

SUBMISSION

Submission to ASIC —
Consultation Paper 332:
*Promoting access to
affordable advice for
consumers*

22 January 2021

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File: 2021/01

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22 January 2021

Dear Mr Choi

Consultation Paper 332: *Promoting access to affordable advice for consumers*

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to Consultation Paper 332: *Promoting access for affordable advice for consumers*.

About ASFA

ASFA is a non-profit, non-political national organisation whose mission is to continuously improve the superannuation system, so all Australians can enjoy a comfortable and dignified retirement. We focus on the issues that affect the entire Australian superannuation system and its \$2.7 trillion in retirement savings. Our membership is across all parts of the industry, including corporate, public sector, industry and retail superannuation funds, and associated service providers, representing almost 90 per cent of the 16 million Australians with superannuation.

If you have any queries or comments in relation to the content of our submission, please contact Maggie Kaczmarska, Senior Policy Advisor, on (02) 8079 0849 or by email mkaczmarska@superannuation.asn.au.

Yours sincerely

Julian Cabarrus
Director - Policy Operations, Member Engagement & External Relations

Intra-fund advice model

Intra-fund advice, a form of limited advice, is one of the most common ways limited advice is given. It is scalable and affordable, though input costs have risen (similar to other forms of advice). Given the success of intra-fund advice in meeting superannuation members' advice needs, it would be beneficial to consider how the regulatory framework can support the increased provision of other forms of limited advice by applying similar conditions.

One factor that makes intra-fund advice more scalable and affordable relative to other forms of advice is that there are limited topics on which intra-fund advice can be provided. There are productivity gains associated with intra-fund advice, as the scope of the advice is limited and fact finding simplified, making it less costly to deliver.

Currently, when giving personal advice, there is a requirement to provide advice in areas that a consumer hasn't necessarily requested, but which may be relevant to their circumstances. The reason why this additional advice might be required even without the explicit request from the consumer is due to uncertainty around scoping advice. This adds to the complexity of advice and increases the cost of delivering it.

Agreeing to advice scope upfront

If advisors are able to agree with the consumer the scope of the advice upfront, it will provide increased certainty in the provision of advice for both the advisor and consumer. Advisors currently face significant uncertainty and confusion around scoping of advice, decreasing the provision of limited advice by advisors. Of course, the advisor should have the appropriate processes in place to refer the consumer elsewhere in the event more comprehensive advice is required that they are unable to provide.

Implementing this model would require updates to RG 244 with clearer explanations on how the best interests duty can be met if an advisor agrees with the consumer to provide limited scope advice upfront.

Increasing the use of Record of Advice (RoAs)

Another proposal is that some advice topic areas be answered through a record of advice (RoA), or other simplified advice document, rather than a statement of advice (SoA).

ASFA proposes the following model:

- Advice providers can provide a RoA rather than a SoA on a limited number of advice topics, which reflect the most frequently asked questions by members.
- ASIC to provide a template RoA for advice that falls under this model to ensure consistency for members' benefit and to help ensure compliance.
- Some of these topics may also be categorised as intra-fund advice. It will be up to the superannuation fund to decide whether it will be provided as intra-fund advice or not.
- Appropriate records will be kept and provided to members and regulators when required.

An average SoA costs a member approximately \$1,500-2,500. Comparatively, an average RoA costs a member approximately \$300-500.

Some questions that could be answered through a RoA include:

- Should I stay invested as I am or move my money to a different investment option?
- My account balance has dropped, what should I do?

- How do I set up a pension account?
- Can I claim a tax deduction on my contributions?
- How much can I contribute into my superannuation?
- How do I withdraw my superannuation under compassionate grounds?

ASIC could work with industry to design an appropriate RoA advice template.

Reducing advice costs

Providing strategic rather than product recommendations

It may be beneficial to explore the concept of providing strategic recommendations to consumers only rather than product recommendations. Consumers can then refer to their current providers or seek new providers through their own research.

There are concerns that, in this situation, consumers may not implement the advice they've been given. To overcome this, advisors could assist with implementation once a consumer has made a product choice or provide follow up advice if a consumer has a list of products but is uncertain about which product would suit their personal circumstances the most.

Legal definitions of advice

Many consumers do not understand the nuances between general, limited and comprehensive advice. Most consumers are reaching out simply because they would like some help. Advice definitions should be clear and support the provision of the most appropriate advice to consumers based on their needs.

Currently, the definitions of advice create a significant obstacle in assisting the consumer and providing them with the most appropriate and cost-effective form of advice. There is need for clarity and regulatory guidance about how advice is categorised to ensure advice is categorised and delivered in accordance with the consumer's needs.

Standardised product information

If ASIC were to provide standardised product information and educational material for the industry to use in their advice documents, it would ensure advice documents were consistent and contemporary across the industry. It would also assist in streamlining the process of putting together advice documents. This material could be provided through the MoneySmart website, for example.

Different forms of advice delivery

Currently advice is predominantly delivered in one form: the Statement of Advice. Ensuring advice delivery methods are as flexible as possible (e.g. video advice) could help ensure advice meets consumer needs at a lower cost. Providing more options to consumers in the way advice is delivered will help reduce advice delivery costs.

Digital advice

Ensuring the appropriate infrastructure is in place to deliver digital advice requires a substantial upfront investment. A lack of policy stability with constant legislative and regulatory change hampers the ability of industry to innovate and invest in productive new technology that could benefit consumers.

Greater certainty around the ability to scope limited advice upfront would assist. This would support the programming of suitable parameters within the digital offering, lower cost delivery and an enhanced consumer experience of digital advice.

Additionally, there are many consumers that begin digital advice journey and then decide they would like to meet with an advisor. This can be due to, for example, lack of financial literacy and / or wanting to test their understanding of the advice through a discussion with an advisor. This requires regulatory flexibility to enable the delivery of an end-to-end advice experience that is consumer centric.