting the regulatory requirements contribute most to costs?*

Producing an SOA and the prescribed inclusions (as required by laws and regulatory guides). This requires us to employ a dedicated IT SOA specialist, pay for and maintain specific applications and software, despite having a compliant, advice website.

A compliant advice website should be sufficient without the need to generate an SOA which could enable digital platforms to reallocate resources and costs to enhance advice services.

11. Could financial technology (fintech) reduce the cost of providing advice?

Yes. Otivo's online advice platform has been making user's financially better off for several years at a fraction of the costs quoted in the Issues Paper.

Digital advice platforms are uniquely positioned to provide consistently high quality personal advice on a large scale, but at a small price, thereby increasing a consumer's ability to access affordable advice.

12. Are there regulatory impediments to adopting technological solutions to assist in providing advice?

Our platform demonstrates that the regulatory regime has not been an impediment to repeatedly delivering quality personal advice on a large scale. It has however been a costly exercise to develop.

The sheer volume of legislative change, especially for super and now the retirement income covenant, and specificity of SOA content make it difficult for fintechs to:

- Hire appropriately qualified developers with an understanding of Australian tax and financial services laws and digitally skilled compliance specialists, and
- Nimble innovate and deliver advice outputs without having to make significant and costly changes to the algorithms.

Legislative requirements can at times result in a cumbersome client experience rather than a more engaging seamless delivery of financial advice.

From our experience, the ease at which clients are able to enter their personal and financial information online determines whether they'll delve further into the platform or exit.

Ongoing regulatory change adds further complexity and cost which has resulted in lower client engagement. We need stability to engage more Australians in managing their financial affairs.

3.3 Accessible Financial Advice

13. How should we measure demand for financial advice?

There are many reports that illustrate that the demand for advice outstrips supply. Digital advice can now provide quality personal advice to the majority of Australians. An important measure of success will be the increase in the percentage of Australians accessing advice due to the awareness of digital advice being available and affordable.

14. In what circumstances do people need financial advice but might not be seeking it?

Based on how underinsured most Australians are and the value of lost super held by the ATO ([\\$13.8 billion at 30 June 2020](#)), a significant advice gap exists in these areas.

Using personal information and data feeds, Otivo highlights an individual's insurance needs, taking into account available cover in their existing super arrangements, then advises on whether they have enough

of the right type of cover and how to get the right amounts. We also provide guidance on finding lost super and making the most of it for a more comfortable retirement.

The percentage of Australians not seeking advice suggests they are unprepared for a range of life events such as redundancy or death. To address these, Otivo prioritises having access to sufficient liquid cash reserves to cover regular expenses and expensive lifestyle debt repayments such as credit cards and personal loans.

Otivo can also demonstrate scenarios where a user can see the short and long-term impact on their financial circumstances such as if their income was lowered or lost, or if their mortgage payments increased, for example.

15. What are the barriers to people who need or want financial advice accessing it?

Aside from the cost for the majority, actually finding a traditional advice practice nearby anywhere in Australia (eg regional) who can assist with a specific need. Fortunately, this is not the case with digital advice.

Awareness and available information about the range of advice delivery methods, costs and types of services ie traditional and digital, is not widely understood by, or accessible to, consumers.

Updating [ASIC MoneySmart](#) and ASICs directories to explain what licensing means and include digital advice services would improve consumer awareness and appreciation of advice services.

Also understanding what personal advice is, what it provides and how it can improve their financial situation. Personal advice does not require product recommendations. It can be solely advice driven.

16. How could advice be more accessible?

The solution needs to be readily accessible and at an affordable price point which is relative to a consumer's earnings. Our digital platform is priced to ensure all Australians can afford advice.

Our research found that over 60% of working Australians look to their employers to provide guidance on how to manage their personal financial affairs.

Providing workplace financial advice (aka wellbeing) services will increase awareness, affordability and enable more people to access advice.

18. Could financial advisers and consumers benefit from advisers using fintech solutions to assist with compliance and the preparation of advice?

Based on our experience, yes. Up until recently many Licensees only invest capital and resources into their existing advice processes, therefore they have been reluctant to allocate further resources into online advice platforms.

Otivo's services include the construction of unique APIs to connect with Licensee CRMs which provide efficiencies such as enabling them to offer real time financial advice at a fraction of current industry costs under their licence or ours, while retaining the client and their data.

Digital platforms like Otivo which encapsulate the entire financial planning process, from data collection to SOA production inherently deliver a more timely and efficient process.

Simple features inside a user's account such as a 'Contact an adviser' button enables a client to engage with a traditional adviser as required. Single sign on (SSO) functionality enables an adviser to login to the user's account, engage and strategise over potential scenarios and determine when additional guidance is required, such as product recommendations which are outside Otivo's scope.

