

Comment on the Recommendations of the Financial System Inquiry

31 March 2015

Senior Adviser
Financial System and Services Division
The Treasury
Langton Crescent
PARKES ACT 2600

Re Recommendation 40: Rename 'general advice' and require advisers and mortgage brokers to disclose ownership structures; and

Re Recommendation 24: Better align the interests of financial firms with those of consumers by raising industry standards, enhancing the power to ban individuals from management and ensuring remuneration structures in life insurance and stockbroking do not affect the quality of financial advice.

Dear Senior Adviser,

The financial system should not make it difficult for normal people and retail investors to find and buy independent financial advice. A main reason they do, as discussed in the Financial System Inquiry, is that most advice is conflicted.

A simple solution to control the conflicted advice and greed of many financial planners and financial advisers is to clearly distinguish between a financial planner, a financial adviser and a financial salesperson.

People understand that they go to a planner for a plan, to an adviser for advice, and to a salesperson to buy something.

Anyone who earns a commission on the sale of a financial product is a salesperson and should be called a "financial salesperson". To call them a "financial planner" or a "financial adviser" is deceptive and a lie.

This simple change of terminology is enough to alert all but the most inexperienced or naive.

Under this terminology, people would be able to go to a "financial planner" or a "financial adviser" to get a plan or advice about their finances including home ownership, insurance, superannuation, managing their savings, tax planning, windfalls, divorce, retirement, estate planning, and so on.

With or without a plan or advice, they would be able to go a "financial salesperson" if they want to buy financial or investment products such shares, managed funds, loans, insurance, superannuation, etc.

Any selling of financial products by planners or advisers should be as an additional service and only as a fully disclosed fee for service. They should not be allowed to receive any form of commission.

For something as important as people's life savings and security, it should be that simple and that honest.

Yours faithfully

Victor Bivell
Editor and Publisher
Eco Investor Magazine
www.ecoinvestor.com.au
PO Box 3102
Wareemba NSW 2046
Ph 02 9705 0578
vbivell@ecoinvestor.com.au