

1 April 2016

Division Head
Retirement Income Policy Division
The Treasury
Langton Crescent
PARKES ACT 2600

International Centre for Financial Services (ICFS) - University of Adelaide Submission on the Objective of Superannuation

ICFS agrees with the primary objective recommended by the FSI. It also agrees with the FSI's subsidiary objectives and submits that two further subsidiary objectives should be added to supplement and complement those.

1. To encourage measures designed to improve the financial literacy of superannuation fund members

Why the objective is important

Most fund members now have the advantage of investment choices but the majority fail to exercise that choice and will be allocated a "default" balanced option. This may not be reflective of their risk profiles and may not be in their longer term interests. Better education and awareness of the long term implications of investment choices could improve outcomes and provide more adequate income in retirement, hence alleviating pressure on the need for the Aged Pension.

2. To encourage measures designed to foster a strong financial advice community

Why the objective is important

A professional, technically proficient and approachable financial advice community is critical to achieve the existing subsidiary objectives. It is also likely to assist in raising the level of financial literacy of fund members. Quality advice is likely to improve investment performance and the level of retirement income, thereby reducing reliance on the Aged Pension. This objective is applicable to all forms of superannuation, including Self-Managed Superannuation Funds.

ICFS was established in 2007 to foster excellence in, and improved understanding of, the Financial Services Industry by providing research, study opportunities and industry engagement. In the area of research, ICFS has established itself as a leader in the areas of Self-Managed Superannuation Funds and Adviser/Client Relationships. ICFS's experienced academic research team is well-credentialed to expand its research output in these areas, which are so vital in enabling Australians to enjoy adequate income in retirement, reduce reliance on social security and understand the value of obtaining quality advice.

The Lifeplan ICFS Financial Advice Satisfaction Index is a tool for financial advisers wishing to improve their levels of client service. It is based on ICFS academic research which models the factors explaining a client's willingness to be an advocate for the adviser to a family member, friend or associate. The three attributes that most impact advocacy are trust in the adviser, clients' perception of portfolio performance and the technical abilities of the adviser. Half Yearly Index Updates, based on client surveys, have been released since 2008.

ICFS has always strongly believed in tightening the entry requirements for financial advisers and that universities should play a key role in this. The recent well- publicised advice industry failings give further weight to that view. Nevertheless, ICFS feels the Lifeplan ICFS Index is indicative of the majority of clients being satisfied with their adviser and that the extent to which the whole industry has been tainted is unwarranted. ICFS supports the PJC recommendations and the proposed Federal Legislation to adopt them.

Yours sincerely

A handwritten signature in black ink, appearing to read "D H White". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

David White
Director – International Centre for Financial Services