



Australian Government
The Treasury

TSY/AU

Quality of Advice Review

Template for response

August 2022



Consultation process

Request for feedback and comments

Interested parties are invited to provide feedback on the proposals for reform listed in the Quality of Advice Review Proposals Paper using the template in [Appendix 1](#). Consultation will close on Friday 23 September 2022.

While submissions may be lodged electronically or by post, electronic lodgement is preferred. For accessibility reasons, please submit responses in a Word or RTF format via email. An additional PDF version may also be submitted.

Publication of submissions and confidentiality

All of the information (including the author's name and address) contained in submissions will be made available to the public on the Treasury website unless you indicate that you would like all or part of your submission to remain in confidence. Automatically generated confidentiality statements in emails do not suffice for this purpose. Respondents who would like part of their submission to remain in confidence should provide this information marked as such in a separate attachment.

Legal requirements, such as those imposed by the *Freedom of Information Act 1982*, may affect the confidentiality of your submission.

View our [submission guidelines](#) for further information.

Closing date for submissions: 23 September 2022

Email	AdviceReview@TREASURY.GOV.AU
Mail	Secretariat, Quality of Advice Review Financial System Division The Treasury Langton Crescent PARKES ACT 2600
Enquiries	Enquiries can be initially directed to AdviceReview@TREASURY.GOV.AU

Appendix 1: Consultation template**Name/Organisation:**

Bronwyn Bruce, Royal Melbourne Institute of Technology (PhD candidate). Building 80, 445 Swanston Street, Melbourne, VIC 3000.

Questions**Intended outcomes**

1. Do you agree that advisers and product issuers should be able to provide to personal advice to their customers without having to comply with all of the obligations that currently apply to the provision of personal advice?

No response given. This question falls outside my area of expertise.

What should be regulated?

2. In your view, are the proposed changes to the definition of 'personal advice' likely to:
 - a) reduce regulatory uncertainty?
 - b) facilitate the provision of more personal advice to consumers?
 - c) improve the ability of financial institutions to help their clients?

I will respond to this based on my expertise in understanding how women make financial decisions. As a PhD candidate at the Royal Melbourne Institute of Technology I am exploring the role financial self-efficacy plays in building younger (<40 years) Australian women's financial capability. Based on what I've learned, I believe the proposed changes to the definition of 'personal advice' could reduce uncertainty and allow more people to access advice. I believe that less onerous personal advice obligations may encourage more advisers into the industry – and it's an industry where more women are needed. In my research I've found that women's financial lives are strongly intertwined with their relationships, life goals and emotions (Russell *et al.*, 2016) and female advisers are more relationship-focussed on the way they serve their clients (Kurlowicz, 2014).

As part of my research, I have undertaken qualitative data collection in the form of semi-structured interviews. I have spoken to 36 different Australian women to attempt to understand how they make financial decisions.

The following verbatim conveys findings about the need for women to be able to speak to other women when discussing finances:

“It probably sounds bad, but I don't like getting advice from men. Which sounds bad, but...I just think it's like, their view on life is very different. And they have different goals or different ideas on how the world works, because it works differently for them. And goals, for me, are going to be very different goals for them. So I feel like, at least if you sort of, I guess, see the viewpoint from another woman? I don't know. It just feels like it'd be more relatable” – Winona, age 26.

3. In relation to the proposed de-regulation of ‘general advice’ - are the general consumer protections (such as the prohibition against engaging in misleading or deceptive conduct) a sufficient safeguard for consumers?

a) If not, what additional safeguards do you think would be required?

I believe that the de-regulation of ‘general advice’ may improve accessibility, and financial inclusion, the latter being a determinant of financial wellbeing (Mindra *et al.*, 2017; Mindra & Moya, 2017; Muir *et al.*, 2017; Ward, 2017; Sherraden, 2010, 2013). Financial inclusion can be achieved through financial services that are accessible, affordable, financially attractive, reliable, secure, and easy to use (Muir *et al.*, 2017). However, increasingly, the burden of financial responsibility has shifted more towards the individual who is more than likely ill equipped to handle the challenge (Warmath & Zimmerman, 2019). Professional financial advice has considerable barriers to entry for the average consumer, especially women on lower incomes, in being able to reach their financial goals and optimise their financial wellbeing (Russell, Kutin & Marriner, 2020). The below verbatim from research participant Zinnia sums up how many of the women I interviewed feel about the guidance they need to make financial decisions:

“It's a bit nerve-wracking [making a big financial decision] if you don't have the guidance or the proper person to talk to, then it can be a little daunting” – Zinnia, age 34.

