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Secretariat, Quality of Advice Review  
Financial System Division  
Treasury  
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Parkes ACT 2600

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## Quality of Advice Review – Issues Paper

Thank you for the opportunity to provide a response to the issues paper as part of the Quality of Advice Review. Rest is a major profit-to-member industry superannuation fund with around 1.8 million members – or around one-in-seven working Australians – that manages assets of \$70 billion (as at 31 December 2021), and is passionate about improving the retirement outcomes and financial wellbeing of our members.

We strongly believe that all Australians can benefit from financial advice. The right advice, at the right time, provided in a way that is accessible and simple to understand, will provide more people an opportunity to improve their financial position.

Rest is responsible for the retirement savings of many workers in part-time, casual and lower income jobs. Nearly 300,000 of our members are aged 50 and older, and their average account balance is around \$97,000, which is considerably lower than the 'comfortable retirement' objective identified in the ASFA Retirement Standard<sup>1</sup>. Our focus is on helping them achieve their personal best retirement income according to their individual circumstances. Advice can make a real difference to those with relatively lower superannuation balances to maximise their retirement outcomes when coupled with the Age Pension.

Quality advice, regardless of advice type, should be clear and easy to understand. This allows the recipient to make an informed decision to improve their financial position and achieve peace of mind and confidence. Unfortunately, it is often challenging to deliver this simple concept in the current environment. Complex regulations and an array of advice types often leave consumers uncertain of what type of advice they have received, or if they have in fact received any at all.

Rest offers advice support in a variety of ways, including online tools and calculators, general advice, and personal advice services, including intra-fund and digital advice. These each provide a pathway for members to understand their superannuation and options for retirement. It is vital that people can choose from a range of advice services, scaled in both complexity and cost. Providing access to both intra-fund advice at no additional cost, and low-cost simple advice is core to how Rest supports our members in retirement.

Rest has an obligation and an opportunity to ensure our members are as financially prepared for retirement as possible and are engaging and optimising the benefits they receive from their superannuation. Therefore, our comments in this submission will be reflective of this position and our experience as a superannuation fund in providing advice support.

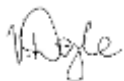
The attached appendix provides comments on the effectiveness of current advice disclosure, the benefits and opportunities of digital advice, and the importance of the right advice at the right time.

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<sup>1</sup> <https://www.superannuation.asn.au/resources/retirement-standard>

To discuss any aspect of this submission, I invite you to contact Sarah O'Brien, Head of Regulatory Affairs directly on 0400 399 330 or via email on [sarah.o'brien@rest.com.au](mailto:sarah.o'brien@rest.com.au).

Yours sincerely,

A handwritten signature in black ink that reads "V. Doyle". The signature is written in a cursive, slightly slanted style.

**Vicki Doyle**  
CEO

## Appendix – Comments on the Quality of Advice Review Issues Paper

### Easy to understand advice disclosure is key to advice uptake and financial wellbeing

ASIC Regulatory Guide 90 (RG 90) states “*The purpose of an SOA is to communicate to the client important and relevant information about the advice so they can make an informed decision about whether to act on the advice*”. Rest agrees that an advice recipient should be provided important and relevant information to make an informed decision, however we believe the current Statement of Advice (SOA) requirements are not the most effective way of achieving this.

Personal advice (in most cases) must be provided in an SOA, which RG 90 defines as “a **document** that must be given to a client for the provision of personal advice”. So, despite general methods of communication rapidly evolving in recent years, the way advice must be provided has remained unchanged – a document. It is challenging to present SOA documents in a ‘clear and concise’ fashion. They are often excessively long and largely focused on risk mitigation disclosures, rather than the advice itself. As a result, they are often confusing and overwhelming to read.