These functions lead to a stronger collaborative partnership between client and adviser, providing opportunities to assist with financial literacy and offer additional services as life changes.

19. What is preventing new entrants into the industry with innovative, digital-first business models?

It's been our experience that licensing and ongoing obligations are not simple and require assistance from external specialists. We have also learnt that by taking a client centric approach, as opposed to a product driven approach, a smoother path to innovation is created.

Open banking is a significant hurdle with major banks impeding its progress and removing protections for account holders who use aggregation services. Being able to have reliable secure data feeds of a client's situation improves the delivery of advice and enables clients to be informed about managing their affairs.

Reluctance of some financial planning software providers to collaborate with digital advice providers has also created obstacles to innovation.

Section 4: Regulatory Framework

4.1 Types of Advice

21. Are there any impediments to a financial adviser providing financial advice more broadly, e.g. about budgeting, home ownership or Centrelink pensions? If so, what?

Lack of access to client information under MyGov and the ATO impedes an adviser's ability to satisfy s961B(2) CA and key standards under FASEAs Code of Ethics.

Accessing data within the MyGov > ATO > Super section for example, to reunite a client with their lost super could reduce the [\\$13.8 billion](#) under ATO management.

Providing access similar to that which is currently available to tax agents, for advisers on ASICs FAR who are also a qualified tax relevant provider, is proposed.

26. How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?

For the protection of consumers and reputation of our industry, any person or entity that satisfies the definition provided under AISCs RG 175.24(a) and (b), should be regulated in a similar manner as representatives of a Licensee and not exempted.

A limited AFSL as per accountants is suggested as a starting point.

27. *How does applying and considering the distinction between general and personal advice add to the cost of providing advice?*

Taking a consumer lens - “they” view advice from help, guidance and advice (general and personal) as a continuum. To address consumer protection, Otivo has built the rules engine to ensure where a client moves into general and or the personal advice realm, even without their knowledge, the advice remains compliant. This ensures the client is always protected regardless of the type of advice they receive.

As a result of Otivo’s approach to the digitisation of advice, there is no additional cost to the client when going from general to personal advice. Digital advice also enables advice to be provided at a cost that makes personal advice more accessible.

Intra-fund advice

28. *Should the scope of intra-fund advice be expanded? If so, in what way?*

Intra-fund advice needs to be expanded to consider a member’s broader short and long-term financial needs, including those dependent on them, which are intrinsically linked to super and any insurance it holds.

The following areas would require additional information to provide advice that is in the member's best interests:

- Retirement projections - do they have a partner, will they receive the age pension and if so, how does that impact their income in retirement, do they have other investments that can help to fund their retirement?
- Insurance needs - do they have dependents, what debts do they have, do they own their home (mortgage or no mortgage)?
- Extra contributions - how much surplus cash or savings do they have, what other contributions have been made?

Without this additional information the provision of intra-fund advice can fall short of providing appropriate advice that is focused on the member’s best interests.

The scope of intra-fund advice should be expanded to include existing financial commitments which impact a member and their beneficiaries, such as debt repayments for a mortgage. This assists members with understanding the need for personal insurance, generally available as default cover within their existing super.

29. *Should superannuation trustees be encouraged or required to provide intra-fund advice to members?*

With around [16 million Australians with super fund accounts as at 30 June 2020](#), making it mandatory ensures more people are able to access affordable advice.

It’s been our experience that [recent legislative efforts](#) to support this have to date, not been embraced or pro-actively applied by Trustees. Enabling all members to pay for personal advice using super as a standard option with a capped limit supports the Government’s objectives for more people to access affordable financial advice.

Digital advice

35. Do you agree that digital advice can make financial advice more accessible and affordable?

Yes. Otivo currently makes financial advice accessible 24/7 and affordable to all Australians regardless of location or what device or browser they use, so long as they have access to the internet.

There is no limit to the number of people that can access online advice or generate their SOA at any one time. Our subscriptions cost less than the price of a coffee per week.

36. Are there any types of advice that might be better suited to digital advice than other types of advice, for example limited scope advice about specific topics?

Digital advice is ideally suited to provide personal advice. This scenario covers the majority of Australian households who do not require product recommendations.

But do not confuse ease of use and simplification of digital advice as limited to providing basic or simple financial advice.

Digital advice platforms like Otivo advise on a broad range of common needs, not complex arrangements such as trusts, which are predominantly used by Australians who can afford advice costs charged by traditional face-to-face advice models.

37. Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?

