LINK Advice

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Ms M Levy
Independent Reviewer
Quality of Advice Review Secretariat
Financial System Division
The Treasury
AdviceReview@treasury.gov.au

Dear Ms Levy,

RE: Link Advice Response to Quality of Advice Review

Thank you for the opportunity to provide input into the Quality of Advice Review. Link Advice Pty Limited (**Link Advice**) is a strong advocate for the importance of help, guidance and advice, especially to Australians who may not have access to financial advice.

Link Advice is a wholly owned subsidiary of the Link Group. Link Group's Retirement and Superannuation Solutions division administers 39% of all superannuation accounts in Australia, with operations in NZ and the UK and is a global experience across different markets. We are uniquely positioned to address the scale, access & affordability barriers and play a leading role in helping more Australians access and engage with advice, in all its forms.

Supported by a diversified advice offer across licensing, telephone and digital advice, Link Advice helps thousands of 'everyday Australians' every month to build financial capability and improved outcomes through our provision of intra-fund and scaled advice services.

Through a combination of regulation, technology and cultural change, the advice sector has matured significantly over the past decade with trust being rebuilt and professionalism at an all-time high. The significance of these advances could be lost if it leaves behind Everyday Australians, many of whom have been excluded from accessing affordable financial advice. Over 50% of Australians aged between 55 – 64 have less than $500,000[i] (Annual fund-level superannuation statistics, 2020) in superannuation with approximately 80% of those being unadvised[ii] (2020 Australian Financial Advice Landscape, 2021). We need to ensure that every Australian has an opportunity to access help, guidance and advice. Increased professionalism should not result in advice becoming a service accessible only by the wealthy.

Our responses to the Quality of Advice Review have focused on how regulation can help advice become more relevant, understandable and compliant increasing access and the provision of advice to everyday Australians. Everyday Australians are those with low to middle net wealth, uncomplicated financial situations and a low interest/knowledge of financial matters who currently do not access advice because of relevance, trust or cost.

In order to make advice accessible and affordable to more Australians, Link Advice advocates the following key enhancements:

1. Simplify the current regulation to make it clearer and easier by:
    a. Removing the layering of existing legislation which has added complexity and inconsistencies, requiring additional interpretation and business cost; and
    b. Adopting a principle-based approach to regulation enabling more innovation whilst respecting the variety of advice models from simple to digital to comprehensive.

2. Make it easier for everyday Australians to access non-product related guidance (budgeting, cashflow, digital tools) by addressing the "other" advice gap that exists in the general information and guidance services by providing clear regulation including:
    a. Clear consumer centric guidelines on the provision of general information and guidance, including through tools; and
    b. Making it easier for superannuation funds to provide a broader range of advice related services to everyday Australians.

3. Expand intra-fund advice to align it with the introduction of the Retirement Income Covenant and the increased obligations of Trustees enabling more everyday Australians to obtain advice and guidance by:
    a. Including simple retirement advice under the definition of intra-fund advice to help members optimise their retirement income; and
    b. Allowing advice on the age pension to be included as part of the definition of simple retirement advice.

Link Advice believes these adjustments to the regulatory settings will provide a balanced consumer centric framework complementing the existing structure, leading to increased access and affordability of advice for the Australian population.

Link Advice welcomes further engagement with Treasury in the review of our response and the future pathway to make advice more accessible and affordable to all Australians.

Yours sincerely

Duncan McPherson
General Manager
Link Advice Pty Limited

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Quality Financial Advice

1. What are the characteristics of quality advice for providers of advice?

As a Licensee we believe the characteristics of quality advice can be broken up into three broad categories:

i. Understandability: the primary purpose of advice is to empower consumers to act to achieve their personal goals and improve their outcomes. That means the advice must be written for the consumer using simple language focused on helping them understand and act on the advice being provided.

ii. Relevance: Advice and guidance should address the needs of the consumer and their personal circumstances, acknowledging their best interest advice needs today and into the future. The introduction of adjacent concepts should be done on an 'as needs' basis to ensure the advice is not made overly complex.

iii. Compliant: quality advice must be provided by professionally qualified financial planners, must be in the best interests of the consumer, must adhere to community standards and meet legislative, legal and licensee guidance.

2. What are the characteristics of quality advice for consumers?

Link Advice believes the characteristics of quality advice for providers must align with characteristics consumers, specifically:-

i. Understandable: The advice must be written for, and understandable to the person it is intended for. In practical terms, this means keeping focused on the consumers' needs and level of literacy. Our focus is on everyday Australians, as defined above as Australians with low to middle net wealth with uncomplicated financial situations and a low interest/knowledge of financial matters. Many are currently largely excluded from obtaining advice today for various reasons.

ii. Relevant: Again, focusing on everyday Australians, quality advice should address the consumers' immediate needs enabling piece by piece advice to help increase their financial capability and confidence resulting engagement and informed decision making. It should also identify relevant future advice requirements/needs but resist the temptation to introduce unrelated concepts that could confuse the consumer, whilst at the same elevating their awareness of the importance to continually review their advice, and where necessary, re-engage.

iii. Compliant: Consumers must have the confidence that the advice they receive meets an agreed minimum standard with the appropriate disclosures and safeguards to give them confidence to act and re-engage as their needs require.

3. Have previous regulatory changes improved the quality of advice (for example the best interest's duty and the safe harbour (see section 4.2))?

Regulatory change, including both the introduction of the 2019 Code of Ethics and best interest duty, has improved the quality of advice with clear guidelines to support the monitoring of those changes. Along with structural changes relating to remuneration, conflicts, and disclosure, as well as regulation in adjacent sectors (i.e., superannuation) the environment for the provision of advice has improved for consumers, advisers, and licensees alike. However, the time is right to move to the next stage and build on the cultural and circumstantial changes that are now embedded by simplifying regulations and moving from the current rules-based approach to a principle-based approach to regulation.

4. What are the factors the Review should consider in deciding whether a measure has increased the quality of advice?

The factors the Review should consider in deciding whether a measure has increased the quality of advice and is consistent with the aims of the Review are:-

i. Do they increase the consumers' ability to understand the advice provided and if required, enable them to make behavioural changes and improve their financial capability to have a positive impact on their retirement outcomes?

ii. Do they make advice more approachable and safer for consumers that have lacked the confidence and/or knowledge to engage even though they know they'd be better off had they engaged earlier?

iii. Do they make the provision of advice easier without compromising the safety and trust required by the community, thereby reducing cost and increasing advice given to everyday Australians?

iv. Do they improve the access to insights and advice outcomes through a better use of technology?

Affordable Financial Advice

5. What is the average cost of providing comprehensive advice to a new client?

Link Advice refers consumers requiring 'comprehensive advice' to panels of Advisers who specialise in 'comprehensive advice'. Our advice is scoped between intra-fund advice and scaled (which is member paid) advice, with the focus on simple retirement. Our advice is delivered either over the telephone via pre booked advice appointment or via digital advice (for intra-fund advice only).

Simple retirement advice relates to:

- Everyday Australians;
- who have accrued between $200k and $400k in Superannuation;
- do not have complex investment, tax or advice needs; and
- are seeking support on how best to move into retirement and set up an income stream.

The majority of consumers we seek to advise will be eligible to receive the full or part age pension. The cost of receiving simple retirement advice is $990 which includes, but is not limited to:

- Retirement advice including the aged pension.
- Age Pension application case management including a digital age pension form.
- telephone support and Centrelink liaison.
- Support in setting up a retirement income stream from their superannuation savings.

The cost for Link Advice to produce this advice is approximately $550 to $750 per piece of advice.

6. What are the cost drivers of providing financial advice?

The cost drivers in providing advice are:

Human resource: The Financial Adviser

- Ongoing education & CPD
- Education costs to get Adviser up to education requirements
- Professional Year program for new entrants

Technology

- Financial planning software
- Digital tools (fact find and age pension application)
- Operating model infrastructure (call recording, appointment booking)
- Cyber security and privacy

Compliance

- Advice monitoring
- Adviser Audits
- Adviser CPD
- Advice infrastructure (SOA templates, advice workflows)

AFSL management

- Regulatory monitoring, change and implementation
- Governance (both Compliance and Approved Products)
- Financial and resource management
- Regulator costs
- Responsible Managers
- Risk management and monitoring
- Professional Indemnity Insurance

Digital Advice

- SME's with knowledge of the algorithms (both advice and technological)
- Compliance resources to monitor the advice provided
- Technology resources to maintain the business and UI logic

7. **How are these costs apportioned across meeting regulatory requirements, time spent with clients, staffing costs (including training), fixed costs (e.g. rent), professional indemnity insurance, software/technology?**

Link Advice provides a telephone advice service with all our Advisers being employees on fixed salaries. All of the costs of our business have either a direct or indirect role in our ongoing compliance. Technology is a great example, whilst 24% of our costs relate to technology, that is focused on the ongoing management of the compliant workflows, advice templates and disclosure documents. Excluding the cost of our staff and their on-costs the cost profile of our business is:

- 16% for Adviser education (including CPD, FASEA Exam and formal education to meet the new education standards)
- 30% Technology
- 54% Governance and Compliance

In addition to these costs, we're also experiencing a surge in cost to bring new Advisers into the industry. Link Advice welcomes the introduction of a Professional Year as another step in the development of the profession however, it has imposed considerable cost to the business.

The Link Advice business model has potential to be an entry point for many students looking at entering the industry. Through the provision of intra-fund advice, we can provide new entrants with access to an optimal environment to learn and develop their skills inside a structured business and compliance framework. At this stage we have not calculated the cost of bringing a new adviser into the industry, however the costs include:

- Developing and managing the framework of logbooks, supervision checklists etc to comply with the obligations of the Licensee to successfully start a candidate on the program;
- Establishing a training program to meet the minimum number of hours of 1,600 including;
    - 1,500 hours of work activities; and
    - 100 hours of structured training activities.
- Oversight and verification of the activities undertaken by the Supervisor and the AFSL to meet the required 1,600 hours and ensure the integrity of the program; and
- Lost productivity of other staff required to support the work activities of the candidate to meet their minimum hours.

The attraction and retention of new candidates to Financial Planning is a key lever in expanding access to advice. The way the PY program is currently structured and the investment we have to make to get a candidate to the point of being productive, is challenging to the point of considering whether it is viable.