Addressing the advice gap is complex, however making advice less daunting to receive and easier to understand would assist. **To be effective, advice must not only be clear and concise, it must also be relatable and easy to consume.** Advice disclosure, particularly for simple advice, could be provided in a variety of means to enhance comprehension and accessibility, such as video or audio. However, innovation in this space has not occurred, largely due to the restriction for advice to be provided in a ‘document’.

Further, the advice disclosure regime has not yet reflected the professionalism uplift the financial planning industry has experienced in recent years. A Financial Adviser is now required to have a relevant university degree and meet other strict requirements, including compliance with a Code of Ethics. Rest believes there may be opportunities to streamline advice documentation requirements by considering the enhanced regime and the consumer protections provided.

#### An example of SOA improvement opportunity – Current situation

FASEA Code of Ethics Standard 5 requires advice to be provided in the best interests of the recipient and appropriate to their individual circumstances – and for the Adviser to be satisfied the recipient understands the advice and implications.

The SOA could be streamlined by removing or summarising the ‘current situation’ section, as the Adviser would already have this extensively documented on file (and available to the client upon request) and would naturally base any advice on the information gathered. Further, the Code requires an Adviser to be satisfied the recipient understands the advice, therefore it would be reasonable to expect that as part of their assessment an Adviser would also confirm with the recipient their individual circumstances upon which the advice was based. It does not need to be re-documented in the SOA.

ASIC states in RG 90 “*We recognise that the level of relevant personal and financial information included in an SOA may vary depending on the scope and complexity of the advice being sought and the circumstances of the particular client*” – which highlights that more complex situations would increase the overall SOA length. To demonstrate this impact, the example SOA contained in RG 90 is considered simple advice and had a ‘current situation’ section which covered two full pages out of 23 – almost 10%. Removing unnecessary content would allow the advice to become the focus of the document and enhance understanding and effectiveness.

From January 2022, the Financial Services Credit Panel (FSCP) has expanded and been given its own legislative functions and powers as the new single disciplinary body regulating financial advisers. The panel has a range of powers, from directing advisers to undertake specified training, to administrative sanctions, including suspending or prohibiting their registration. With this new disciplinary panel now in place and knowing that disclosure alone cannot eliminate poor

advice outcomes, now is the time to consider how to make disclosure fit for purpose within the new financial advice regime.

**Overly prescriptive disclosure requirements and regulatory duplication have resulted in outdated advice documentation. Additionally, improvements to the education, regulation and monitoring of the advice industry and emergence of alternative means of communication have not been reflected in advice disclosure requirements.** Rest believes consumers would benefit from a holistic review of advice disclosure requirements and methods. Such a review should consider new methods of communication; how people want to receive advice; and importantly consideration of how the financial planning industry has evolved from the disclosure regime that existed decades ago.

## Digital Advice – Highlights and opportunities for enhancement

Rest began introducing digital tools in July 2017, and now offers three digital intra-fund advice services: investment choice, insurance needs, and contribution optimisation. These tools are not intended to be a substitute for full advice – but designed to provide simple advice on particular topics – in a convenient and understandable way.

Digital advice has a clear role to encourage people to seek out advice on their own terms in a manner that best suits them. Rest has experienced a sustained increase of our digital financial advice in the past three financial years, which suggests there is a real demand for easily accessible and affordable advice.

In FY20, the take up of our financial advice more than doubled compared to the previous year. This was primarily driven by digital advice, with the number of digital interactions with members increasing by more than 200% year on year. In FY21, the take up of our financial advice again grew by around 10% year on year, with digital advice usage also increasing and continuing to be the most popular advice vehicle we offer: Some other key observations include:

- Rest Online advice was 51% of all advice provided in FY19, 76% in FY20 and 77% in FY21.
- For people aged under 40, almost all advice is provided digitally. While FY20 saw a spike for advice interactions generally, the number of people under 40 seeking digital advice is continuing to increase.
- Since around the start of FY21, the age group 40 to 59 has also significantly increased the use of advice – including a notable spike in the seeking of digital advice. It is encouraging to see this service is starting to appeal to a broader age demographic.
- The number of female members using digital advice is also continuing to climb.

