

The Association of Superannuation Funds of Australia Limited
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11 November 2013

Ai-Lin Lee
Policy Guidance Officer
Financial Advisers
Australian Securities and Investments Commission
GPO Box 9827
Melbourne VIC 3001

Email: policy.submissions@asic.gov.au

Dear Ms. Lee,

Consultation Paper 216 – Advice on self-managed superannuation funds: Specific disclosure requirements and SMSF costs

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to ASIC Consultation Paper 216 – Advice on self-managed superannuation funds: Specific disclosure requirements and SMSF costs.

ASFA has consulted with its members and reviewed CP216. Our comments are set out in this submission.

About ASFA

ASFA is a non-profit, non-politically aligned national organisation. We are the peak policy and research body for the superannuation sector. Our mandate is to develop and advocate policy in the best long-term interest of fund members. Our membership, which includes corporate, public sector, industry and retail superannuation funds, plus self-managed superannuation funds and small APRA funds through its service provider membership, represent over 90% of the 12 million Australians with superannuation.

General comment

As an overall comment, while we have received mixed feed-back from our members in regards to the various proposals, ASFA generally supports the proposed specific disclosure requirements contained in CP 216. Such disclosure should assist potential SMSF trustees in better understanding the risks, costs and trustee obligations involved in establishing and managing an SMSF.

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Specific comments

Proposal B1:

In order to promote certainty and consistency the warning about the lack of statutory compensation for SMSFs should be provided in a prescribed format and clients should be required to sign an acknowledgement that they have received and understood the warning.

Proposal B2:

We believe that the proposed disclosure requirements will benefit clients who are considering setting up or switching to an SMSF. A further disclosure which we believe is important in the current environment is the provision of a specific warning about the liquidity and cash flow risks associated with acquiring (especially “gearing into”) an individual property where this is the proposed investment strategy of the SMSF.

We do not think that the disclosure requirements in Table 2 should be given in a prescribed format as, particularly in regards to items 4 (time commitment and skills) and 5 (costs), this information is likely to be very different for each SMSF depending on the chosen investment strategy and the needs and abilities of the trustees/members. This being said, clients should be required to sign an acknowledgement that they understand the responsibilities and risks associated with running an SMSF.

Proposal B3:

We think that a 6 month transition period from the date of the release of the class order is reasonable. Some large advice businesses may have difficulty in changing disclosure documents and processes in this period and relief for (possibly) a further 3 to 6 months should be able to be sought on an individual and justifiable basis.

ASFA does not have any comments to make in regards to the Rice Warner cost findings. Given that the costs associated with establishing and running an SMSF will change over time (as will the trustees’ risks and responsibilities) it is important that ASIC ensures that information relating to fees, costs and risks is regularly reviewed and updated.

We trust that the information contained in this submission is of value. We would be pleased to meet with you to discuss our submission.

If you have any queries or comments regarding the contents of our submission, please contact ASFA’s Policy Adviser, David Graus, on (02) 8079 0837 or by email dgraus@superannuation.asn.au.

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Yours sincerely

A handwritten signature in blue ink, appearing to read 'Fiona Galbraith'. The signature is fluid and cursive, written over a light blue horizontal line.

Fiona Galbraith
Director, Policy