Quality Advice Review Response

Aim: Reduce the Cost of Advice - making it affordable for consumers to receive quality advice

Purpose: Deliver a strong financial and economic outcome for the people of our nation

Submitted by Leigh Anoos on 23/09/2022

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Introduction

My name is Leigh Anoos. I was privileged to be permitted to participate in the QAR round table conducted by Michelle Levy and the Treasury Team on 14th September 2022. I jumped at the opportunity because it's the first-time advice professionals have been offered the dignity of a hearing to comment on a decision that will affect their own proposed future and that of their clients. I've served the Financial Planning Industry since 1987, licensed as an Advisor since 1989 continually through to 15 June 2021. I qualified with Diploma and Masters Degree in Financial Planning. I've operated and guided clients through numerous investment cycles, namely

- 1987 Stock market crash
- 1990 Spiralling Interest Rates
- 1997 Asian Financial Crisis
- 2000 Tech Wreck dot.com bubble
- 2007 Financial Crisis - GFC
- 2019 COVID-19 Financial Challenge

Financial Incidents have shaped the consumer's and regulators' opinion of the financial advice industry. Situations like

- Pyramid Building Society – 1990's Property Trust freeze and insolvencies & Friendly Society freeze and insolvencies – High Interest Rates, Recession & Persian Gulf crisis
- 1990 - 2004 Storm Financial (Townsville) – Cassimatis lead advisors located across 13 offices in collaboration with Colonial First State, Challenger and Commonwealth bank, to recommend clients (including retired and otherwise unsuitable or inappropriate clients) into highly geared strategies to the tune of $4.5 billion. When markets fell, more than $1billion was wiped off investor holdings, causing a tsunami of margin calls with subsequent financial ruin to many of those investors that were inappropriately, incompetently and fraudulently advised.
- 2006 Westpoint collapse - $388m lost by consumers – (24 Licensed Advisors, 5 Unlicensed Advisors were seduced by massive commissions, with inadequate investment research processes and inadequate compliance overlay by Dealers)
- 2018 Banking, Superannuation and Financial Services Royal Commission – sometimes referred to as Hayne Royal Commission
- Close to a thousand superannuation rule changes making it the most complex of all investments available
- Hundreds of tax rule changes making it a tricky system to navigate, particularly in relation to managing money and wealth.

These situations and numerous others that have made headlines have caused us all to rethink how we should operate in the financial planning industry. The pendulum has swung from one extreme to the other post Hayne's Royal Commission which has had a devastating adverse impact particularly on the IFA and Boutique Advice cohort that could not sustain the added costs or operations. Risk management costs e.g., PI insurance, have escalated to the point of half of the financial advice professionals leaving the industry altogether – which wasn't necessarily in ordinary people's Best Interests. Michelle Levy was commissioned to lead Treasury through a rethink of the processes to moderate some of the extremes. I am particularly grateful for this opportunity. Some great insights were revealed. However, during and after the round table session, I realised strongly that we need far more consideration and consultation. This report is my opinion - compiled to offer where I believe a total 'rethink' is necessary.

Summary of My Recommendations

Response to Consultation Questions

1. No – please read my general comments to understand the context of my answer, because it's not a clear yes/no
2. What should be regulated? Please read General Other Feedback
3. General Advice does not involve advice. The work advice to be removed. Consumers are not able to recognise suitability – see General Other Feedback for full context.
4. Personal Advice requires standards must be met but should be left to the professional to decide how to best convey advice given. However, Professional Indemnity requirements must be taken into consideration. See details in General Other Feedback for full details
5. Replacing Best Interest with Good Advice seems easy on paper, however there is the code of ethics obligations to be met as well, so the suggest will overcomplicate in reality. Good Advice is a lower bar to achieve. Is this what QAR wants for consumers?
6. Digital is not advice. See General Other Feedback for full details
7. Lower cost advice will only happen with
    a. Lower load documentation
    b. Enhanced risk management – leading to lower cost PI
    Please read General Other Feedback for further detail
8. Licensees are already actively training their aligned advisors to meet ongoing educational requirements. Professional Standards already preceded the Code of Ethics standards. The overlay has been valuable in ways, but complicated in that the Code of Ethics standards contradicts itself in parts. In my view current Code of Ethics is not workable and a complete rethink is necessary.