8. **How much is the cost of meeting the regulatory requirements a result of what the law requires and how much is a result of the processes and requirements of an AFS licensee, superannuation trustee, platform operator or ASIC?**

As Link Advice is both the Licensee and the provider of advice these are inextricably linked. We take a very conservative approach to regulatory change and focus on understanding the law and its intent, then building the processes and training to support its introduction. Whilst we do not have exact cost data on regulatory change, we anecdotally believe the cost break up to be in the following ranges:

- 20% - 30% understanding the law, its intent and how we will apply it to our business
- 40 % - 60% building processes, developing, and running training and implementation
- 20% - 30% post go live review, monitoring and adjustment

9. Which elements of meeting the regulatory requirements contribute most to costs?

Overall, the complexity and layering of the current regulatory requirements contribute to or creates cost for our business. Furthermore, because Link Advice is focused on intra-fund, scaled and digital advice we nonetheless must interpret legislation design which has historically applied to more comprehensive face to face advice situations. The elements that contribute most to the cost of meeting regulatory requirements are:

- Interpreting and determining our stance and approach - this incorporates engaging with different stakeholders to understand their perspectives;
- Operational and process design - designing new process or adjusting existing processes;
- Managing the regulatory inconsistencies which not only contributes to cost but manifests in sub-optimal outcomes for individual, for example the cross over of Best Interest Duty and the Code of Ethics;
- Training - informing and training all required employees of the regulatory requirements. This extends from the Adviser to paraplanners, the compliance team and to all administration and support staff;
- Change Management - managing of the introduction of new processes is essential for its success; and
- Post implementation monitoring - ongoing monitoring, adjustment and training is substantial and critical in developing and maintaining a risk conscious culture.

10. Have previous reforms by Government been implemented in a cost-effective way?

We recognise that much of the regulatory change was a response to poor industry practices and was designed to lift adviser standards, improve the quality of advice, and drive out problem players. This need for change required a more prescriptive and direct implementation of a new framework. Consequently, the downstream impacts including the cost to implement, were of a lower priority. Notwithstanding the background to the regulatory change, in our opinion additional costs as opposed to cost effective efficiency gains, arose from the following factors:

Scope: Given the purpose of the regulatory change, in many cases its framework was too prescriptive leaving little room to accommodate different advice models or innovation. Reforms appear to focus on one sector of the advice market, that being self-employed small businesses licensed by large Licensees. For our business, it has been challenging to apply the rules-based approach in our provision of piece-by-piece telephone and digital advice, intra-fund and scaled advice to the superannuation industry. When applying regulatory change, there has been significant cost in interpreting and operationalising the intent of the change due to the prescriptive nature of it. This has added to our cost base but, more importantly, slowed down our innovation into new areas of advice including cashflow planning and retirement/age pension advice impacting negatively on individual outcomes.

Regulatory layering: With each change in regulation the cost to initially interpret the change and identify potential conflicts with existing legislation increased considerably, along with the complexity and risk of the advice business. An example is the Advisers Code of Ethics introduced in 2019.

The implementation of the Code of Ethics came with several complex and important conflicts of existing duties, as well as some unintended consequences, the most difficult being the conflict with the best interest duty. As a direct result of the perceived intersection of these two pieces of regulation (RG175 and the Code of Ethics) we have experienced significant confusion along with additional business complexity. This has had a negative impact on people seeking advice.

Over the past 2 years we have seen over 2,300 consumers drop out of the advice experience because their advice needs fall between intra-fund / scaled advice and comprehensive advice. The regulatory uncertainty has required Link Advice to develop a range of decision-making models with considerable ongoing training and compliance oversight to support our Advisers so they can meet their obligations under the Code of Ethics. At the same time, we've needed to manage client expectations as they find it difficult to understand why our ability to provide them with advice is restricted.

Uncertainty: As a provider of digital advice, we have also experienced additional cost due to the uncertainty surrounding digital advice. We support regulatory neutrality with technology; however, the legislation has been very broad capturing a range of issues and applying one set of standards. Without guiding principles, we have incurred time and costs determining how to apply the regulations to different forms of digital advice. Some examples in the digital area include general advice vs personal advice, narrow scope vs comprehensive and more generally the purpose of the application (direct investing vs simple advice vs calculators). The uncertainty has made the innovation and provision of digital advice tools overly complex and costly, limiting investment and take up. The outcome of this uncertainty is ultimately felt by consumers, having less access points to advice and information.

Resolving this uncertainty is important if we are going to unlock the potential of digital advice. In "ASIC Report 627 Financial Advice: What consumers really think"[iii] ASIC's Report 627 Financial Advice: concluded that 19% of the survey's participants said they were open to digital advice. Furthermore, 37% of participants who had recently thought about getting financial advice but had not gone ahead were open to digital advice. This emphasises the importance of digital advice in building consumer access and increasing financial capability.

Unintended consequences: The impacts and costs of regulation in adjacent sectors including the superannuation industry, has contributed to the additional cost of operating an advice licensee and advice business. The most recent example being the implementation of RG274 (Design and distribution obligations). The two areas impacting Link Advice are:

i. Interpretating the legislation, making decisions on how we will manage and implement a framework to support our advisers in complying with the obligations; and
ii. Working with multiple superannuation funds to understand their own interpretation and strategy to comply with RG274 and configuring our services to reflect each fund's different requirements.

11. Could financial technology (fintech) reduce the cost of providing advice?

Link Advice believes there is a significant role for fintech to play in making advice more accessible and affordable through building regulatory clarity and certainty. The opportunities include:

- The development of digital client engagement applications to streamline the consumer experience and improve adviser efficiency. An example is the development of digital fact finds, digital application forms and digital client consents. These innovations can help to reduce the cost and time taken to provide advice.
- Whilst direct cost opportunities exist, Link Advice also believes that indirect fintech opportunities exist to reduce the cost of advice by helping to increase Everyday Australians' financial capability, knowledge and confidence with some of the complex concepts related to retirement. Link Advice has been providing digital intra-fund advice to superannuation members for over 10 years and based on our experience and insight believe there is an opportunity to develop and mature this solution to help everyday Australians to 'learn by doing' and increase financial competency and understanding of more complex retirement concepts.
- The improvement of the flow of data though Consumer Data Rights will significantly improve the quality of the advice experience whilst reducing the risk to the consumer and provider.

12. Are there regulatory impediments to adopting technological solutions to assist in providing advice?

Link is a long-term participant in the digital intra-fund advice market and administers 39% of the member accounts in superannuation. Our view is there have been several regulatory impediments in adopting technology solutions to providing advice. Our focus is on digital intra-fund advice for members of superannuation funds and providing members the ability to generate personal advice relating to their choice of investment, insurance and retirement planning (contributions). With our focus on digital advice direct to the consumer we believe the impediments include:

Consumer confidence: Investment, superannuation and retirement is complex. Many Australians are overwhelmed by the experience. Digital Advice tools provide an important platform for people to engage in a "non-threatening" way. Given the current regulation and its broad "catch all" approach to digital advice, the development of simpler tools that will support everyday Australians 'learn by doing' has been hindered resulting in a less investment and lower take up.

In our experience, we have observed an increased engagement of members who utilise digital advice (and other forms of advice) with their superannuation fund through the increased access to the relevant fund's secure portal. For example, we observed a 61% increase in engagement with a superannuation funds secure member portal post receiving personal advice. When a member receives general advice or guidance there was a 49% increase in member engagement.

Industry and sector confidence: In discussions with Superannuation Funds over many years we have seen a reluctance by funds to test digital advice due to their conservative risk profiles and uncertainty on how the regulator will respond to grey areas of potential non-compliance. For example, digital advice requires the user to make decisions on how to respond to questions that drive the algorithm. If misinterpreted the advice will reflect that error and not be in the members' best interest, creating uncertainty and risk for the regulated provider. The current regulations imply that all the risk sits with the provider with rather than with consumers ensuring their responses are accurate and considered. This could be improved with greater certainty of regulatory setting including an increased consumer responsibility.

Scope: Regulated provider confidence is also impacted by a concern that digital advice will always be treated the same as comprehensive advice. Importantly, digital advice relies on the consumer understanding and interpretation of the questions, along with applying some simple financial concepts. An example relevant to Link Advice is the value of a member's 'non-financial assets' for the purpose of assessing Centrelink's Asset Test. Whilst this is a relatively straightforward assessment, without explanation it is not unreasonable for a user to input 'replacement value' in preference to 'market value', which in turn impacts the advice recommendations. The consumer experience and design should reflect the varying levels of financial capability. For example, the mass customisation accordingly to cohorts of consumers.
Innovation: Whilst inroads have been made by the regulator in working more closely with the fintech community, much of that support has been directed towards new entrants, leaving existing innovators to test and learn without a sandbox contributing to lower confidence and in turn investment.

Accessible Financial Advice

13. How should we measure demand for financial advice?

To measure the demand for advice, we must first define what we're measuring to determine an agreed definition for demand.
What are we measuring? Much of the existing research into advice demand seems to be measuring one form of advice, 'comprehensive advice' leaving other forms of advice, support and guidance unmeasured. To gain a better understanding on the advice needs of everyday Australians we believe we need to measure all forms of advice. An example is 'piece by piece' advice. Identified by ASIC as being what every day Australians are seeking, there is limited evidence of this being included in the measurement of the demand of advice. Some work has been undertaken to better understand the volume of advice provided by superannuation funds through the House of Representatives Standing Economic Committees, however, that data appeared to be used for a single purpose.

What is the definition of demand and is it the right measure? We believe this needs to be clearer if it's going to be measured. Many everyday Australians aren't actively seeking advice and quite often enter an advice experience through an adjacent interaction. In our experience, a well-trained contact centre consultant can help a member of a superannuation fund uncover the underlying issue and if appropriate, refer them to an advice professional. In many cases the member’s need is quite different from their original reason for calling. For example, some members will call a contact centre to ask for a balance of their superannuation when in fact they're looking at retiring and rolling their money into a bank account. In the past 12 months, our Financial Planners have provided retirement options guidance to approximately 4,200 members (81% of those members were over the age of 59). Approximately 27% of those members who have received retirement guidance (non-product specific) and were of an age to access super have then proceeded to move into an Account Based Pension unassisted. These people would ordinarily not be captured in the measurement of advice demand but do engage and benefit from it.

We believe advice could be reported in two ways:

i. Potential demand: defined as people who benefit from advice (in all its forms and access points) if they were to engage.
ii. Actual demand: defined as people who engage with advice in all its forms.

14. In what circumstances do people need financial advice but might not be seeking it?

As a provider of advice services to superannuation funds we provide guidance and advice to many everyday Australian's that would otherwise not engage. The reason they may not engage range from not knowing where to seek advice, perception that their circumstances didn't warrant advice, level of financial capability or they have simply never thought about it. In providing advice services we see two main cohorts, the younger cohort with simple advice needs and the pre-retirement cohort with less complex financial circumstances and don't understand the value of advice.

