

To Whom it May Concern

Thank you for the opportunity to participate in this Quality of Advice Review.

I am a small business professional and have been operating in the financial services industry for over 20 years.

My previous background for your reference is:

1. I am CPA (non-practicing) and CFP
2. I have an accounting degree in business, a Masters in applied Finance and Financial Planning degree
3. I worked for:
  - a. Peat Marwick Mitchell (now KPMG) for 3 years in professional accountancy field on leaving university and
  - b. then for Westpac in a number of senior position in the areas of:
    - i. Corporate and Intuitional Banking;
    - ii. Senior management
    - iii. Asset Management
    - iv. Private Banking
  - c. Before starting my own Private Wealth Management business in 2001

I have commented and answered your questions as I see the issues and again appreciate the opportunity you have provided in allowing for input from across all segments of the business community.

My response in brief are as follows:

1. What are the characteristics of quality advice for providers of advice?
  - a. Trusted and ethical
  - b. Professional
    - i. <45 yrs. of age:
      1. Degree Qualified as currently regulated
    - ii. >45 yrs. of age:
      1. 10 – 15 years' experience
      2. Diploma or above educated
  - c. Member of Industry Association
2. What are the characteristics of quality advice for consumers?
  - a. Factual
  - b. Concise
  - c. Addressing the consumers issues
  - d. Simple language for understanding
3. Have previous regulatory changes improved the quality of advice (for example the best interests duty and the safe harbour (see section 4.2))?
  - a. NO – to much focus on compliance in SOAs and ROAs that distract from the meaning of the content for clients
  - b. E.g. SOAs
    - i. To comply are in length greater than 120 pages of which:
      1. 20 pages client strategy related;

2. 100 plus pages – explaining and detailing compliance related information.
4. What are the factors the Review should consider in deciding whether a measure has increased the quality of advice?
  - a. Client understanding
  - b. Clear and concise strategy and solutions
  - c. Less Compliance focus in advice – clients do not understand the finer points;
  - d. E.g. it is like Doctor Patient relationship – the patient will not understand the detailed medical terminology etc but simply wants to know what is wrong with them and what is need to get better.
5. What is the average cost of providing comprehensive advice to a new client?
  - a. Now between \$5,000 to \$10,000 per annum
6. What are the cost drivers of providing financial advice?
  - a. Compliance:
    - i. E.g. **FEE Disclosure acceptance Letters**: this has been a major debacle:
      1. Original generic letter issues to clients and signed was acceptable to institutional wrap providers
      2. The Institutions stated they wanted their own letter signed by client – but for selected accounts only i.e. investment verses superannuation. – client signed corporate form;
      3. Institutions then said they want its form for all accounts – clients sign another form
      4. Institutions – differ on expiry date i.e. 120 days or 150 days – form conditional change - clients required to sign another letter for 3<sup>rd</sup> or 4<sup>th</sup> time
      5. Institutions then reviewed and in some instance said signatures did not exactly match – client to be verified by phone.
    - ii. SOA:
      1. Length of SOAs now ridiculous.
      2. If printed and client does not make scheduled meeting and deferred to another date – SOA needs to be reprinted to accommodate “change of date” and update research documentation which may not have changed
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?
  - a. Clients time 20%
  - b. Documentation and administration 40%
  - c. Compliance 40%
  - d. We have effective had one staff member dedicated to Fee Disclosure Letters for up to 3 months. Clients have signed the up to 4 times letter which say the same thing but on or issued by the various institutions.
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?
  - a. 100% as institutions do not want to be fined so everyone is literally trying to comply 100 percent with the regulations, so as not breach. Here again is another area of over compliance to the extent a minor comments as a throw away comment by a client is deemed a compliant that needs to be reported – i.e. if a Client simply states in conversation at a general meeting – “I am unhappy that insurance premiums have gone up”. (now that is every clients comment). This is said to be reportable

complaint that needs to be registered. This I understand extends to social media commentary.