    The term 'relevant person' introduces yet another unnecessary terminology to an industry that is heavily overloaded with terminology.

    In the context of QAR report lead by Ms Levy, persons not required to be relevant providers should not be advising on complicated products due to risk factors that don't seem to be understood. Please read General Other Feedback to understand my views on this.

9. Institutions offering intra-fund advice must be required to meet the same standards of the QAR definition of 'relevant person'. Please read General Other Feedback for further reasoning
10. Disclosure documents are not largely read by consumers. They are so repetitive and cumbersome; it makes it difficult to comprehend for consumers. Clear plain simple language as outlined - Please read General Other Feedback for full details
11. Please read General Other Feedback. Statement of Advice must be simplified with key essential outlined below
12. QAR as presented, I believe with disadvantage consumers, and make the 'relevant providers' role untenable. The only relieve outlined in QAR is for those defined as ' non – relevant providers' Please read General Other Feedback for full reasoning
13. Design and Distribution Obligations (DDO) must be simplified into one process. Please read General Other Feedback
14. Please read General Other Feedback
15. Please read General Other Feedback

General Other Feedback – Executive Summary

1. Investment and insurances are complex. These are always personal to consumers and should be offered under 'personal advice' only by licensed advisors.
2. There is no such thing as 'general advice'. The word 'advice' should be removed forever more from discussions about advice. If it's general, then it's generic and is no better than general information.
3. Investment and insurance products should be rated according to product complexity and advice given on these should be graded accordingly. Eligibility to advise on these products should be directly aligned to the education and license standard of the product representative.
   Rate the risk of products in terms of potential consumer impact, and shift advice accordingly. As an example:
   - **General**/category involves low impact products such as cash management accounts, bank accounts, term deposits
   - **Moderate**/ category involves Investment Bonds, Bank loans, Fixed Interest Trusts, Simple Superannuation involving employee Super Guarantee alone, Death Cover Life Insurance for individuals only, with a structured education program to include higher level categories with supervision – requires Written summary below – but can be given by intermediate advice representatives (Professional Year (PY) pathways, new AR entrants up to 2 -3 years
   - **High**/ category involves all other investment, platforms, entities, superannuation contribution strategies, retirement income generation products and strategies and insurance types – requires Written summary below, and can only be given by AR's with minimum of 3 years' experience

4. Superannuation should never be only intra-fund advice. Superannuation is one of the most complex structures available with the minefield of options and strategies that can be used. When intra-fund advice is given, it should be under the same guidelines as mentioned above at point 3.
5. Consumers in general are not financially savvy enough to decide or differentiate good advice from bad (despite their education, status, wealth), and might only learn suitability too late. With virtually no simple products or risk-free products, this translates into harmful outcomes when the advice received is unsuitable. This won't be resolved by enabling 'general' recommendations without documentation. Recommendations are always personal to them, hence must be treated as such. All consumers must be informed. There needs to be an easier method to meet that
6. **Robo Advice is not going to make advice cheaper** in the long run because it is not advice for the same reasons mentioned about the term 'general' advice. The risk faced by consumers are far more diverse than a simplistic product risk profile applied, potentially entangling consumers in complex or unfavourable outcomes. Unsuspecting consumers won't become aware of this until it is too late.
7. **Consumer responsibility** - There is an opportunity to introduce Money Guidance (similar to UK), to change the way consumers engage with and manage their financial affairs. The process is designed to help citizens make better financial decisions that are in their own interests, and receive value for money. Some consumer preparatory processes can help reduce the cost of advice

As in (Thorensen Review March 2008 – UK[i]). No advice is given about products or strategies, but the system encourages consumers to prepare and learn, saving time and cost for the advice process for the professional.