Younger members: Digital advice is used predominately by consumers aged between 25 to 44 with a superannuation balance of between $1,000 and $200,000 (63% of all users) as illustrated in the 'heatmap' below. Most of these members are seeking advice around their investment choice plus generally one other topic, either contributions or insurance. Providing access to advice is critically important for this cohort in building knowledge and confidence in superannuation. Importantly, it also helps them to start making active decisions on their superannuation around where it is invested, what types of contributions they can/should make and determining their insurance their needs.

Digital Advice Headmap (Personal Advice)

	Balance bands							
Age bands	0-1k	1-24k	25-49k	50-99k	100-199k	200-499k	500-999k	1m+
0-24	1.52%	5.26%	0.35%	0.01%	0.00%	0.00%	0.00%	0.00%
25-34	2.76%	9.15%	9.25%	7.35%	1.79%	0.10%	0.00%	0.00%
35-44	3.06%	3.53%	3.47%	8.19%	8.06%	2.31%	0.05%	0.00%
45-49	1.32%	0.95%	0.81%	1.98%	3.20%	2.27%	0.11%	0.01%
50-54	1.34%	0.76%	0.69%	1.65%	2.81%	2.71%	0.33%	0.03%
55-59	1.45%	0.69%	0.73%	1.49%	2.86%	3.34%	1.12%	0.15%
60-64	0.04%	0.05%	0.02%	0.16%	0.22%	0.39%	0.06%	0.00%
65-69	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.01%	0.00%

Whilst we have not conducted extensive research into whether these people would seek advice otherwise, it appears many of these consumers are new members to the superannuation fund with advice provided to them as part of the joining process. With member investment choice being the most popular advice topic, members are taking advantage of a simple advice service that helps them understand more about their options at the same time as building financial capability confidence with their superannuation provider. We have a strong conviction that the act of making an active choice around how to invest superannuation early is an important pillar in the retirement strategy of all Australians. In measuring user activities pre and post seeking advice we have observed the following trends:

- A spike in superannuation roll ins in the 14 days prior to obtaining advice.
- Following the provision of advice, we continue to see more roll ins into members' superannuation, the spike occurs in the period between 31 and 90 days after the advice interaction. It is important to note that Link Advice's digital advice does not provide superannuation consolidation advice. Members are making these decisions themselves.
- In the 14 days immediately following engagement with digital advice we observe a spike in members switching of investments.
- We also observe a growing engagement with their superannuation funds "Member Portal" post seeking advice.

Pre retirees: Through our telephone advice service, the second cohort of members we observe seeking advice are aged between 50 and 69 with balances between $50,000 and $500,000. In our experience many of these members have not considered advice as a viable alternative. The advice they are seeking ranges from guidance (retirement income options, superannuation health check etc) through to simple personal advice.

Telephone Advice Heatmap (Personal Advice)

	Balance bands							
Age bands	0-1k	1-24k	25-49k	50-99k	100-199k	200-499k	500-999k	1m+
0-24	0.26%	0.89%	0.09%	0.08%	0.04%	0.03%	0.01%	0.00%
25-34	0.47%	2.60%	2.39%	2.49%	0.79%	0.07%	0.00%	0.00%
35-44	0.48%	1.84%	1.95%	3.91%	4.40%	1.97%	0.05%	0.00%
45-49	0.24%	0.77%	0.56%	1.38%	2.25%	2.34%	0.28%	0.01%
50-54	0.31%	0.67%	0.53%	1.38%	2.51%	3.21%	0.69%	0.06%
55-59	0.47%	0.90%	0.64%	1.77%	3.61%	5.92%	2.29%	0.33%
60-64	0.66%	0.91%	0.77%	1.88%	4.14%	7.33%	3.48%	0.85%
65-69	0.48%	0.69%	0.69%	1.63%	3.29%	4.98%	2.24%	0.51%
70-74	0.25%	0.26%	0.24%	0.54%	1.09%	1.93%	0.80%	0.29%
75-84	0.10%	0.08%	0.07%	0.25%	0.39%	0.71%	0.36%	0.11%
85+	0.01%	0.00%	0.01%	0.02%	0.01%	0.03%	0.00%	0.00%

Consistent with our observations with digital advice, the active decisions a member makes around the advice experience provides an insight into the importance of making advice more accessible to people and the benefits it creates. Our observations are very consistent with digital advice and include:

- A spike in superannuation roll ins in the period between 31 and 90 days prior to seeking advice.
- Whilst members continue to roll in other superannuation into their fund, we observe a spike again in the 31 - 90 days after the advice experience and beyond (like digital advice, Link Advice doesn't provide consolidation advice, although we can provide guidance on how to approach the consolidation of superannuation funds);
- The switching behaviours is slightly different than with digital advice with the activity increasing after 31 days of an advice interaction.
- Members engagement with the fund "Member portal" consistently increases post the advice interaction potentially acting as an indicator of engagement.
- Importantly, we see a spike in members rolling into a retirement income stream with their fund, with a spike between 31 and 90 days post the advice interaction. Many of these members have simply sought guidance around their retirement options, built up their financial capability or simply verified their own understanding and made the move into retirement themselves.

When Link Advice identifies someone with broader advice needs, we actively refer them on to comprehensive advice. Concerningly, approximately a third of those members decline the referral and drop out of the advice experience. Details of our experience are introduced in our response to question 10 and built on in question 15.

15. What are the barriers to people who need or want financial advice accessing it?

We believe there are two major obstacles to people seeking advice. Firstly, perceived relevance and secondly, the cost versus benefit. As an advice service provider to the superannuation sector, many of our interactions are with consumers who are less likely to engage with traditional advice channels.

In our experience many everyday Australians do not have complex financial circumstances and also have low levels of financial capability. The household financials revolve around an income, a home and mortgage, some other modest assets, and their superannuation. We start to see a growing curiosity and interest in retirement from people once they turn 50, however, that doesn't appear to translate into a motivated search for advice. In fact, many call their superannuation fund on a "fact finding mission" to understand more about what they have and their options. This is for many, their first foray into advice, this is important because when consumers engage earlier with advice, it has significant impact on their financial outcomes. From our discussions with members, the key barriers are anecdotal and include:

- Not on their radar: many people have never even thought about getting advice.
- Relevance: given their personal circumstances, many do not think their circumstances warrant an advice discussion.
- Do not understand the benefits of engaging with advice
- Don't understanding their options on where they can engage.
- Who to trust: how do they find someone they can trust?

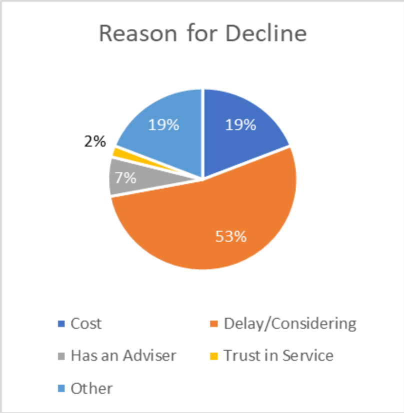
In our experience this is the importance of advice provided by superannuation funds. From a sample of over 5.5m calls (annualised) to a sample of Link administered Contact Centres, approximately 766k (13%) of those calls are advice related (income stream, contributions, investments etc). Everyday Australian's are calling and connecting with their superannuation fund to ask simple questions to understand more about their retirement savings, this is the single biggest opportunity. We must help people start an advice journey that, for some, will grow and expand into more comprehensive forms of advice whereas others will lightly engage and reap some of the rewards.

The second barrier is cost. We encounter thousands of everyday Australians who require slightly broader advice than our scaled advice model can offer. In those instances, we position and actively make referrals to Advisers who can offer a broad range of advice services (in many cases we will go so far as book it into an Adviser diary). In positioning that referral, Link Advice outlines the reasons why it's in the consumer's best interest, the benefits of seeking comprehensive advice and the framework of costs.

Over the past 2 years Link Advice has actively referred 6,513 people to comprehensive advice. Concerningly, approximately 36% of these members simply decline the offer and drop out of the advice experience. The reasons for not proceeding (see chart below) range from not being ready or considering their options (53%) followed by cost (19%). Over 41% of people who declined the referral were aged between 55 and 69, the average member is aged 62 with a balance of approximately $420,000.

Of the people that accept the referral, approximately 40% do not proceed with their appointment and also drop out of the advice experience. Unfortunately, we do not have specific reasons for their subsequent cancellation, however, anecdotally we believe it is a combination of not being ready or wanting to talk to an adviser and cost. The cost for comprehensive advice can be prohibitive for everyday Australians with lower balances in superannuation.

In total, that means approximately 61% or just over 4,000 of the 6,513 consumers we have actively positioned and referred to comprehensive advice and have declined and dropped out of the advice experience.



16. How could advice be more accessible?

In our view there are three steps in tackling accessibility.

- Improve the financial confidence of everyday Australians by improving their general awareness and financial capability.
- Have multiple entry points and layers of advice services to cater to preferences and needs.
- Make it more relevant to a broader audience.

Improve the financial confidence of everyday Australians

Financial confidence can be lifted by improving people awareness and financial capability. Financial awareness appears to one of the main barriers stopping people accessing advice. Whilst improving 'financial literacy' is the aspirational goal, that may not be the achievable. In fact, research suggests people can be intimidated by financial matters. When coupled with Australia's relatively low numeracy skills, financial literacy may the wrong measure of success. In effect, this is the second advice gap, the gap between Financial Councillors and personal advice. To improve people's confidence, we need to:

- improve access to digital services like budgeting tools, simple calculators, and simple digital advice by removing regulatory complexity;
- broaden the general information services key financial intermediators (superannuation funds and other financial institutions) can provide by providing better guidance on acceptable services, how they can be funded and enabling a broader range of topics to be covered; and
- make it clearer for consumers on the range of services and benefits (including advice) available to them to help them take more control of the personal financial journey.

Broaden the entry points

By broadening the entry points to an advice experience we believe this will help reduce barriers and improve engagement. Recognising that all forms of advice are not the same, making it easier for participants in the personal advice financial system to provide simple advice services at a level that is commensurate with their constituents need. The pathway to an advice journey today is relatively narrow and typically via a personal referral, a google search or a superannuation fund. Making it easier for sectors like employers, superannuation funds, accountants, insurers and for mediums like digital, will help to introduce more people to simple advice services.