9. Which elements of meeting the regulatory requirements contribute most to costs?
  - a. Inconsistent interpretation of regulations due to poor drafting of the legislation in the first instance.
10. Have previous reforms by Government been implemented in a cost-effective way?
  - a. NO
11. Could financial technology (fintech) reduce the cost of providing advice?
  - a. Not under the regulatory requirements imposed by government.
12. Are there regulatory impediments to adopting technological solutions to assist in providing advice?
  - a. Yes
13. How should we measure demand for financial advice?
  - a. Everyone needs financial advice but as the banks have left the industry there is now a huge void in being able to provide the “mums and Dads’ sector with affordable advice.
14. In what circumstances do people need financial advice but might not be seeking it?
  - a. Everyone needs advice and those that need it most are the lower and middle class sectors. They understand the need but are fearful to ask for assistance. There is a need to be able to address certain financial circumstance with emotional and mental health related sensitivity due to a number of current modern day life circumstances. i.e. divorce, redundancy, age discrimination, self-worth related, mental health.
15. What are the barriers to people who need or want financial advice accessing it?
  - a. Cost – there are no low cost providers because to provide low level or limited advice, the compliance costs and potential penalties are too high.
16. How could advice be more accessible?
  - a. This is a matter for a forum debate by financial providers that work at the coal face and not a decision for bureaucrats.
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?
  - a. If you want the Financial industry to be a Profession you need to treat it as a Profession. Industry funds can give general limited advice but should not give detailed complex financial advice. Cardio surgeon Vs a GP.
18. Could financial advisers and consumers benefit from advisers using fintech solutions to assist with compliance and the preparation of advice?
  - a. Yes but separate to the actual advice relating to the clients’ immediate needs.
19. What is preventing new entrants into the industry with innovative, digital-first business models?
  - a. Compliance
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?
  - a. There is a difference between strategic financial advice and produce advice. But there should not be more regulation but less more effective and efficient regulations.
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?
  - a. No, not to my knowledge but our business does not deal in Centrelink clients as it is too hard dealing with Centrelink
22. What types of financial advice should be regulated and to what extent?
  - a. The focus should be so called “scammers”

- i. SMSF property development groups, with related insurance and accountancy service offerings;
    - ii. “Storm” (formerly Ozdaq) identified advisory groups –
      - 1. This group had a history of similar conduct in it former like as Ozdaq which was known to the authorities but no action was taken. ASIC needs to address issues proactively and not reactively.
23. Should there be different categories of financial advice and financial product advice and if so for what purpose?
    - a. Yes – based on levels of complexity.
  24. How should the different categories of advice be labelled?
    - a. Again based on complexity and levels of experience needs to provide quality 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?
    - a. Yes – broad group advertising can be misleading. All individual circumstances are different.
  26. How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?
    - a. They should all need to be qualified the same as financial planners.
  27. How does applying and considering the distinction between general and personal advice add to the cost of providing advice?
    - a. negligible
  28. Should the scope of intra-fund advice be expanded? If so, in what way?
    - a. Yes for the benefit of members
  29. Should superannuation trustees be encouraged or required to provide intra-fund advice to members?
    - a. YES
  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?
    - a. Cannot comment
  31. To what extent does the provision of intra-fund advice affect competition in the financial advice market?
    - a. They provide a service for their members and this should be regulated appropriately as this is where the majority of consumers will ultimately go to seek cost effective advice. But the question is can the funds provide the advice cost effectively – banks have left the industry because of these risk concerns.
  32. Do you think that limited scope advice can be valuable for consumers?
    - a. Yes. It is essential. Some consumers only need or seek limited advice and do not want holistic service advice. This in itself could be specific advice to a specific issue – super contributions – how they work and can be of benefit to them.
  33. What legislative changes are necessary to facilitate the delivery of limited scope advice?
    - a. Please stop trying to legislate everything.
  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?
    - a. Good advice firms will seek to provide holistic comprehensive advice rather than limited advice as the cost to provide limited advice is prohibitive.
  35. Do you agree that digital advice can make financial advice more accessible and affordable?
    - a. Yes
  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?