8. **Fee based advice should never be used as the differentiator for determining the level advice**. Nor should the level of consumer information collected be the differentiator. Most financial institutions already hold significant personal information about their customers; however, many have used the 'general advice' label to avoid the responsibility involved with giving what should be termed 'personal advice'. We've seen 94% of AFCA complaints directed toward institutions. This is likely to expand should there be a relaxation of requirements for them, whilst holding strong requirements for advice professionals.
9. The QAR differentiates 'fee based' to define a relevant person giving personal advice (which in effect translates to licensed financial advisor). This method of differentiation is deeply flawed as it widens the cavern between industry participants. Boutique and IFA operators are not able to compete with large organisations that can ostensibly offer 'free advice' to the consumer, whilst in reality, they can recoup fees on the backend in a manner that consumers will never see – via purchase of their products. This suggests unfair advantage in the favour of institutions, and runs the risk of forcing thousands more small financial services businesses out of the industry. If we include the service providers that provide services to them, such as paraplanning, compliance consultants, software providers, the business number affected will be much greater. The social impact of such a scenario is one we can ill afford during these difficult economic conditions where financial advice ought to benefit consumers.
10. **Advice Documentation** to be reduced to a sensible load for all advice. The current double up and replication is unworkable both for consumers e.g., it can be confusing – leading to lack of understanding, and from a commercial perspective.
    Evidence of advice is necessary in case of situations/advice being questioned in future

Proposed Written Advice Document could be simplified to a standard format

Client Identifiers – Name, Date of Birth, contact details
Client risk identifiers – (risk assessment should extend beyond product risks alone -taking into account the range of Risks Defined where applicable)
Summary of Client Issues to Resolve – Description of the matters identified to be advised on
Solution Options Discussed with benefits and impacts (good and bad consequences) (per product or strategy) –
Final Recommendation (with justification) –
Other important notes – (if applicable)
Cost for Advice – (to the financial advisor/institution)
Outline Services offered ongoing – (if applicable)
Product Costs – (outlined for each product upfront and ongoing, plus exit fees etc, product quotes e.g. insurance premiums)
Declarations – declare influences, conflicts, holding
Client Acknowledgement – (signature, response, change requests)

This could be covered over a couple of pages.

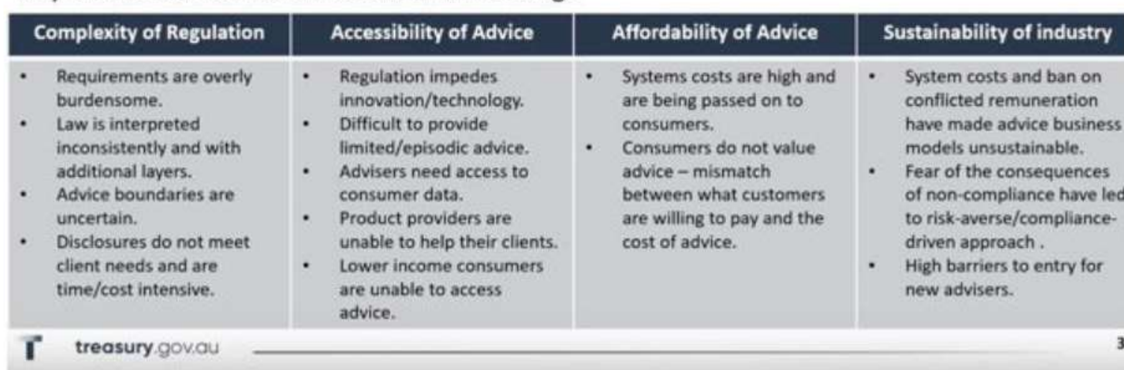
Modelling and calculations should not need to be shown to clients – as they could be confusing, but could be available on request. Those should remain in the Advisor's work papers on file to justify their recommendations if necessary. We don't see lawyers quoting the entire legal act when they give legal advice, and we don't see surgeons regurgitating various operational procedures to patients before operating. And so too should be the situation for Financial Advice.