Digital tools allow superannuation funds like Rest to offer advice to members at scale, and it allows our members to take control of their super at a time and in a way of their own choosing. It is an effective way to help more of our members make informed decisions about their superannuation and achieve their best possible retirement outcomes.

There are however some opportunities to further enhance our digital advice offerings:

1. Access to accurate and up to date data feeds of member information would be transformative for Rest's digital advice offering. Some examples include:
  - MyGov - Australian Taxation Office and Centrelink data: An enhanced data-sharing capability that supported real-time data feeds of a member's financial and superannuation information would significantly enhance information-gathering processes. Currently, this information needs to be manually sourced and input by a member.
  - Consumer Data Right – Open Finance: It would be beneficial for the proposed 'Open Finance' initiative to consider holistic real-time data feeds of a member's financial information (savings, loans, personal insurances) into digital advice systems, as this

would significantly streamline the fact-finding and advice process. Currently this information needs to be manually sourced and input by a member.

Integrating such valuable data into digital advice tools will also assist in addressing advice accessibility issues resulting from low levels financial confidence or literacy, as the information would be prepopulated into the correct field. To avoid consumer detriment, it is imperative that data provided is accurate, as this impacts the quality of advice provided, and can lead to unintended consequences.

2. Clarity from the regulator on the provision of digital advice would address the current uncertainty in the industry around digital advice compliance. In particular, it would be highly beneficial for the regulator to outline the practical application of scaling and scoping advice, along with the application of FASEA Code of Ethics Standard 6 (which covers the requirement to take into account future considerations that may impact advice provided today).

Another consideration is around how digital advice can transition into a personal interaction with an Adviser. Sometimes after receiving intra-fund advice via our digital offering, members wish to speak to a Rest Adviser to be reassured (by a person) that the advice is appropriate and to clarify their understanding. Consideration should be had on streamlining procedures in this instance so that duplication is reduced. For example, not requiring the Adviser to conduct a separate fact find upon which to base their advice. This could be subject to certain criteria such as the intra-fund fact find being recently completed and the member confirming the contents of the intra fund fact find correctly reflects their situation.

**Rest believes greater certainty of the application of advice laws to digital advice would increase confidence and in turn result in further innovation, development, and uptake of digital advice service offerings.**

### **The right advice, at the right time, provided in the right way, is key to addressing the advice gap**

In February 2022, Rest conducted a wellbeing survey<sup>2</sup> of our members, which highlighted that some interactions or advice types appear to be more influential on wellbeing than others; however, the difference overall between these impacts was not substantial. **This means that for financial wellbeing, it matters less what type of advice members received, and more that they simply receive some advice or information.**

Super funds have a critical role to play in ensuring Australians can access financial advice – either through intra-fund advice or affordable financial advice, as well as tools and information. Our experience tells us that many people want to address their finances one topic at a time, such as investing, growing their super, or planning for retirement. With many thousands of our members facing financial insecurity due to the current economic situation, it's imperative we provide appropriate support in a way that is accessible and simple to understand.