Our algorithms (aka rules engine) are programmed to comply with legislative requirements, including changes to tax and super rates and thresholds for example, always prioritise the consumer's best interests and are therefore inherently free from bias.

Any risk of bias is further mitigated by the fact that Otivo does not provide product advice and accordingly, does not receive any commission.

There is also less risk from a security perspective. We use the strongest browser encryption available (256-bit encryption, equivalent to that used by banks), store our data on Australian servers in a secure facility, with built in firewalls, end-to-end encrypted transmission and use additional CloudFlare security services.

39. Are you concerned that the quality of advice might be compromised by digital advice?

Digital advice does not compromise the quality of advice.

Our algorithm outputs satisfy legislation and licensing obligations. We are audited internally each month, certified annually by a legal specialist and audited externally each year as per our licence obligations.

Algorithms are programmed to deliver the same output which has been written and validated, on a monthly basis, by advisers on [ASIC's FAR](#) who have passed the Financial Adviser Exam (FAE), hold the required qualifications and are qualified tax relevant providers (QTRP).

It's only when a client's situation and goals are different that the advice changes.

40. Are any changes to the regulatory framework necessary to facilitate digital advice?

Otivo is already providing personal financial advice to Australians under the current regulatory framework. The development of the platform did not require any changes to the current laws and regulations.

Based on our extensive experience we believe some changes are necessary to improve consumer experience and reduce compliance costs.

As an AFSL and ACL holder who does not provide product recommendations, we're required to adhere to the same legislative and regulatory requirements, including the Design and Distribution Obligations (DDO). This appears to be an unintended consequence of the legislation which requires rectification.

41. If technology is part of the solution to making advice more accessible, who should be responsible for the advice provided (for example, an AFS licensee)?

The Licensee providing the advice. At Otivo, our advice is provided under our own AFSL and ACL.

Accordingly, the advice delivery method does not change who's responsible.

42. In what ways can digital advice complement human-provided advice and when should it be a substitute?

Digital advice complements human-provided advice very well. Financial advice can be provided under our licence or if used by an advisory firm, theirs. We tailor the disclosures and advice according to whichever Licensee is providing the advice.

A client-led digital advice platform enables the client to start the process of building a plan themselves. As life changes, they may require more services than a digital platform offers.

Digital platforms can customise a range of seamless hand off points in a user's account and SOA to facilitate a face-to-face engagement process for example. To increase a prospective client's awareness and appreciation of an adviser's skills and expertise, they may benefit from receiving details about the process and potential costs before engagement commences.

If a user's circumstances are outside the scope of our services, such as needing recommendations about a financial or credit product, Otivo's algorithms provide output on the platform and in their SOA, directing them to seek advice from the relevant specialist (as per ASIC RG255).

Digital advice makes quality personal advice accessible to more Australians, while also enhancing the offering of financial advice firms.

We expand on this further at question 18 above.

4.4 Charging Arrangements

56. Are consent requirements for charging non-ongoing fees to superannuation accounts working effectively? How could these requirements be streamlined or improved?

Our experience engaging with trustees demonstrates they are not working effectively. To date, we've been unable to implement these provisions in our algorithm and platform.

4.5 Disclosure Documents

65. To what extent can the content requirements for SOAs and ROAs be streamlined, simplified or made more principles-based to reduce compliance costs while still ensuring that consumers have the information they need to make an informed decision?

Otivo can provide (ie generate) a comprehensive SOA for a user and their family which includes all advice plans available on the platform, within 2 minutes in approximately 34 pages.

If key data is changed by a user or data feeds, the advice on the platform and in the SOA updates.

A user can obtain a prior copy of their SOA if desired. We satisfy privacy and record keeping obligations as required by the relevant laws.

It's been our experience that because the online advice is sufficient to make an informed decision, few users actually download the SOA.

Section 5: Other measures to improve the quality, affordability and accessibility of advice

83. What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility or affordability of financial advice?

Gatekeepers such as Responsible Managers and compliance staff play an important role in maintaining the quality of advice provided to consumers.

It makes sense therefore, that these gatekeepers should be subjected to the same education standards as the Licensees and financial advisers they supervise.

So they are included, expand the [definition of 'relevant provider'](#) in the CA and update relevant ASIC regulatory guides.

Completion of a professional exam like the FAE would be an appropriate standard to ensure a baseline of knowledge and skills exists amongst gatekeepers. Imposing benchmarks will assist in lifting supervision standards and in return, the quality of advice.

An exemption should apply to those who've completed the FAE and hold appropriate advice related qualifications to avoid double up and costs.

Gatekeepers should also be active participants in the Financial Services and Credit Panel.