11. Professional Indemnity (PI) Policies must be considered within the scope of this discussion, because the requirement for PI cover is mandatory to remain licensed to give advice. PI insurers will not be satisfied with nil documentation. Their risk assessment process is focused on advisor education standards, client engagement process, advice delivery, quality of advice and complaint handling. Conflicts of interest? Acting in Clients' Best Interests?

    PI insurance will equilibrise or likely be reduce when risk is mitigated, which means there must be clarity about what constitutes good advice and best interest.
    Some consumer responsibility must be factored into claims. Rating product risk could deliver some clarity but this needs more consultation. There may be scope for consumer protection insurance to share the load of cover.

12. Full Portal accesses (ATO, Centrelink, Superannuation) should be provided to Professional Advisors authorised to deliver moderate and high-risk product and strategy advice, so they can obtain adequate information for the consumers that engage them.
13. Product providers' Design & Distribution Obligations (DDO) should remain the obligation of the institutions and not hand-balled to the Advice network as has occurred. These should be simplified into one streamlined process rather than the multiple individualised techniques currently imposed on Advisors.

Background Explanation & Details of General Other Feedback



Key themes of from submissions and meetings

Complexity of Regulation	Accessibility of Advice	Affordability of Advice	Sustainability of industry
• Requirements are overly burdensome. • Law is interpreted inconsistently and with additional layers. • Advice boundaries are uncertain. • Disclosures do not meet client needs and are time/cost intensive.	• Regulation impedes innovation/technology. • Difficult to provide limited/episodic advice. • Advisers need access to consumer data. • Product providers are unable to help their clients. • Lower income consumers are unable to access advice.	• Systems costs are high and are being passed on to consumers. • Consumers do not value advice – mismatch between what customers are willing to pay and the cost of advice.	• System costs and ban on conflicted remuneration have made advice business models unsustainable. • Fear of the consequences of non-compliance have led to risk-averse/compliance-driven approach . • High barriers to entry for new advisers.

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Investments and insurance aspects are complex. There are no simple investments or easily compared insurance policies, and the impact of these is always personal in my view.

General Advice

The term "General advice" must never be deemed as advice. I'm aligned with Michelle Levy's view that general advice is not advice at all. I hold the strong view that the word **advice** should be removed altogether in relation to anything of a general nature.

Product Representatives too often use the term 'general advice' to escape responsibility, hand-balling it back to unsuspecting clients. **Investment is always personal**, **as is insurance** and should not be defined by the level of information held by an organisation or advice practice, and has nothing to do with whether or not a fee is charged to deliver the recommendations given. This is where Michelle Levy and I are opposed in our views.

We must agree that all investment and Insurance is always personal.

Low-cost advice can only occur with lesser documentation. That does not mean we should enable product representatives to sell products without sufficient documentation in order to adequately educate and inform consumers. Without the requirement for and responsibility of taking into account each consumer's needs, product representatives will respond first to their sales targets for their own benefit and the benefit of the company for which they work. This will force the consumer to enter a precarious 'buyer beware' situation, which I will demonstrate later, that they are ill equipped to navigate or decipher.

Michelle Levy argued consumers will have remedies through consumer affairs or legal process to hold rogue organisations accountable. However, this is usually daunting for the average consumer and justice usually extends only to the level of affordability of legal fees etc. In essence there are expenses to fight matters fairly, so we run the risk of the average consumer being disempowered to fight for justice when they are wronged. This is not an ideal scenario. Any adverse financial impact on consumers has a domino effect on society, including potential strain on the social security system. If we disempower consumers in this way, some financial institutions may operate their investment and insurance businesses on the low statistical chance of being held accountable. This could lead to failure of taking necessary measures to hold high standards of education and operational integrity and compliance in their product sales.