By broadening the simple advice end of the advice journey, more consumers will experience an advice interaction and appreciate its value with the aim of setting up a lifelong journey accessing all forms of advice as their needs arise.

Make it more relevant and relatable
The third step is to make advice more relevant and relatable. In our opinion, this requires reducing the complexity by simplifying the way we communicate, matching advice offerings to the needs of everyday Australians and providing more insights into the wealth journey.

- Simplifying the language and documentation used to communicate. Wealth, retirement savings and retirement are made more complex by the language we use, simplifying that will go a long way to removing barriers for people who would otherwise not seek advice. At the same time, the documentation used to support advice needs to be simplified. Simplifying advice documents doesn't mean lower quality, but rather it should be commensurate to the complexity of the advice. Today advice documentation is the same regardless of complexity. This in turn contributes to people’s anxiety and reluctance to engage.
- In our experience, many of the everyday Australians who are not currently engaging with financial advice have relatively simple advice needs. Advice needs to be more relevant to their needs, this requires more piece by piece advice focused on addressing the real needs to everyday Australians. Starting with core financial skills like budgeting and cashflow management, progressing to simple retirement advice including investment choice and simple retirement (including the Age Pension) through to comprehensive advice.

The outcome will support the confidence and financial capability of everyday Australians, leading to:

- more people engaging,
- innovation,
- the scaling of advice services to meet the growing importance and demand, and
- better financial outcomes.

17. Are there circumstances in which advice or certain types of advice could be provided other than by a financial adviser and, if so, what?

As introduced in question 14, a second advice gap exists for everyday Australians. This lies between the services provided Financial Councillors and what can be provided by personal advice. For many Australians easy access to guidance and support in times of need ranging from financial distress through to making their first major purchase (e.g., their first home) is essential. These circumstances don't necessarily need to be guided by a financial adviser; however, we should not make it difficult for a financial adviser to provide it. In preference to regulating the provision of fundamental financial guidance, we need to make it easier to provide without compromising safety.

Fundamental financial concepts
Learning how to manage a household budget, understanding simple investment decisions and the mechanics of saving are fundamental building blocks for everyday Australians, however access is difficult. The best example is budgeting. Today Australians who run into financial difficulty can reach out to Financial Councillors, this is a tremendous service which provides great support to those in need, however, for people just seeking financial coaching on how to save for their first home, manage a household budget or make simple investments, there is a gap in the market. Digital applications and early education can play a significant role in this sector; however, we believe there is an opportunity to support digital delivery with a hybrid model where users can also engage with someone who has the requisite skills to provide guidance and coaching. For everyday Australians, these needs a relatively simple and could be serviced by someone other than a Financial Adviser.

These services include:

- Budgeting
- Cashflow planning - managing your mortgage, expenses.
- Retirement options.
- Financial education.

By broadening the range of providers, financial support will reach more people with positive outcomes.

Specialist Services
At the other end of the complexity scale, there are a range of services that can be serviced by specialist professionals. Enabling these professionals to provide more specialist advice would benefit the user and expand the overall financial capability of Australians. Examples include:

- Aspects of Self-Managed Superannuation Funds.
- Estate Planning.
- High end investment planning.

18. Could financial advisers and consumers benefit from advisers using fintech solutions to assist with compliance and the preparation of advice?

As it matures, fintech has an important role in the preparation and ongoing compliance of advice, with regulatory certainty it can help two ways.

i. Improving the efficiency of advice preparation through services like digital fact finds, budgeting tools and integrated financial planning software. The implementation of Consumer Data Right will also make a significant impact on the innovation of fintech solutions. If fintech can help improve the quality and efficiency of data collection it will reduce the time and cost of advice allowing advisers to focus more on the consumer their goals and needs.
ii. Regtech has a growing role to play in the oversight of advice. Compliance remains one of the biggest costs and most labour-intensive aspects of advice. If Regtech can remove some of repetitive checks of advice documentation it will allow compliance staff to focus on the material aspect of advice around improving the quality and understandability of the advice being provided. This will become even more important in a principle based regulatory environment.

In addition to the preparation and compliance of advice, fintech has an emerging and important role in helping to make advice documents easier to read and understand. In the future, the introduction of innovative solutions like interactive Statements of Advice will help improve consumer understanding and engagement.

The flow of benefit to consumers will be reflected in:

- lower cost of advice through more efficient data gathering;
- faster advice processes keeping the momentum of the consumers interest;
- greater reliability on the documented advice; and
- a better understanding of the advice being provided.

19. What is preventing new entrants into the industry with innovative, digital-first business models?

In our experience, the main challenge for new entrants to the industry largely revolves around legislative compliance risk. Innovation, by its nature, requires freedom to explore and market test (within limits) modifications to existing offerings or to bring completely new offerings (inventions) to market. The current legislative environment is a complex combination of compliance and legal obligations, many of which can be confusing or in direct conflict with each other. Existing market participants can be confused or unsure about ways in which they can innovate without taking on unacceptable, or even unknown, risks. Completely new entrants are aware of this and therefore add a significant premium to the risk-reward equation before deploying capital and resources on digital-first solutions. In short, the existing legislative environment makes it difficult to innovate confidently and safely.

Regulatory Framework

20. Is there a practical difference between financial advice and financial product advice and should they be treated in the same way by the regulatory framework?

Fundamentally, both forms of advice (financial advice and financial product advice) should meet the same community standards relating to best interest, conflicts of interest and ethics but not necessarily the same regulatory framework. Although all product advice should be regulated. Care needs to be taken not to restrict the access to support and guidance. For example, financial Counsellors need to be able to provide support to consumers but shouldn't necessarily have to comply with the same regulation of as financial advisers.

As introduced in our response to question 17, a second advice gap exists between financial counselling and personal advice and must be carefully considered. The unintended consequences of applying the same regulatory framework across financial advice and financial product advice could result in consumers, when in the greatest need or in their formative years, being unable to access support and guidance.

We advocate a framework that requires providers to act in the consumers' best interest, the disclosure of any potential conflict of interest and meet a minimum ethical standard. Consumers should also have access to remediation if they are disadvantaged by poor support, guidance, and advice. The standard of accountability should be commensurate with the type of advice, that is, simple financial advice would have a different standard due to its general nature whereas complex matters would hold to a higher standard ensuring consumers have the same access to quality support, guidance, advice, and remediation if they were to suffer financial loss.

21. Are there any impediments to a financial adviser providing financial advice more broadly, e.g. about budgeting, home ownership or Centrelink pensions? If so, what?

The regulatory impediments to a Financial Adviser providing financial advice arise from interpretation differences. This difference of opinion can create significant confusion, limit innovation and ultimately imped the provision of support, guidance, and advice.

Link Advice has experienced this challenge in the early stages of COVID. To address the growing financial uncertainty caused by the outbreak of COVID in early 2020, Link Advice designed a "Financial Coaching" service. This service was designed to provide consumers with guidance on how to manage the impact of COVID including:

- Budgeting and cashflow management - how to manage a household budget if someone had lost their job or had been furloughed.
- Bill prioritisation - including, in some cases, seeing which services clients may be able to forego (do you need Netflix, Stan and Binge?), as well as how to talk to their bank or private health insurer to have payments frozen.
- Overview of State and federal government assistance payments: a summary of the various assistance packages available to consumers in their state.
- Early release of super - a factual discussion around the announcement by the government on allowing access to superannuation for people in hardship.
- Community support - sadly many consumers also raised issues of mental health, domestic violence.

Whilst the service did not discuss any financial products and was technically not classified as either general or personal advice, we took a conservative approach and structured the service with general advice disclaimers and disclosures. This decision was made to give comfort to the consumer that the service was complying with an industry standard and to protect Link Advice and our advisers by ensuring there was a clear set of guidelines and disclosures. Whilst the service was resourced with qualified financial planners, if a consumer required personal advice, they were referred to a Financial Planner for financial product advice.

The challenge we faced in getting this to market was two-fold:

- Uncertainty whether a superannuation fund could fund the service under the sole purpose test. When discussing the service with various Super Funds, they agreed it would have been beneficial to their membership especially for funds with high levels of membership in hospitality and retail sectors. They were reluctant to offer the service as they were unsure if it could be paid for under the sole purpose test and charged to the broader membership or if it could be provided by the fund at all. Unfortunately, no superannuation funds took the service up.
- Confusion on the application of the Corporations Act. Whilst there was no financial product advice a client's legal team were very uncertain on how to apply the regulation. In the end the client, a mid-tier bank, did take up the service for a limited segment of their client base, however, because of the confusion on how to define the service the contract took over 4 months to finalise. Due to the time delay some of the initial anxiety and need had subsided and we missed the opportunity to provide meaningful support to people in need.

Centrelink

There is uncertainty as to the extent these types of financial advice can be made via a super fund's advice service. As an example, Simple Retirement Advice under the intra-fund regulations does not consider the member's entitlement to the Age Pension. This is a relatively straightforward calculation that can be made with additional information about the members non-super assets and spouse details. Providing a member with an approximation of their age pension entitlement would improve the quality of intra-fund advice substantially without adding cost or complexity. Unfortunately, funds are reluctant to cover off this key area because of uncertainty around the intra-fund rules. The Retirement Income Review estimated that as at June 2019, around 71 per cent of people aged 65 and over received Age Pension or other pension payments making this a prominent issue for Super Funds looking to service their members in retirement.

We feel consumers would value guidance from their super funds in these areas particularly in regard to the Centrelink Age Pension. Given the longevity in a superannuation fund, consumers build their trust and have a natural expectation of being supported into retirement. Our survey of 900 pre and post retirees found that 72% of pre-retirees would value support from their super fund for age pension application assistance and setting up a retirement income stream. When asked about the type of guidance they would like to receive they indicated they would like a mix of information covering areas like super and investments (17%), the age pension and Centrelink (52%) as well information relevant to their specific circumstances (57%). They also indicated they would like to receive the guidance from a range of sources including Digital (16%), Telephone (6%), Face to Face (32%) and a combination of phone and digital (37%). We found this interesting that consumers would like to turn to their fund for this guidance and want it across varying formats and delivery channels. Providing clarity to super funds would aid them in providing this assistance to their member's.

22. What types of financial advice should be regulated and to what extent?

All regulated Financial Advice should have an overarching framework covering best interest, ethics, training and competency requirements, access to external dispute resolution services and remediation if required.

