

6 December 2023

Retirement, Advice and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

Email: financialadvice@treasury.gov.au

Dear Treasury,

Re: Delivering Better Financial Outcomes – reducing red tape and other measures

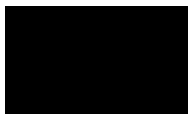
Industry Fund Services (IFS) welcomes the opportunity to provide feedback to Treasury on the exposure draft legislation delivering the first tranche of the Delivering Better Financial Outcomes package of reforms.

IFS is supportive of the Government's proposed measures to make financial advice more accessible to everyday Australians. As one of Australia's largest providers of financial advice through superannuation, IFS understands the critical role that simple, quality personal advice can play in improving the retirement outcomes of Australians.

While we support the proposed legislative amendments contained within the draft exposure bill, we are concerned that the drafting of some of them will cause issues for advice providers, or not achieve their intended purpose. Where this is the case, we have outlined proposed alternative wording for Treasury's consideration.

We would welcome the opportunity to discuss with Treasury any matters raised in our submission. If you have any questions, please contact Lisa Rayner at [REDACTED].

Your sincerely,



Lisa Rayner
Executive Manager – Legal, Risk & Compliance

1. Draft section 99FA and reimbursement for advice fees

IFS supports measures to clarify the legal basis for superannuation trustees deducting financial advice fees from a member's superannuation account. We believe this is a good step to providing trustees with more confidence in enabling their members to access personal financial advice about their retirement.

However, while we are supportive, we have concerns with the way the proposed section 99FA is currently drafted.

Specifically, our concerns are centred around the proposed section 99FA(2). This new sub-section restricts advice fees to an amount equal to the amount that advice provided only about a member's interest in the fund would cost.

Whilst we understand the intention of this sub-section, its practical application will cause issues for trustees. It will inherently require trustees to estimate the cost of hypothetical advice about a member's interest in the fund that is not actually being given, to then be able to use as a cap on the advice fee actually being paid from a member's account.

We understand that Treasury's intention is to prevent the deduction of inappropriately high fees for advice from member accounts. However, the practical operational impact and utility of this hypothetical advice cost to then apply as a fee cap is questionable and likely to create unnecessary work that provides little value to members.

As an alternative to the current drafting, we would suggest that Treasury apply a simple cap to the maximum advice fee that can be deducted from a member's superannuation account. This cap should be a dollar-based and indexed annually with inflation. We suggest that an appropriate initial fee cap be \$4,000.

2. Draft sections 941C(5A) and 941D and provision of Financial Services Guides (FSG)

IFS is very supportive of having more flexibility for the provision of FSGs to advice recipients. We are also supportive of the current provisions contained within the draft bill.

However, we are of the view that the current drafting will not provide the benefits that it seeks to provide, to a large portion of financial advisers and advice providers within the industry. Specifically, many financial advisers employed by, or providing personal financial advice through superannuation funds, do so under an Authorised Representative model under Corporations Act s916A. This, as a result of the interaction with the definition of 'Providing Entity' under s942C means that the financial adviser themselves, as an Authorised Representative providing financial advice to a member – is considered to be the 'providing entity'.

The result of this in respect of the draft bill, is that a licensee such as IFS that appoints over 130 Authorised Representatives to provide personal financial advice through superannuation funds, will gain no benefit from the proposed flexibility in providing FSGs to members. Individual financial advisers under an Authorised Representative model each have

their own individual FSGs, and do not have their own websites on which to host and make publicly available those individual FSGs.

IFS could potentially host on its public website the FSGs of all of its Authorised Representatives – however we would suggest that this would be cumbersome, and not achieve the stated objectives of the bill.

As an alternative, we propose that the bill be amended to enable Authorised Representatives to be able to meet their FSG disclosure obligations by their licensee or employer (i.e. superannuation fund) to publish the common non-individualised parts of their current FSG on either of their respective websites. This would essentially mirror the flexibility being provided for Representative financial advisers and achieve the stated objectives of the bill more broadly across the industry.