- a. Limited generic advice
- 37. Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?
  - a. Yes – digital advice can be manipulated by the consumer to suit their needs without proper explanation as to the potential ramifications.
- 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?
  - a. Yes but to what level needs more scrutiny.
- 39. Are you concerned that the quality of advice might be compromised by digital advice?
  - a. Yes – more by the amount and accurate disclosure of information the clients is prepared to provide and the clients financial knowledge and understanding
- 40. Are any changes to the regulatory framework necessary to facilitate digital advice?
  - a. I would imagine so.
- 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 lic.)
  - a. The licensee
- 42. In what ways can digital advice complement human-provided advice and when should it be a substitute?
  - a. Consistence in applying advice e.g. Insurance needs analysis should be consistent across the board
- 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?
  - a. No and it could be removed.
  - b. General most adviser act in the clients best interest.
- 44. If at all, how does complying with the safe harbour add to the cost of advice and to what extent?
  - a. Again cost of irrelevant research required to justify advice i.e. investing in FRNs or term deposit offering higher interest rates over holding cash in a cheque account earning no interest.
- 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?
  - a. It would not. We should still act in the clients best interest in providing personal advice.
- 46. To what extent can the best interests obligations (including the best interests duty, appropriate advice obligation and the conflicts priority rule) be streamlined to remove duplication?
  - a. Combine into one.
- 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?
  - a. I think this is an over kill in regulating. The clients risk profile governs this and target market determination only adds another layer of documentary bureaucracy.
- 48. To what extent has the ban on conflicted remuneration assisted in aligning adviser and consumer interests?
  - a. In some aspects it was needed, and other it made no difference. Banning of grandfathering incentives was needed for the industry but the flow on effect is that the lower socioeconomic class is disadvantage as they had become used to getting free advice. Nothing in life is free.
- 49. Has the ban contributed towards improving the quality of advice?
  - a. Yes

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?
- Has seen a need for business structures to change to accommodate the ban and long term profitability and sustainability of firms
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.
- I do not see this as an issues as the industry abused this in the past. Some lower level areas of conflict should be lifted, but commission focused bans should stay in place.
52. Are there alternatives to removing the exemptions to adjust adviser incentives, reduce conflicts of interest and promote better consumer outcomes?
- I do not understand “to adjust Advisers incentives” – for what. If the planning industry is to be a profession it needs to be fee based for the relative services provided and not incentives by product providers – “back to future” we go.
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.
- The Insurance sector is a big issue. Not form commission capping but rather from Insurance companies increasing premiums to levels that are making old products unaffordable and promoting less attractive new structured offering.
54. Is under insurance a present or emerging issue for any retail general insurance products? If so, please provide data to support this claim.
- YES – seek this from the industry bodies.
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?
- Dollar size for small gifts should be lifted. I.e. lunches or bottle of wine.
56. Are consent requirements for charging non-ongoing fees to superannuation accounts working effectively? How could these requirements be streamlined or improved?
- Agree on one simple fee acceptance form to be signed by the client that is regulated in wording and adopted across the board. The clients are tired of signing the same letter over and over again because the no one body can agree what is acceptable and they are all doing their own thing as they see as appropriate. E.g. BT’s interpretation of the fee disclosure rules are different to those of Macquarie and it confuses everyone. The clients view is if I sign it once I have acknowledge my acceptance irrespective of the various forms.
  - No one is listening to the client
57. To what extent can the requirements around the ongoing fee arrangements be streamlined, simplified or made more principles-based to reduce compliance costs?
- Refer previous question answer.
58. How could these documents be improved for consumers?
- Generic wording as one across the whole industry.
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?
- It is the advisers and clients relationship responsibility.
  - The dealer group/licensee should be responsible for the monitoring compliance and auditing of the advisers compliance;
  - The institutions that provide products (i.e. Wrap accounts) should not be held responsible. They simply provide product and are not the licenced advised licensee.