We do, however, advocate some variation in the levels of regulation to reflect the complexity of the advice. The types of advice that we are advocating recognition for are:

General Information (budgeting, simple financial concepts, saving for a first home)
Regulation needs to provide greater clarity with respect to the provision of general information to make it easier for consumers to access. We see this area as the other advice gap and work needs to be done to make this easier, whilst not compromising consumer protection. To be effective this needs to be able to be provided at a very low to no price point. Regulation will have a large part to play in meeting this objective. The overall benefit of being able to provide consumers with access to more general information and advice is significant.

Digital Advice in our opinion, there are two aspects to regulation of digital advice.

Advice: the regulation of advice is and should remain technology agnostic requiring digital advice to comply with the same advice requirements as other forms of advice. There are two possible exceptions.

i. Regulation should reflect the complexity of advice, meaning the requirements around general advice should be commensurate, similarly for intra-fund and comprehensive advice.
ii. Consumers should have greater responsibility for interpreting the questions and responding appropriately. Technology providers and licensees should ensure that their digital service is written for the audience using language consistent with the proposed user, however, if the consumer is careless or inputs the incorrect response, they should understand the consequences of that error. Currently, there is a concern that consumers take no personal responsibility for the answering the questions properly and the risk lies solely with the Licensee.

Algorithm: the regulation that governs the oversight of the algorithm doesn't differentiate between different forms of advice and their complexity. Acknowledging the importance of ensuring the algorithm is correct, a one size fits all approach does increase the complexity for providers.

Personal Advice (non-digital)

Covering all aspects of personal advice (intra-fund, scaled and comprehensive) we believe regulation should reflect the complexity of advice: whilst advocating for consistent fundamentals around education, compliance, and ethical obligations, there is room to recognise the range of complexity and depth of the engagement.

While we support a variation in levels of regulation to reflect the complexity of advice for an adviser and advice channels, we also support a core principle that consumers should take some responsibility for their choices and decisions. This is similar to the approach in UK and the Financial Conduct Authority (FCA). The FCA CEO, Nikhil Rathi, is quoted as saying through their business plan "A core principle in the legislation underpinning the FCA is that consumers should take responsibility for their choices and decisions." (Rathi, 2021).

23. Should there be different categories of financial advice and financial product advice and if so for what purpose?

We believe there should be different categories that recognise the variations in advice complexity and adviser oversight. We are advocating General Information and Personal Advice with sub-categories capturing complexity superannuation, limited and comprehensive) and medium (i.e. digital, human).

Categories are important for the following reasons:

i. Allow regulators to differentiate and have variations in regulation between different forms of advice.
ii. To ensure the advice community has a common language.
iii. Allows businesses to specialise their services and provide a better service to the cohort of consumers they serve.
iv. Improves the education and engagement of consumers by providing clearly defined categories of advice.

Having clear labels could also help in making it clearer for customers to understand the type of advice they are receiving and the limitation that each one has, including additional steps they may need to take to achieve their desired advice outcome.

24. How should the different categories of advice be labelled?

We advocate the following labels.

- General Information
- Personal Advice with sub-categories of:
    - Superannuation;
    - Limited Advice; and
    - Comprehensive Advice

25. Should advice provided to groups of consumers who share some common circumstances or characteristics of the cohort (such as targeted advertising) be regulated differently from advice provided only to an individual?

We believe there is an opportunity to improve the financial awareness and capability of the community by allowing the mass customisation of some forms of advice and applying a slightly different regulatory environment. The most appropriate category for this concession relates to general information.

General information is a useful format to provide information to a larger group of people including one to many situations like online webinars and consumer seminars. These types of forums help to educate and elevate the awareness of the importance of getting the right form of advice at the right time.

In advocating for different regulation for this type of service, we believe the core fundamentals of the advice industry must still apply, this includes Code of Ethics, Best Interest Duty, training and competence and Conflict of Interest.

26. How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?

Financial coaches or influencers have an ability to impact a consumer's wellbeing both positively and negatively. The absence of a framework to ensure they act in the best interest of the consumer could potentially result in conduct that is not up to community standard.

We believe there are three broad categories in this field.

- Community Based providers who are supporting essential services like Financial Information Service Officers and Financial Counsellors;
- Financial coaches and commentators that provide a source of information and opinion to a broad market; and
- Emerging new providers who have recently entered the marketplace such as influencers.

All of these providers are important in serving the community by increasing the level of financial education, capability and engagement. There should be a level of oversight that allows them to continue to innovate and engage with the public in a way that requires some level of accountability. Their audience should also be clearly informed of any potential conflicts and that information provided is subject to individual decision making.

Over regulation of a category such as influencers could stifle innovation and new models of advice that reflect community trends. The industry and regulators can learn from the pathway digital advice has worn and how regulation has contributed, in part, to slower uptake. It should be recognised that this service can help community development of financial capability.

27. How does applying and considering the distinction between general and personal advice add to the cost of providing advice?

As part of Link Advice's services, we also support the superannuation industry through the provision of General Advice inside contact centres. A recent survey we conducted of over 900 pre-retirees and retirees showed that 71% of respondents wanted general information on their super or the age pension. To meet this demand coupled with the regulatory uncertainty, there is considerable cost associated with the establishment of safe frameworks, ongoing oversight and management of General Advice.

From our recent experience of working with a superannuation fund to implement a general advice service the cost be broken into 3 broad categories, systems and processes, training and education and oversight and compliance.

Systems and Processes

The implementation of systems and processes to support the provision of compliant advice and to provide a safe environment for both the general advice consultant and the consumer. These systems and processes include:

- Call recordings
- Relevant documentation and disclosures
- Technology to support collection of file notes and reporting
- Onboarding and training frameworks
- Development of call scripting

Training and education

Whilst the education level for general advice is not as high as for an Adviser, it is important to ensure that the employees have the requisite skills to provide general advice. The training and education we undertook included:

- Understanding, identifying, and testing the consultants on the differences between Factual Information, General Advice and Personal Advice.
- Training on specific topics including Investments, Contributions, Insurance, Super Fund Consolidation, Retirement Options, Transition to Retirement, Downsizer, Super and Estate Planning and Retirement Health Check. Each topic has its own training module which was delivered in person with a skilled trainer.
- Knowledge assessment of each advice topic after the training with each consultant required to complete a knowledge test and role play.
- Upon successful completion of the training, testing and role plays the consultants were placed on pre-vet and must satisfactorily complete two calls on each topic before being considered accredited.

Oversight and compliance

Supporting the consultants with ongoing training and compliance. The management of the service includes ensuring that the consultants are providing general advice with the appropriate disclosures, and identifying when personal advice is required to position and make the appropriate referrals. Our compliance team:

- Listens to a sample of calls to ensure the appropriate disclosures are made.
- Ensures that consumers are referred to personal advice as required.
- Ensures that consultants follow the call framework / script.
- Confirms that all calls are logged properly into the registry system.

The cost to manage this service is considerable but we believe this is an important service. The investment of time and resources into the service has been considerable. Many funds have preferred to avoid providing General Advice because of the perceived risk and onerous compliance requirements. We feel this is to the detriment of consumers. There is a place for General Advice in guiding members to an appropriate solution.

Intra-Fund Advice

28. Should the scope of intra-fund advice be expanded? If so, in what way?

Link Advice is specialist provider of intra-fund advice and believe that there is room to expand the scope of intra-fund advice.

With the introduction of the Retirement Income Covenant the Trustee obligations extend beyond the accumulation phase into retirement. We believe there is a logical expansion of intra-fund advice to reflect the Trustees new obligations. Supporting consumers with the expansion of intra-fund into the retirement phase, we would also advocate for the inclusion of the Age Pension in the definition of intra-fund advice.

The benefits of expanding the definition of intra-fund advice into retirement include:

- Provide greater clarity to trustees. The current regulations are confusing about how far intra-fund advice can go and whether it includes starting an income stream. We have found super fund trustees have differing views and some are reluctant to offer intra-fund for certain topics or at all. Providing further clarity about the types and scope of intra-fund could result in more advice and more confidence for trustees to offer it.
- Consumer feedback indicates that consumers want more help from their superannuation funds when it comes to retirement. We recently conducted a survey of 900 pre and post retirees between the ages of 66 and 75, with 71% stating they would like help from their super fund with retirement and the age pension. Providing this type of advice at a relatively low cost will help the everyday Australian to retire with confidence.

In our experience the inability to provide intra-fund advice to members of superannuation at retirement has resulted in many people dropping out of the advice experience. Over the past 2 years Link Advice have actively positioned a referred 6,513 people to comprehensive advice. Concerningly, 36% of these members simply decline the offer and drop out of the advice experience. The reasons given for not proceeding are that they're not ready or considering their options (53%) followed by cost (19%). Furthermore, of the people that accept the referral, approximately 40% of them cancel their appointment with a comprehensive adviser.

In addition to the above, it would be helpful to provide Trustees with more guidance around what constitutes intra-fund advice. The difficulty is that trustees get caught up in what intra-fund advice means, however, at its simplest, it is a scaled advice service restricted to the members' interest in their superannuation fund with the costs covered by their fund.

By expanding the definition of intra-fund advice to include simple retirement and age pension advice we estimate the potential demand for advice from members of industry superannuation funds would increase by 45% to an additional 496,000 Australians. This is a significant broadening of the value and access of advice to include everyday Australian's who have accumulated between $100,000 and $500,000 at the time of retirement.

29. Should superannuation trustees be encouraged or required to provide intra-fund advice to members?

We believe that improving the financial awareness and ~~understanding~~ capability of consumers around their superannuation savings can make a material difference to people's lives and the community at large. For this reason, we believe that superannuation trustees should be encouraged to provide intra-fund advice to members.

Given the longevity and increasing role superannuation is playing in the retirement outcomes of everyday Australians, in many cases it is the most valuable asset outside the family home, the provision of quality advice specific to superannuation is imperative. A recent project completed by a consultancy firm reviewing the calls of a collective of super funds found that of the 5,889,977 annualised calls, there were 766,025 that had a potential advice need. This translates to 13% of the total calls having a potential advice need.

Benefits of encouraging trustees to provide intra-fund advice includes:

- Making advice available to people currently excluded from the broader advice services because of complexity, need or perception.
- More engagement from consumers in the management of their retirement savings.
- Lifting the financial capabilities of consumers to enable them to make more informed decisions now and into the future.
- Creating an awareness of the advice pathway available to consumers as their needs evolve.

If more trustees provided intra-fund advice as an early nudge to consumers becoming more engaged in their retirement savings, this would have a positive impact on the retirement system including higher balances, better usage of the benefits of the environment and more people seeking comprehensive advice in the future.

30. Are any other changes to the regulatory framework necessary to assist superannuation trustees to provide intra-fund advice or to more actively engage with their members particularly in relation to retirement issues?