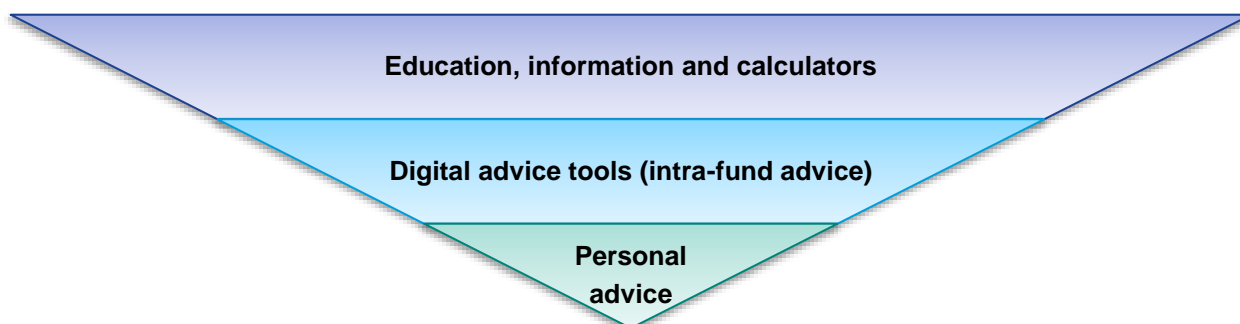
Getting advice shouldn't be daunting, and many people often don't know where to start. At Rest, we aim to support our members by offering three distinct layers to progress through (as needed):

- Layer 1: Education, information, and calculators (including general advice)
- Layer 2: Digital advice tools (intra-fund advice)
- Layer 3: Personal advice provided by phone-based Advisers (incorporating intra-fund advice)

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<sup>2</sup> Financial Wellness Dividend Research prepared by Forethought Outcomes – February 2022. Report available on request.

**Figure 1: Rest advice pathway**



Pleasingly, many of our members who initially receive general or intra-fund advice often go on to obtain further advice. However, it can often be cumbersome for members to progress through these different advice layers and, in some cases, this limits the benefit of – and confidence in – the advice provided. We believe it is imperative that members can easily progress through the different information and advice options available, and for common accessibility issues to be addressed, such as: low financial literacy; limited or no technology capability; and limited internet access.

**Enhancement opportunities include:**

1. Improved guidance on facilitating assistance for people using calculators, especially for those with accessibility limitations.

ASIC Regulatory Guide 167 (RG 167) provides guidance on generic financial calculators, and in paragraphs 56 and 59 outlines the key objectives of these types of tools and ASIC’s objective, which is to “*facilitate the cost-effective provision of useful and accurate information about financial products and services to consumers*”. However, RG 167 does not consider accessibility issues, which has restricted access to useful information provided by online calculators and disadvantaged certain individuals, for example, those with disabilities related to communication or people with limited technology access or understanding. Rest experiences high usage of our online calculators and forecast tools and strongly believe that allowing superannuation funds to assist users to complete online calculators and tools, with information provided directly by the user, would allow more Australians to better understand their financial circumstances and resulting advice needs. Clarity from the regulator on the limitations in assisting members, without being considered personal advice, would encourage funds to provide this type of support. Rest call centre staff could be trained to input calculator details (provided by the member) and to provide a copy of the output to the member via email or post. If, during the conversation, advice was sought or required, the call centre would initiate the standard advice referral process. RG 167.74 states that a calculator can prompt the user to make further inquiries or obtain advice from an AFS licensee – the call centre staff would be well placed to direct members to their next step if required.

2. Simplify the disclosures required for Provisional Planners when assisting members.

Revise current guidance<sup>3</sup> to allow a Provisional Planner to notify a member verbally (as part of their interaction) of the requirements outlined in s921F(6) of the Corporations Act prior to providing advice, rather than in writing prior to speaking to the member. This change would not only streamline the process, it would also allow Provisional Planners (and Rest) to support more members, particularly during periods of high call volumes. For example, superannuation funds will often experience high call volumes during periods of market volatility. Provisional Planners are currently unable to support members during these periods of elevated demand due to the restriction of having to inform the member prior to the interaction in writing.

<sup>3</sup> Corporations (Work and Training Professional Year Standard) Determination 2018 – Section 10(5)

We would welcome regulator guidance specifically focused on advice and advice support (ie calculators) provided by superannuation funds. Such guidance should be principles based; clearly outline the intent of the law and limitations; and take into consideration the recent Court decision regarding Westpac that centred around activities that amount to personal advice from general advice. To reduce the advice gap, it is also key for any guidance to remain focused on and consider member accessibility.