The QAR differentiates 'fee based' to define a relevant person giving personal advice (which in effect translates to a licensed financial advisor). This method of differentiation is deeply flawed as it widens the cavern between industry participants. Boutique and IFA operators are not able to compete with large organisations that can ostensibly offer 'free advice' for the consumer, whilst in reality, those organisations can recoup fees on the backend in a manner that consumers will never see - after they invest in the products of that institution. This suggests unfair advantage in the favour of institutions, and runs the risk of forcing tens of thousands more small financial services businesses out of the arena altogether. The social impact of such a scenario is one we can ill afford during these difficult economic conditions.

Fee basis should never be used as the differentiator for determining the level advice. Nor should the level of consumer information collected be the differentiator. Most financial institutions already hold significant personal information about their customers; however, many have used the 'general advice' label to avoid the responsibility involved with giving what should be termed 'personal advice'.

Robo Advice

We've seen the argument to promote 'robo' advice in an effort to make advice cheaper, but in reality, there is no advice at all in the robo arena, with 'advice' being confused as product recommendations in line with one dimensional individual risk profiles alone.

Risks Defined

The risks to be considered are so many for consumers. We have to face the facts about our Australian demographic profile, whereby there are varied degrees of financially savvy, with far too many falling below par, even amongst the highly educated. This is clearly demonstrated in many ASIC studies over 10 years ago, before it became responsible for "financial education"". We have an education system that turns out silo specialists, with insufficient broad knowledge of general matters which includes financial matters. I can state this with certainty from my extensive direct experience of advising Australians from a range of backgrounds that spans everything from administrators, unskilled and skilled tradespeople, miners, educators from kindergarten, primary, high school through to university professors; nurses, police and ambulance officers, high level public servants (even from ASIC), professionals including lawyers, doctors, medical specialists, high court judges, small to medium sized business owners, executives and company board members and just about everything in between.

The common thread through all of these people is that despite their specialty, education or status, their understanding of financial matters could be regarded as below acceptable to poor. This is no reflection of their capability or intelligence; however, it is a marked measure of the limitations of our Australian education system, and can largely be attributed to the complicated tax and legislative system that has evolved within Australia as well as lack of basic education at school in financial matters in which children will be involved when they become adults and have to buy cars and houses as well as save for different personal objectives..

A common belief held by consumers is that good advice means they have made a good return alone for their dollars invested. It is quite a learning curve for consumers to discover that good advice often has little to do with investment returns in % or $ alone, but instead more to do with understanding the numerous risks faced, and navigating through these in relation to personal situations with discipline, structure, for personal and family protection, for wealth creation and growth, while managing tax and other impacts or outcomes for the long term. Hand on heart I can say that I've not encountered identical scenarios amongst them. Similarities certainly, but most with

the differences varying as uniquely as their facial and body features or traits. It makes the education and advice task extremely complex and difficult at times.

Risks Defined

It is necessary to discuss the vast array of risks faced by consumers when investing or taking insurance, because too often risk is described in one dimension alone. Consumers face multiple risks consecutively, and sometimes risks must be prioritised, but this again is as unique as the individuals themselves because everything must meet their personal sleep test.

Market Risk – often thought to be the easiest risk to understand, because people generally comprehend when a property market is high priced, or share market prices are falling. However, they frequently fail to understand the markets they are inadvertently exposed to, and the domino effect upon their financial security.

Product Risk – poorly understood in general, even amongst the highly educated and financially savvy. The reality is that investment and insurance products are complicated and hence difficult to compare. One only has to attempt reading a product disclosure statement (PDS) to realise nothing is straight forward. One cannot diversify their product risk until they understand the underlying product market exposure, otherwise it leads to another risk, involving over-concentration. It might also mean the product is not the best fit for their circumstances and needs.

Personal Risk – is so multifaceted, there can be books written on the topic. Personal risk depends upon the context and personal circumstances of the individual. One simple example of a single person buying their first home, who must mitigate a range of risks to ensure their long-term success in owning the asset. These are not limited to their continued ability to earn income to cover their mortgage and other expenses. So many factors come into play for example – future relationship risk (loss due to a relationship split), dependent risk (planned or unexpected arrival of children imposing financial risk to the household or becoming responsible for an ageing parent), tax and legislative risks (e.g. impact of renting out a room to help pay the mortgage, or earning an income or working from home), environmental factors impacting their situation and entitlements, structure of ownership (joint versus tenants in common, company, trust, self-owned), managing threats of potential indemnity loss (professional or business persons), estate planning through incapacity and/or death plus innumerable other possibilities.