In the last few years, personal finance podcasts and the online communities attached to them (also called Online Social Networks) have grown in popularity in Australia. These, as well as content creators who utilise platforms such as YouTube, TikTok and Instagram have been given the moniker ‘Finfluencers’ because of the influence they have over people’s financial decision-making (Zhong, 2022). The popularity of finfluencers may partly be attributed to the high cost of professional financial advice (Russell, Kutin & Marriner, 2020). Additionally, declining trust in the financial services sector may be due in part to the findings of unethical practices and over-charging exposed by the 2019 Banking Royal Commission (Russell, Kutin & Marriner, 2020).

As you are aware, influencers have come under pressure from the Australian Securities and Investments Commission (ASIC) for failing to comply with financial services law and ASIC has warned of penalties of up to five years in prison or large fines for giving personal financial advice in breach of the Corporations Act (ASIC, 2022).

From collected data, I have found that participation in social media communities can build financial self-efficacy of women. Alongside access to advice, women have historically been given less opportunity to gain the financial knowledge and skills that allow them to become financially capable. Young women have turned to social media to fill a knowledge gap, as personal advice comes at such a high cost and online communities offer the benefit of shared values. This is supported by the below verbatim:

"I think it's probably the first place I would go [online]. I would say all my financial community is online. Even if I am just lurking in the background, it's all online. There's probably not a lot of... which is a bit sad... people in real life that I would get financial advice off." – Mara, age 34.

While I cannot comment about possible safeguards in a move towards de-regulated general advice, I did want to emphasise this growing and unstoppable force of social media, and in particular, podcasts and Online Social Networks (OSNs) such as Facebook groups in the advice space. Younger women are most likely to seek advice about investing from sources such as the internet (Russell *et al.*, 2016). Social media platforms and communities have become a resource to learn about personal finance and make decisions. Online environments created via podcasts and Facebook groups appeal to women given they place greater emphasis on relationships, connection, and trust (Bucher-Koenen *et al.*, 2107; Russell *et al.*, 2016; Sherraden, 2010, 2013). It seems a natural relationship then, between women and podcasters, who are enthusiastic about forging virtual connections and trust with their listeners, and who form communities whose main ideals are sharing and participating (Celaya *et al.*, 2019).

How should personal advice be regulated?

4. In your view, what impact does the replacement of the best interest obligations with the obligation to provide 'good advice' have on:

- a) the quality of financial advice provided to consumers?
- b) the time and cost required to produce advice?

No response given. This question falls outside my area of expertise.

5. Does the replacement of the best interest obligations with the obligation to provide 'good advice' make it easier for advisers and institutions to:

- a) provide limited advice to consumers?
- b) provide advice to consumers using technological solutions (e.g. digital advice)?

No response given. This question falls outside my area of expertise.

6. What else (if anything) is required to better facilitate the provision of:

- a) limited advice?
- b) digital advice?

No response given. This question falls outside my area of expertise.

7. In your view, what impact will the proposed changes to the application of the professional standards (the requirement to be a relevant provider) have on:

- a) the quality of financial advice?
- b) the affordability and accessibility of financial advice?

No response given. This question falls outside my area of expertise.

8. In the absence of the professional standards, are the licensing obligations which require licensees to ensure that their representatives are adequately trained and competent to provide financial services sufficient to ensure the quality of advice provided to consumers?

- a) If not, what additional requirements should apply to providers of personal advice who are not required to be relevant providers?

No response given. This question falls outside my area of expertise.

Superannuation funds and intra-fund advice

9. Will the proposed changes to superannuation trustee obligations (including the removal of the restriction on collective charging):

- a) make it easier for superannuation trustees to provide personal advice to their members?
- b) make it easier for members to access the advice they need at the time they need it?

No response given. This question falls outside my area of expertise.

Disclosure documents

10. Do the streamlined disclosure requirements for ongoing fee arrangements:

- a) reduce regulatory burden and the cost of providing advice, and if so, to what extent?
- b) negatively impact consumers, and if so, how and to what extent?

No response given. This question falls outside my area of expertise.

11. Will removing the requirement to give clients a statement of advice:

- a) reduce the cost of providing advice, and if so, to what extent?
- b) negatively impact consumers, and if so, to what extent?

No response given. This question falls outside my area of expertise.

12. In your view, will the proposed change for giving a financial services guide:

- a) reduce regulatory burden for advisers and licensees, and if so, to what extent?
- b) negatively impact consumers, and if so, to what extent?

No response given. This question falls outside my area of expertise.

Design and distribution obligations

13. What impact are the proposed amendments to the reporting requirements under the design and distribution obligations likely to have on:

- a) the design and development of financial products?
- b) target market determinations?