Since the introduction of the Code of Ethics, the challenges of interpreting and applying Standard 6 of the code of ethics have become evident.

This standard requires the Financial Adviser to 'actively consider the client's broader, long-term interests and likely circumstances' which has made it difficult to interpret and execute when providing intra-fund Advice. In many cases Financial Advisers have been reluctant to provide intra-fund on Investment Choice where the client has an unrelated need like cashflow and debt management. In these cases, we have recommended the client seek comprehensive advice. Unfortunately, these members may have some needs that extend slightly beyond intra-fund but relatively low balances and will be unwilling to pay an advice fee. This is particularly prevalent with consumers approaching retirement.

As a result, a large portion of these members decline the offer to comprehensive or cancel their appointment. We have found an increasing number of members 'slipping through the cracks' where we are unable to provide simple intra-fund advice and the member is unwilling to pay for comprehensive advice. This issue affects members of all account balances and age groups but predominately people with less than $400,000 in retirement savings.

31. To what extent does the provision of intra-fund advice affect competition in the financial advice market?

Intra-fund advice complements the broader advice market by providing a service to people who would otherwise not engage with advice. If done properly, many of the consumers who receive intra-fund advice will potentially engage with broader advice services in the future. In our experience, the average age and balance of a person receiving telephone intra-fund advice is 54 with a balance of $211,000. This contrasts with members we refer to comprehensive advice, their average age is 61 with a balance of $397,000. The heatmap below shows the uses of our telephone advice service with the majority of users having balances under $500,000.

Telephone Advice Heatmap (Personal Advice)

	Balance bands							
Age bands	0-1k	1-24k	25-49k	50-99k	100-199k	200-499k	500-999k	1m+
0-24	0.26%	0.89%	0.09%	0.08%	0.04%	0.03%	0.01%	0.00%
25-34	0.47%	2.60%	2.39%	2.49%	0.79%	0.07%	0.00%	0.00%
35-44	0.48%	1.84%	1.95%	3.91%	4.40%	1.97%	0.05%	0.00%
45-49	0.24%	0.77%	0.56%	1.38%	2.25%	2.34%	0.28%	0.01%
50-54	0.31%	0.67%	0.53%	1.38%	2.51%	3.21%	0.69%	0.06%
55-59	0.47%	0.90%	0.64%	1.77%	3.61%	5.92%	2.29%	0.33%
60-64	0.66%	0.91%	0.77%	1.88%	4.14%	7.33%	3.48%	0.85%
65-69	0.48%	0.69%	0.69%	1.63%	3.29%	4.98%	2.24%	0.51%
70-74	0.25%	0.26%	0.24%	0.54%	1.09%	1.93%	0.80%	0.29%
75-84	0.10%	0.08%	0.07%	0.25%	0.39%	0.71%	0.36%	0.11%
85+	0.01%	0.00%	0.01%	0.02%	0.01%	0.03%	0.00%	0.00%

Users of digital intra-fund advice are different again, with an average age of 39 and an average balance of $107,000. The heatmap below illustrates the younger profile of the users of digital advice.

Digital Advice Headmap (Personal Advice)

	Balance bands							
Age bands	0-1k	1-24k	25-49k	50-99k	100-199k	200-499k	500-999k	1m+
0-24	1.52%	5.26%	0.35%	0.01%	0.00%	0.00%	0.00%	0.00%
25-34	2.76%	9.15%	9.25%	7.35%	1.79%	0.10%	0.00%	0.00%
35-44	3.06%	3.53%	3.47%	8.19%	8.06%	2.31%	0.05%	0.00%
45-49	1.32%	0.95%	0.81%	1.98%	3.20%	2.27%	0.11%	0.01%
50-54	1.34%	0.76%	0.69%	1.65%	2.81%	2.71%	0.33%	0.03%
55-59	1.45%	0.69%	0.73%	1.49%	2.86%	3.34%	1.12%	0.15%
60-64	0.04%	0.05%	0.02%	0.16%	0.22%	0.39%	0.06%	0.00%
65-69	0.01%	0.00%	0.00%	0.00%	0.01%	0.00%	0.01%	0.00%

Our analysis has shown the customers obtaining intra-fund Advice have uncomplicated needs with lower balances that would enable them to receive the full age pension or close to it. They generally do not have the need or capacity to pay for Comprehensive Advice.

Limited Scope Advice

32. Do you think that limited scope advice can be valuable for consumers?

For the purpose of this question, we define 'scoped' as limited to one or two pieces of advice or one very specific topic.

Limited scope advice is important for two reasons.

i. Many retiring everyday Australians do not have complicated advice needs and just want some advice on how to transition into retirement without over complicating it. Research conducted by ASIC and documented in REP224 supports this, concluding that consumers want piece by piece advice in specific areas including super and retirement.
ii. It is important to encourage younger Australians to engage with their wealth creation as early as possible to progressively increase their financial capability and confidence. Limited scoped advice is ideal to help engage the younger generation with simple piece by piece advice. Limited scope advice enables these consumers to engage with advice and over time some will migrate to more comprehensive advice.

The facilitation of limited scope of advice will help consumer access advice to address their immediate need at a lower cost.

33. What legislative changes are necessary to facilitate the delivery of limited scope advice?

To improve the delivery of limited scoped advice, the removal of conflicts between legislation is the single biggest reform required to facilitate accessibly and quality advice, including limited scope advice.

In our opinion the largest impediment to the provision of Limited Scope of Advice is uncertainty caused by the introduction of the Code of Ethics and Standard 6. Standard 6 introduced a requirement to consider the broad long-term interest of the customer. Whilst, in principle, we agree with the intent of Standard 6, it created confusion with other legislation. The best example being intra-fund advice.

While intra-fund can provide simple retirement advice, we have experienced Trustees and Advisers being hesitant to offer it in certain circumstance for fear of breaching Standard 6. Some examples when providing simple retirement advice include consideration of:

- estate planning;
- partner income and assets; and
- Centrelink entitlements

As a result of this legislative uncertainty, we have seen thousands of consumers drop out of an advice experience. As a Licensee we have been responsible for the oversight of the FASEA Code of Ethics. To help provide our Advisers with a safe environment we have provided them with guidelines on what will constitute intra-fund advice before not meeting the obligations of Standard 6. At that point they must refer that consumer on to comprehensive advice. As outlined in our response to question 15, in the last 2 years of the 6,513 consumers we referred to comprehensive advice, 36% declined the offer. Many of these referrals were a direct result of the introduction of Standard 6 and the cross over with other obligations.

34. Other than uncertainty about legal obligations, are there other factors that might encourage financial advisers to provide comprehensive advice rather than limited scope advice?

Link Advice has chosen not to responded to this question.

Digital Advice

35. Do you agree that digital advice can make financial advice more accessible and affordable?

ASIC has defined digital advice as the provision of automated financial product advice using algorithms and technology without the direct involvement of a human adviser. It can comprise both general or personal advice and range from narrowly scoped (e.g. advice about portfolio construction) to comprehensive advice.

Link Advice believes that digital advice should be defined as any advice journey that leads a consumer to make behavioural changes including the implementation of advice. This can range from advice as simple as investment choice through to superannuation advice such as contributions or insurance needs analysis.

Link Advice as a long-term participant in the digital intra-fund advice market believes that digital advice can:

- Provide education to consumers, which in turn provides the members with greater increased financial capability and confidence, enabling them to take more interest in and/or control of their future wealth creation;
- Make advice more accessible to members by being available 24 hours a day, or at a time convenient to the consumer.

In our response to question 16 (How could advice be more accessible?) we identified the importance of multiple entry points to advice to cater for consumers' preferences and needs. Digital advice has an important role in improving that access for two reasons:

i. The use of digital services continues to grow through the combination of forces ranging from smart phones, to smart apps to the pandemic. If advice doesn't have a meaningful presence in the digital environment, we run the risk of excluding a whole generation of Australians who will only engage digitally.
ii. Digital engagements can be built into key decision points to assist a consumer to make a more informed decision. Unlike face to face or telephone advice, digital advice can be an integrated experience to guide and advise someone when making an important decision. Digital advice broadens the entry points and, by extension, can act as the first advice experience for many Australians.

In the last two financial years (until April 2022) 7,821 used our Digital Advice tool to receive advice; or obtained advice through our Digital Advice platform, with 53% receiving investment advice, 28% contributions advice and 19% receiving insurance advice.

36. Are there any types of advice that might be better suited to digital advice than other types of advice, for example limited scope advice about specific topics?

Prior to identifying the types of advice that digital advice should provide, it is important to recognise the segments of consumers that may use a digital advice platform. Link Advice believe there are 4 broad user groups:

i. Starting out: People at the start of their financial journey, in many cases with lower financial knowledge and confidence but would like to start to take more control of their finances.
ii. Simple needs: People with less complex needs/circumstances requiring simple advice and either want assistance when making a decision (for example, which is the best investment option for me?) or are not ready to engage with regular advice channels.
iii. Validators: People with good knowledge and to validate their own thinking.
iv. Self-directed: People with experience in managing their financial needs and want to take complete control themselves.

Our focus is on the first 3 user groups and we believe the types of advice that are suited to digital advice are:

i. Investment choice (super and non-super)
ii. Contributions advice
iii. Insurance advice: levels of insurance rather than product
iv. Cashflow management
v. Commencing a pension

While these topics can be digitised, the focus will need to be on the advice journey, as each advice journey would need to be different depending on the segment. Investment choice for a validator would be far quicker than for an inexperienced member, as the journey would need to explain concepts that a validator would already know.

37. Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?

The risks for a consumer of digital advice are slightly different, however from an advice strategy perspective, the risks are broadly the same. Where the risk is different for the consumer is in the interpretation of the questions. Other forms of advice, for example, both face to face and telephone, have someone to assist the consumer in understanding any question or prompt, this is different with digital.

The result of this is that some of this risk is carried by the provider. It should be the responsibility of the provider to position and use language that is consistent with the user's understanding. For example, for the "starting out" cohort the language should be uncomplicated, seek to avoid jargon and not assume user knowledge.

To demonstrate, Link Advice asks the user 'Do you own your own home?'. Feedback from users identified this as one they had trouble answering because they were unsure of ownership where they had a mortgage. As a result, we adjusted the possible response options to be far more descriptive.

This is important from an advice perspective. This question helps to inform the algorithm on the person's homeownership status for Centrelink purposes. If a member 'owns' their home and they answer 'No', they would be classified a renter and the projection relating to the age pension would be different. This is a risk for the consumer.