People's lives change and with that their personal risks to mitigate change. Personal risks expand exponentially when exposed to a range of investments and insurance products, with mitigation of risks varying according to their personal situation.

Legislative Risk – laws are constantly changing and this in turn impacts people's lives and habits. A simple regular personal contribution to superannuation today, could result in punitive consequences when failing to understand legislative changes.

Insurance Risk – inadequate cover, inappropriate product changes, cancelling or limiting protection and the failure to understand the impacts of these together with taxation of these, can result in devastating consequences for consumers and their dependents. Insurance products are complicated with the underlying terms varying so dramatically from company to company, it is difficult enough for trained eyes to decipher and compare the differences accurately, but impossible for untrained eyes to comprehend the impacts. Failing to have sufficient cover is bad enough, but having the wrong cover in certain circumstances can be devastating as is failing to understand the tax consequences for claimants and their dependents. It may seem simple to change insurance from

one policy to another but the impact can be barbed with exclusions effectively reducing or eliminating the cover people thought they'd have in their hour of need.

Behavioural Risk – when ignorance is matched with emotion, it can result in reactions with poor decisions due to a lack of understanding. Irrational behavioural decisions made on mass can adversely impact situations further, e.g. crash a market, cause a run on a bank

Liquidity Risk – impacts by an inability to liquidate asset holdings into cash. When an institution is unable to liquidate its assets into cash to pay its obligations due to the nature of those underlying assets or the prevailing market conditions. They may be forced to sell those assets at a lower than market value price to redeem to cash quickly. This in turn impacts consumers in an adverse manner. We saw this play out in the early 1990's when investors were exposed to Pyramid Building Society, and unlisted Property Trusts. Fund freezes were imposed to enable orderly liquidation to maximise the possibility of consumer return of funds, but this in turn caused financial hardship with cashflow crisis for those that needed access to their funds.

Concentration Risk – often described as diversification risk. The concept of spreading your eggs across many baskets is easy enough to grasp, and often believed to be resolved by choosing a number of different investments across different asset classes, however failing to understand the underlying exposure of a fund can lead to concentration risk. For example, a consumer believes they are not impacted by rising interest rates because they have no personal debt, however they fail to realise they are exposed to gearing through a portfolio of investment funds, or a series of investments held that compromises their investment returns due to underlying debt exposure. They realise after the fact, that they held assets that were too concentrated with underlying debt across many asset classes, adversely impacting their financial well-being and security. Awareness after the fact is too late

Inflation Risk - occurs when consumer holdings are not hedging its buying power within a rising inflation market, thereby losing the real value of their assets. The numbers may appear the same, but the value is eroded in a way that affords a lot less buying power.

Longevity Risk – outliving your ability to afford to live is a genuine risk that must be considered. It is so difficult to mitigate because we cannot know for certain when each of us will die.

Interest Rate Risk – variations in interest rates can work for investors or against them depending on the asset classes they hold and their debt exposure. While consumers usually comprehend the impact of rising interest rates on their home mortgage, a lot of confusion arises when consumers fail to understand why their fixed interest portfolio is showing a negative return when interest rates are rising, due the complexity of the underlying asset exposure. Another example is where consumers are locked in on a fixed rate annuity at a time when interest rates were low, but as interest rates rise, they suffer the risk of low returns, and negative in terms of inflation.

Tax Risk – results from a lack of understanding of tax implications of decisions made. Consumers too frequently do not understand the complexities of tax law with consequences that can lead to a difference in outcomes that can set them up for failure or success.