No response given. This question falls outside my area of expertise.

Transition and enforcement

14. What transitional arrangements are necessary to implement these reforms?

No response given. This question falls outside my area of expertise.=

General

15. Do you have any other comments or feedback?

There is a need for cost-effective and independent financial advice, either personal or general, especially for those whose lower income may prevent them from paying for a long-term relationship with a financial advisor. Finfluencers/personal finance content creators crave clarity about what they can and can't say under the umbrella of 'general advice'. As part of my research, I also interviewed the hosts of three Australian personal finance podcasts to gain an understanding of why they are utilised by younger Australian women. To close my response, I have included a final verbatim from an interview that I undertook with a personal finance podcast host expressing his desire for change:

"The problem that so many young people face.... we just don't have access to advice, like it's too expensive. There's not enough advisors. And so for people who are in our Facebook group, it's, you know, if they could ask an expert, the simple questions, they would, but they don't have the ability to, so they turn to our groups like 'She's on the Money', or, you know, our 'Equity Mates' group, because they just, they just want help, or they want reassurance." – Equity Mates podcast host.

References

Australian Securities and Investments Commission (ASIC) (2022). Discussing financial products and services online. Retrieved from <https://asic.gov.au/regulatory-resources/financial-services/giving-financial-product-advice/discussing-financial-products-and-services-online/>

Bucher-Koenen, T. Lusardi, A. Alessie, R. & van Rooij, M. (2017). How Financially Literate Are Women? An Overview and New Insights. *Journal of Consumer Affairs*, 51(2). DOI: 10.1111/joca.12121

Celaya, I. Ramírez-Montoya, M. S. Naval, C. & Arbués, E. (2019). The educational potential of the podcast: an emerging communications medium educating outside the classroom. In Proceedings of the 7th International Conference on Technological Ecosystems for Enhancing Multiculturality (TEEM 2019). University of Leon. Spain

x

Kurlowicz, A. (2014). Women in Financial Planning. *Journal Of Financial Service Professionals*, 68(3), 56-62

Mindra, R. & Moya, M. (2017). Financial self-efficacy: a mediator in advancing financial inclusion. *Equality, Diversity and Inclusion: An International Journal*. 36(2), 128-49.

Mindra, R. Moya, M. Zuze, L.T. & Kodongo, O. (2017). Financial self-efficacy: a determinant of financial inclusion. *International Journal of Bank Marketing*, 35(3), 338-353. DOI: 10.1108/IJBM-05-2016-0065

Muir, K. Hamilton, M. Noone, J. H. Marjolin, A. Salignac, F. & Saunders, P. (2017). Exploring Financial Wellbeing in the Australian Context. *Centre for Social Impact & Social Policy Research Centre*. Retrieved from https://www.csi.edu.au/media/Exploring_Financial_Wellbeing_in_the_Australian_Context_Final_Report.pdf

Russell, R. Kutin, J. and Marriner, T. (2020). *Financial Capability Research in Australia, RMIT School of Economics, Finance and Marketing*. Retrieved from <https://www.financialcapability.gov.au/files/financial-capability-research-in-australia.pdf>

Russell, R. Kutin, J. Green, R. Banks, M. & Di Iorio, A. (2016). Women and money in Australia: Across the generations. *RMIT University*. DOI: 10.13140/RG.2.2.34289.48486

Sherraden, M. (2013). Building Blocks of Financial Capability. In J Birkenmaier, M Sherraden & J Curley (eds), *Financial Capability and Asset Development: Research, Education, Policy, and Practice*, New York, USA: Oxford University Press

Sherraden, M. (2010). Financial Capability: What Is It, and How Can It Be Created? *Center for Social Development Working Papers*. Retrieved from https://openscholarship.wustl.edu/cgi/viewcontent.cgi?article=1643&context=csd_research

Ward, R. (2017). Factors That Influence Middle Class Women's Financial Capability: An Australian Study', PhD thesis, RMIT University, Melbourne. Retrieved from <http://researchbank.rmit.edu.au/eserv/rmit:161980/Ward.pdf>

Warmath, D. & Zimmerman, D. (2019). Financial Literacy as More than Knowledge: The Development of a Formative Scale through the Lens of Bloom's Domains of Knowledge. *The Journal of Consumer Affairs*, 53(4), 1602-1629. DOI: 10.1111/joca.12286

Zhong, A. (2022). ASIC's wake up call for 'Finfluencers' in Australia. RMIT. Retrieved from https://www.rmit.edu.au/news/acumen/wake_up_for_finfluencers