As a provider and Licensee of digital advice there is considerable uncertainty on who carries the risk of a consumer misinterpreting a question. We are constantly refining our language to ensure we minimise the risk, but it can never be eliminated.

38. Should different forms of advice be regulated differently, e.g. advice provided by a digital advice tool from advice provided by a financial adviser?

Similar to our response to question 22, we believe the regulation of advice is, and should remain, technology agnostic requiring digital advice to comply with the same advice provisions as other forms of advice. There are two possible exceptions.

i. Regulation should reflect the complexity of advice, meaning the requirements around general advice should be commensurate with the complexity of the advice, similarly for intra-fund and comprehensive advice.
ii. Consumers should have greater responsibility for interpreting the questions and responding appropriately. Technology providers and licensees should ensure that their digital service is written for the audience, using language consistent with the proposed user. However, if the consumer inputs the incorrect response, they should understand the implications of their actions.

Where regulation should be slightly different for digital advice is in relation to the algorithm. Acknowledging the importance of ensuring the algorithm is correct, it is essential in building trust in digital tools.

We do believe there is an inconsistency in the management of algorithms. The regulatory requirements of an algorithm used for digital advice is far higher than the requirements of "financial planning software", defined as software used by Advisers to generate an SOA. Acknowledging the intermediation of financial planning software, the outcome of an error in the algorithm is the same.

39. Are you concerned that the quality of advice might be compromised by digital advice?

Referring to our response to questions 1 and 2, we believe the characteristics of quality of advice to be:

i. Understandability: the primary purpose of advice is to empower someone to act to improve their personal goals and outcomes. That means the advice must be written for the consumer using simple language focused on helping them to understand and act on the advice being provided.
ii. Relevance: Personal advice should address the needs of the consumer and their personal circumstances acknowledging their best interest advice needs today and into the future. The introduction of adjacent concepts should be done on an 'as needs' basis to ensure the advice is not made overly complex.
iii. Compliant: quality advice must adhere the community standards and be informed by legislative, legal and licensee guidance ensuring it remains understandable and relevant.

Based on these characteristics, we do not believe that digital advice compromises the quality of advice. In fact, it plays an important role in the introduction and development of a consumer into broader aspects of advice.

40. Are any changes to the regulatory framework necessary to facilitate digital advice?

To assist with the accessibility of advice is important for the use of digital advice to grow. For this to occur there does need to be some adjustments to the current regulation including:

i. Regulation reflecting two stakeholders, the provider and the consumer, acknowledging the role and risks a consumer takes in interpreting the questions required to generate their own advice.
ii. Similar to our response to question 22 we believe the regulatory requirements should reflect the level of advice complexity. With specific reference to digital tools, this becomes more important when making the distinction between calculators, simple digital advice, and more complex and automated investing services.
iii. The current algorithm principles proposed by RG255 should remain consistent across all forms of digital advice. Namely, ensuring that there is an internal resource/s that have knowledge of how the algorithm works, and that there are detailed functional design documents of the algorithm and external actuarial reviews of the algorithm.

41. If technology is part of the solution to making advice more accessible, who should be responsible for the advice provided (for example, an AFS licensee)?

Technology plays a very important role in making advice more accessible, with the potential to help a whole new generation of Australians to commence a lifelong engagement with advice in all its forms.

Digital advice is the provision of automated financial product advice using algorithms and technology without the direct involvement of a human adviser. As there is no direct involvement from a human adviser, the consumer is required to make more of their own decisions, especially about the interpretation of questions. Given this distinction, we believe there are two stakeholders: the AFS licensee and the user (consumer).

The AFS licensee should be responsible for the:

Algorithm: the maintenance and ongoing support and development;
Relevance: How the advice journeys structured, the content is displayed, and the language used. Like a "Target Market Determination" digital advice should be written for the audience it seeks to serve; and
Advice documentation: consistent with an AFS licensee's obligations for non-digital advice, the same provision should apply.

The consumer should take some responsibility for the interpretation of the questions and the answers (input) provided to generate the advice outcome.

42. In what ways can digital advice complement human-provided advice and when should it be a substitute?

The role of digital advice can complement human provided advice by:

- Introducing consumers to the foundations of financial capability and creating a curiosity on how to better manage their financial wellbeing. Through this early interaction, some consumers will continue an advice journey experiencing different forms of advice along the way Identifying consumers more complex advice needs and either educating them on the importance of seeking advice or creating a connection with an Adviser.

Digital advice can also act as a substitute for human provided advice in advice areas such as:

- Investment Choice
- Contributions
- Insurance needs analysis
- Setting up a pension plan

It is important to note that a large part of the responsibility of this decision lies with the consumer. It is ultimately up to them to determine how they wish to engage. As a provider, the role we play is to provide a safe and compliant environment where consumers can interact with advice on their own terms. At the same time, we should provide safeguards to nudge consumers to the appropriate next best advice interaction and where necessary warning them of the risks of not seeking human provided advice.

Best Interest and Related Obligations

43. Do you consider that the statutory safe harbour for the best interests duty provides any benefit to consumers or advisers and would there be any prejudice to either of them if it was removed?

The statutory safe harbour was introduced to ensure advisers were cognisant of their requirements when providing advice, which ensured that advisers were compliant for the benefit of the consumer. However, with the introduction of the Ethical Standards, advisers now adhere to the Financial Planners and Advisers Code of Ethics, which has 12 ethical standards for financial advisers to meeting, including:

- Acting in the best interests of the clients
- Avoiding conflicts of interest
- Ensuring that clients give informed consent and understand the advice they receive
- Ensuring that clients clearly agree to the fees they will pay
- Maintaining a high level of knowledge and skills

If the safe harbour and best interest duty were to be removed, advisers will still need to follow the Financial Planners and Advisers Code of Ethics which continues to provide consumers with protection. However, as previously mentioned, advisers need more guidance and support with regards to interpreting Standard 6 and placing more responsibility on scoping the advice to members.

44. If at all, how does complying with the safe harbour add to the cost of advice and to what extent?

The cost of complying with the safe harbour provision is demonstrated in three main areas.

i. Advice process: Link Advice has a defined advice process and we have built in the requirements in that process.
ii. Audit and compliance: Our compliance team review the best interest duty obligations during our advice audits. Part of the ongoing compliance is to ensure that the advice process maintains safeguards to comply with the requirements of best interest and by extension safe harbour.
iii. Risk: the cost of risk management, complying with our best interest obligations and monitoring the safe harbour provisions.

Link Advice prefers a principles-based approach to regulation and believe that safe harbour provisions are no longer required and therefore do not overly complicate best interest duty.

45. If the safe harbour was removed, what would change about how you would provide personal advice or how you would require your representatives to provide personal advice?

Link Advice has taken the approach to build the safeguards into our advice process. Should safe harbour be removed we do not believe there would be any material change. Our obligations to act in the best interest of the consumer remains, and this is strengthened by the introduction of the Code of Ethics. We believe the removal of the safe harbour provisions removes complexity that is no longer required given other safeguard measures being implemented.

46. To what extent can the best interests obligations (including the best interest's duty, appropriate advice obligation and the conflicts priority rule) be streamlined to remove duplication?

Link Advice has chosen not to responded to this question.

47. Do you consider that financial advisers should be required to consider the target market determination for a financial product before providing personal advice about the product?

As outlined in our response to question 10, Design and Distribution Obligations have created additional complexity and cost to the provision of personal advice. Whilst the TMD can be a helpful document for consumers, we do not believe it is required for financial advisers for the following reasons:

- The details an Adviser gathers during an advice process to provide personal advice exceeds the scope of the TMD.
- The knowledge, experience and expertise of an Adviser enables them to make a more informed decision based on a broader range of inputs.
- An Adviser's access to deeper product analysis makes the TMD less relevant.

Conflicted Remuneration

48. To what extent has the ban on conflicted remuneration assisted in aligning adviser and consumer interests?

Link Advice has chosen not to responded to this question.

49. Has the ban contributed towards improving the quality of advice?

Link Advice has chosen not to responded to this question.

50. Has the ban affected other outcomes in the financial advice industry, such as the profitability of advice firms, the structure of advice firms and the cost of providing advice?

Link Advice has chosen not to responded to this question.

51. What would be the implications for consumers if the exemptions from the ban on conflicted remuneration were removed, including on the quality of financial advice and the affordability and accessibility of advice? Please indicate which exemption you are referring to in providing your feedback.

Link Advice has chosen not to responded to this question.

52. Are there alternatives to removing the exemptions to adjust adviser incentives, reduce conflicts of interest and promote better consumer outcomes?

Link Advice has chosen not to responded to this question.

53. Has the capping of life insurance commissions led to a reduction in the level of insurance coverage or contributed to underinsurance? If so, please provide data to support this claim.

Link Advice has chosen not to responded to this question.

54. Is under insurance a present or emerging issue for any retail general insurance products? If so, please provide data to support this claim.

Link Advice has chosen not to responded to this question.

55. What other countervailing factors should the Review have regard to when deciding whether a particular exemption from the ban on conflicted remuneration should be retained?

Link Advice has chosen not to responded to this question.

Charging Arrangements

56. Are consent requirements for charging non-ongoing fees to superannuation accounts working effectively? How could these requirements be streamlined or improved?

Link Advice has chosen not to responded to this question.

57. To what extent can the requirements around the ongoing fee arrangements be streamlined, simplified, or made more principles-based to reduce compliance costs?

Link Advice has chosen not to responded to this question.

58. How could these documents be improved for consumers?

Link Advice has chosen not to responded to this question.

59. Are there other ways that could more effectively provide accountability and transparency around ongoing fee arrangements and protect consumers from being charged a fee for no service?

Link Advice has chosen not to responded to this question.

60. How much does meeting the ongoing fee arrangements, including the consent arrangements and FDS contribute to the cost of providing advice?

Link Advice has chosen not to responded to this question.

61. To what extent, if at all, do superannuation trustees (and other product issuers) impose obligations on advisers which are in addition to those imposed by the OFA and FDS requirements in the Corporations Act 2001?

Link Advice has chosen not to responded to this question.

62. How does the superannuation trustee covenant, particularly the obligation to act in the best financial interests of members, affect a trustee's decision to deduct ongoing advice fees from a member's account?

Link Advice has chosen not to responded to this question.

63. How successful have SOAs been in addressing information asymmetry?

When well written, a SOA is an excellent tool in addressing information asymmetry. Ideally a SOA should be tailored to the audience. As licensees focus on avoiding litigation and compensation claims, the primary focus of the SOA is to meet legal and compliance expectations. In meeting these compliance requirements, the level of disclosure and information has increased to a level where it may be difficult for the everyday Australian to understand.