Undiversifiable or Systematic Risk – when a market is under performing across the board, there is no way to diversify that risk within that market. It is unpredictable and therefore unavoidable and difficult to mitigate

Unsystematic Risk – relates to a specific segment of a market, and can be mitigated by diversifying across other markets.

Managing Risks – requires navigation across the myriad types of risk that can be faced. It's not a simple a matrix that can be calculated via a risk profile, and certainly not one time, because risk factors change. Risks can be more prominent at certain phases of life; hence the responses must be changed. The risks faced are never the same from year to year, nor from person to person.

The personal aspect of risk is what makes it so difficult to articulate easily, and so is the need for advice. Risk is not one dimensional, and the problems occur when untrained eyes fail to take as many possibilities into consideration with the decision.

Product Ratings

All the investment and insurance products of the world are rated in one form or another. There is extensive research analysis available from various systems that can be used to rate the 'risk' of a product from a consumer's perspective.

However, these risk ratings tend to be evaluated in terms of the quality and quantitative value of the products themselves, and this bears little relation to the risks faced by the consumers in their lives. What is needed is a new risk rating in terms of potential product complexity and impact from the end users perspective.

David Sharpe (Chair of FPAA) offered an excellent idea during the QAR round table for industry participants, whereby products are rated by risk impacts, and only low risk products would be suitable for the general category. This is a similar model to the health industry, whereby nurses can prescribe aspirin, nurofen and panadol because these drugs are considered low risk medications. Only registered medical practitioners can prescribe higher risk rated drugs. In a financial services context, Low risk products should be the ONLY products that can be recommended by non-licensed advisors. For example, the 'general' category can only advise on bank accounts, cash management accounts or term deposits.

Mission to Reduce Advice Costs

The QAR compiled by Michelle Levy and collaborators has been outstanding in that it identifies where and why costs of delivering advice have blown out, however it has been ineffective in identifying the risks for consumers with their proposal.

Good Advice is so subjective. There are so many pathways that could lead to good advice. There is no effective measure, and advice that is good today, may not be ideal later.

The QAR proposal as it stands effectively enables vertically integrated providers to slip into the general information category without the same cost structures or accountabilities that private practitioners and IFAs must endure, as the latter by law must meet higher standards that won't reduce the cost of advice.

There are ways we can reduce the risk, and Ms Levy alludes to this, in that she suggests we leave it to the professionals to decide when full blown documentation is necessary. I tend to agree with this view in the context of who should and shouldn't be allowed to advise on the complex products. But it's an easy thing to say, but impractical in terms of professional indemnity cover. PI requires documentation and will penalise with higher premiums when documentation of the advice process is not available for them to assess the risk, particularly during onset of claims.

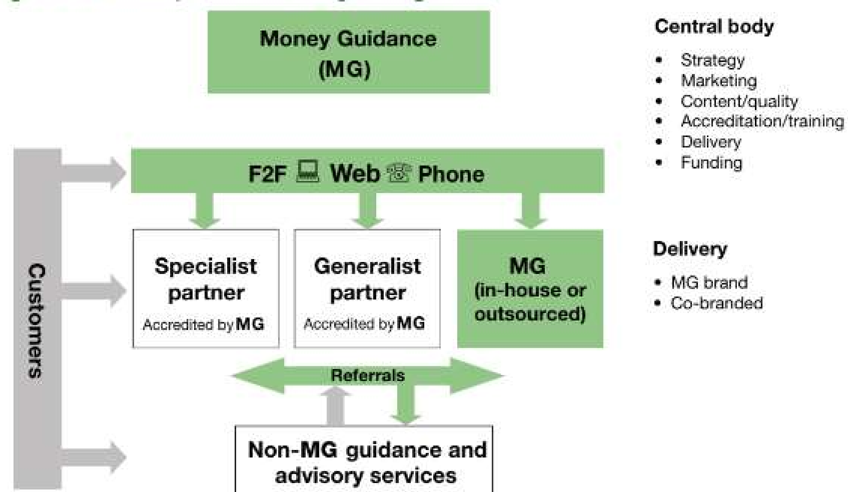
Documentation is essential, and some suggestions with a format are included in this proposal.