While RG 175 provides a good theoretical basis for the completion of a SOA. There has been little practical guidance in the form of effective sample SOAs to assist licensees. The examples provided to date have related to specific scenarios faced by a typical comprehensive advice adviser.

We have read and reviewed RG 90 where the focus was on insurance advice and the disclosure and impact of Commissions and fees. This covered a very narrow section the standard SOA and was partially effective.

64. How much does the requirement to prepare a SOA contribute to the cost of advice?

From an intra-fund perspective, the cost of preparing a SOA for intra-fund advice is relatively low for two reasons:

The consumers we advise have relatively simple needs. For intra-fund advice our scope is limited to the consumer's interest in their superannuation fund removing a lot of the complexity.

- Access to data enables us to build an efficient advice process that reduces the burden on the consumer to supply details of their superannuation fund, making both the process and the experience easier.
- As an experienced provider of intra-fund advice, Link Advice has been able to reduce the average cost of producing a SOA down over time. This benefit of scale would only be available to an outsourced provider or a large super fund. The reduction of cost can be passed onto the members of our super fund clients.

Disclosure Documents

65. To what extent can the content requirements for SOAs and ROAs be streamlined, simplified, or made more principles-based to reduce compliance costs while still ensuring that consumers have the information, they need to make an informed decision?

There is an opportunity to improve the Statement of Advice to be more relevant for the consumer and enhance their understanding and benefits of the advice being provided. SOAs are important document that provide consumers with valuable information, relevant prior to the provision of advice, at the time of giving advice but also upon reflection.

In our response to question 1 we identified three characteristics that we believe define quality advice, (understandability, relevance, and compliance). These should be the basis on a principles-based approach to the production of a SOA. SOA should be:

Written for the intended audience using language and concepts that help the consumer understand and act. In practice this means clearly outlining:

- What their need is;
- The advice and why it meets their advice need; and
- Any risks or important other matters that need to be addressed now or in the future.

Relevant to the need of the consumer and only include information that is:

- Educational material appropriate to the consumer and their advice need (this may mean that educational material is not required for an experienced and knowledgeable consumer).
- Limiting additional information in adjacent areas that do not directly assist the consumer.
- Areas of risk or higher importance to the consumer should be provided to enhance their knowledge and assist them to act for example during a period of uncertainty.

Consistent with the community expectations around:

- Disclosing any conflicts; and
- The cost of the advice both now and in the future including what services they should expect to receive.

66. To what extent is the length of the disclosure documents driven by regulatory requirements or existing practices and attitudes towards risk and compliance adopted within industry?

In many respects the length of the disclosure documents is driven by risk management and our conservative approach to risk. Unfortunately, advice documents have become more focused on risk management of the advice provider, rather than the relevance and understandability for the consumer.

The length of the disclosure documentation is largely driven in equal parts by:

- Regulation: in many cases new regulation has simply added to and not replaced existing regulation increasing the complexity and cost to comply.
- Existing practices: taking a conservative approach to disclosure leading to less renewal of documentation.

From an intra-fund advice perspective, we find the regulation more suited to comprehensive advice making the task of interpreting change more difficult. More guidance on what is expected from a comprehensive document and what is required in a limited advice document (including intra-fund advice) would help to remove complexity and increase our confidence.

67. How could the regulatory regime be amended to facilitate the delivery of disclosure documents that are more engaging for consumers?

The current regulatory framework looks to solve current issues, however, it does not seem to review past releases and amend accordingly. This has led to complexity and confusion for both AFS licensees and adviser. The regulatory framework could be improved by:

- Ensuring old requirements are reviewed and amended with the introduction of new regulation.
- Moving to a principle-based approach for the development of disclosure documents that makes it easier for different forms of advice to apply the requirements.
- Taking a more consultative approach and encouraging the development of more innovative forms of disclosure documents.
- Taking into consideration the unintended consequences of change and how it relates to the quality and cost of advice from a consumer's perspective.

68. Are there particular types of advice that are better suited to reduced disclosure documents? If so, why?

Link Advice believes all forms of advice should have the same principle-based approach to disclosure rather creating different forms of disclosure. As outlined in our response to question 65, disclosure should be consistent with the characteristics of quality advice. It should be:

- Relevant to the advice being provided and not contain disclosures that do not help inform the consumer.
- Understandable and simplified to aid the consumer to make informed decisions.
- Meet the community and professional standards expected of a compliant service.

69. Has recent guidance assisted advisers in understanding where they are able to use ROAs rather than SOAs, and has this led to a greater provision of this simpler form of disclosure?

Link Advice has chosen not to responded to this question.

70. Are there elements of the COVID-19 advice-related relief for disclosure obligations which should be permanently retained? If so, why?

Link Advice has chosen not to responded to this question.

Accountants Providing Advice

71. Should accountants be able to provide financial advice on superannuation products outside of the existing AFSL regime and without needing to meet the education requirements imposed on other professionals wanting to provide financial advice? If so, why?

Link Advice has chosen not to responded to this question.

72. If an exemption was granted, what range of topics should accountants be able to provide advice on? How can consumers be protected?

Link Advice has chosen not to responded to this question.

73. What effect would allowing accountants to provide this advice have on the number of advisers in the market and the number of consumers receiving financial advice?

Link Advice has chosen not to responded to this question.

74. Is the limited AFS licence working as intended? What changes to the limited licence could be made to make it more accessible to accountants wanting to provide financial advice?

Link Advice has chosen not to responded to this question.

75. Are there other barriers to accountants providing financial advice about SMSFs, apart from the limited AFSL regime?

Link Advice has chosen not to responded to this question.

Sophisticated

76. Should there be a requirement for a client to agree with the adviser in writing to being classified as a wholesale client?

Link Advice has chosen not to responded to this question.

77. Are any changes necessary to the regulatory framework to ensure consumers understand the consequences of being a sophisticated investor or wholesale client?

Link Advice has chosen not to responded to this question.

78. Should there be a requirement for a client to be informed by the adviser if they are being classified as a wholesale client and be given an explanation that this means the protections for retail clients will not apply?

Link Advice has chosen not to responded to this question.

Regulators

79. What steps have licensees taken to improve the quality, accessibility, and affordability of advice? How have these steps affected the quality, accessibility and affordability of advice?

Link Advice has taken the following steps to improve the quality, access and affordability of advice:

1) Develop a simple retirement and age pension service called Retirement Ready

   With Link Advice's focus on everyday Australians, we have expanded our services beyond intra-fund advice into scaled advice paid for by the member. In the last 6 months, in collaboration with Retirement Essentials, we have introduced a scaled simple Retirement Advice service.

   The scope of our simple retirement advice service covers the member of the superannuation fund super, non-super assets and age pension. We also take into consideration the member's spouses relevant details, but do not give any product related advice. With respect to the age pension, our service includes an innovative digital application form and case management of the application with Centrelink.

Link Advice has designed the service to appeal to retiring Australians with simple retirement needs and are likely to receive the full, or close to full, age pension. Accordingly, we have actively worked to keep the cost of the advice to the member under $1,000. As all the consumers we advise are members of a superannuation funds, some of cost of advice is covered by intra-fund advice enabling Link Advice to offer this service for under $500. The cost of any strategic advice relating to the member's spouse is not covered under intra-fund advice and is charged directly to the household.

We believe this advice solution has made advice more affordable and accessible while operating within existing legislation but could be made more accessible with the expansion of the definition of intra-fund advice to include retirement and potentially the age pension. It provides an option for everyday Australians who would otherwise not seek advice and potentially not benefit from the advantageous retirement income services.

2) Invested in Digital Advice

With the introduction of the Retirement Income Covenant, Link Advice is investing heavily in the expansion of our digital advice capabilities. The goal of this investment is to:

a. Provide consumers with simple calculators to better understand their options in retirement;
b. Expanded our advice topics to include the transition into retirement and the post retirement stages of a member's life. This includes the impact of the aged pension on their income in retirement; and
c. Embed simple advice into key aspects of a member engagement with their superannuation. For example, enabling members to generate their own investment choice advice prior when they are reviewing their superannuation investment.

This an important investment by Link Advice to the accessibility of advice by increasing the number of entry points at key decision points whilst at the same time helping consumers build their financial capability and confidence.

80. What steps have professional associations taken to improve the quality, accessibility and affordability of advice? How have these steps affected the quality, accessibility and affordability of advice?

Link Advice is a long term supporter of professional advice associations and is a current member of a professional association.

The challenge for Link Advice is the focus of many industry associations is on the provision of face-to-face advice. Given our focus on digital and intra-fund/scaled advice many of the steps taken have not translated into benefits for the consumers Link Advice service. Under trying circumstances for professional Associations, we have not experienced any material benefits in improving access and affordability of advice.

81. **Have ASIC's recent actions in response to consultation (CP 332), including the new financial advice hub webpage and example SOAs and ROAs, assisted licensees and advisers to provide good quality and affordable advice?**

CP 332 represents a good start in recognising the importance of simplifying advice. Unfortunately, we haven't seen any material changes to the access or affordability of advice as yet. As the report highlighted, there was not enough representation for limited advice, which we believe is critical if we are going to enable everyday Australians to be able to access and afford advice.

82. **Has licensee supervision and monitoring of advisers improved since the Financial Services Royal Commission?**

Link Advice has always had a strong monitoring and supervision framework in place due to having adopted a conservative approach to risk. As Link Advice does not provide comprehensive advice and does not enter into ongoing advice relationships, the changes from the Royal Commission have had limited impact on the cost to provide advice.

83. **What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility or affordability of financial advice?**

Link Advice made a submission to FASEA on the Code of Ethics addressing our concerns about the effect of Standard 6 and the Best Interest Duty and how it impacts on the provision of Intra-fund/Scaled Advice. A preliminary response to the submissions was released by FASEA in November 2019 addressing some of the challenges created by the cross over of obligations. This was helpful, however, the removal of the conflicted aspects of the regulations will go a long way to improving the access to advice to many everyday Australians. This creates some challenges for Link Advice given our focus is on digital and intra-fund/scaled advice. We were initially pleased with the supportive response however there has been nothing issued since then. Further clarification on this, and other aspects of regulatory overlap will help Link Advice to confidently strive to improve the access and affordability of advice.

In the future we would welcome ASIC and professional associations engaging with a broader cross section of advice businesses and models. As advice continues to evolve there are some very progressive and innovative businesses that are focused on different cohorts of consumers that can add considerable benefit to the wellbeing of retirement in Australia.

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