To enable general information to make product recommendations without the same requirements of best interest or good advice parameters will adversely impact consumers. Evidence from AFCA indicates 94% of all complaints are directed at vertically integrated institutions under the current framework. To make it easier for the main offenders will most likely to lead to escalation in claims when consumers realise their recommendations turned out to be inappropriate, because their needs were not factored in.

Cost of Advice delivery could be reduced – but a complete rethink is necessary.

Empowering Consumers with better solutions to be prepared for the advice process.

In the UK (Thorensen Review March 2008 – UK[ii]) they calculated the potential benefits of introducing Money Guidance, to change the way consumers engage with and manage their financial affairs. The process is designed to help citizens make better financial decisions that are in their own interests, and receive value for money, empowering them to be part of the process. The report quantifies the cost benefits in a range of models for consumers, the financial industry participants, the government and society as a whole.
Engagement of the people is key. The study revealed there were significant benefits even if only a small percentage engaged. A national survey revealed '75% of respondents would likely use a national information and guidance services for personal financial issues'. The prototype in action revealed 8 out of 10 survey respondents took action within a week of accessing the Money Guidance service. The service is not a product sales channel. It cannot recommend a product from a specific provider or that the user varies or disposes of an existing product – this is what regulated advice does. Buying a product or taking commercial advice will be the right solution for many individuals.



A pertinent realisation revealed that 'generic or general' advice recommendations are meaningless for consumers. Financial matters are always of a personal nature, because of the impact to a person and/or a person's family, on their long-term financial security.

Even Michelle Levy stated that the measure of whether a person has received personal advice is when a person believes it was personal advice. Her view seems to echo the findings of Thorensen. I agree, as previously stated: Advice is always personal.

In the Australian context, extracting the data necessary to advise and guide clients takes an enormous amount of time and energy which translates to cost. Utilizing a similar Money Guidance process will help reduce those costs and define the level of service needed by the consumer. It would also empower consumers to be partners in their financial decisions with shared responsibility.

We must break to cycle of repeated unsatisfactory financial outcomes for consumers. Empowering them to be part of the process is certainly an opportunity to lift bar for better outcomes.

Rate the risk of products in terms of potential consumer impact, and shift advice accordingly.

- **General**/category involves low impact products such as cash management accounts, term deposits and bank accounts – still requires Written summary above but can be given by unlicensed advisors
- **Moderate**/ category involves Investment Bonds, Bank loans, Fixed Interest Trusts, Simple Superannuation involving employee Super Guarantee alone, Death Cover Life Insurance for individuals only – requires Written summary below – but can be given by intermediate advice representatives (Professional Year (PY) pathways, new AR entrants 2/3) with proper guidance
- **High** / category involves all other investment, Superannuation and insurance types – requires Written summary below, and can only be given by AR's with minimum of 3 + yrs experience

Advice Documentation to be reduced to a sensible load for all advice. The current double up and replication is unworkable both for consumers and from a commercial perspective.

Written Advice Document could be simplified to a format such as this

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Other important notes – (if applicable)
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Professional Indemnity (PI) Policies must be considered within scope of this discussion

, because the requirement for PI cover is mandatory to remain licensed to give advice. PI insurers will not be satisfied with nil documentation. Their risk assessment process is focused on advisor education standards, client engagement process, advice delivery, quality of advice and complaint handling.

PI insurance is currently set at almost uncommercial rates because of the level of claims, whereby complaint decisions are largely leaned toward consumers and there are no current clear guidelines about what constitutes good advice or best interest advice.

We need to bring in a level of consumer responsibility to the process (outlined at item 1). There are possibilities to enable tiered industry standard PI level of cover and premium, where risks are more clearly definable due to product and strategies involved
Further there could be scope to enable consumers to buy risk protection to cover the level of their investments, but this needs extensive consultation with insurers to scope the opportunity.

[i] https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.169.5836&rep=rep1&type=pdf