60. How much does meeting the ongoing fee arrangements, including the consent arrangements and FDS contribute to the cost of providing advice?
- TOO MUCH TIME AND COST. The whole drafting and system of implementation is a disaster. And the clients who have sign the consent form only want to do it once , not 3 or 4 time because regulatory views change or new form versions are undated.
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?
- Wrap account providers are our biggest nightmare because their inhouse rule change and they continually want clients update consent even if they have already provided the FDS.
62. How do the superannuation trustee covenants, 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?
- They shouldn't. if the fees are disclosed to the client and accepted, relate to superannuation advice and relate to ongoing service, then the super fund should pay.
63. How successful have SOAs been in addressing information asymmetry?
- They are now to long and confusing for clients to comprehend.
  - SOA major requirement is that they are to be "Clear and concise". Current SOA requirements are far from providing clients with a simple clear and concise paper.
64. How much does the requirement to prepare a SOA contribute to the cost of advice?
- Hugh – it used to take two weeks to complete a SOA. Now it can take anywhere from 4 – 6+ weeks.
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?
- Have ASIC provide access to a detailed website where compliance relate information can be accessed by the consumer. Most of the information in SOAs is generic.
  - In the SOA, reference only needs to made directing the consumers to the relevant website, negating the need to detail out in full all the pros and cons etc.
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?
- Our reports are now averaging over 1120 – 150 pages;
    - Relevant client information and strategy advice can be summarised in 20 pages
    - The rest is compliance related
67. How could the regulatory regime be amended to facilitate the delivery of disclosure documents that are more engaging for consumers?
- Reduce the size. The SOA should address matters directly related to the clients. Compliance related information referenced to a ASIC website.
68. Are there particular types of advice that are better suited to reduced disclosure documents? If so, why?
- No
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?
- No – to much confusion still exists so to cover the situation and not result in any breach the fall back is to do an SOA.
70. Are there elements of the COVID-19 advice-related relief for disclosure obligations which should be permanently retained? If so, why?
- NO

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?
  - a. NO –If you want the Financial planning to be a profession then support them to be so.
  - b. FPs do not want to be accountants.
  - c. If accountants want to be FPs then let them fulfil the qualifications.
  - d. You done see lawyers want to give financial planning advice.
72. If an exemption was granted, what range of topics should accountants be able to provide advice on? How can consumers be protected?
  - a. SMSFs
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?
  - a. Limited
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?
  - a. It confuses the consumer. If you promote the Financial Planning industry as a profession you will get more consumers seeking advice rather than going without advice.
75. Are there other barriers to accountants providing financial advice about SMSFs, apart from the limited AFSL regime?
  - a. The need to keep up to date on the current facts and changes to the SMSF regulations and the broader superannuation changes which they may not be aware of.
76. Should there be a requirement for a client to agree with the adviser in writing to being classified as a wholesale client?
  - a. They do by getting their accountant to qualify them as a wholesale client.
77. Are any changes necessary to the regulatory framework to ensure consumers understand the consequences of being a sophisticated investor or wholesale client?
  - a. Yes – regulate the accountants giving the accreditation and you will see a more conscious decision by the accountants.
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?
  - a. Yes
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?
  - a. They have not. They have simply added additional layers of compliance on the advisers
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?
  - a. They are trying to lobby with the government
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?
  - a. Not really as licensee's are apprehensive for breaches and the flow on effects to professional Indemnity obligations under insurance commitments and terms.
82. Has licensee supervision and monitoring of advisers improved since the Financial Services Royal Commission?
  - a. Yes greatly

83. What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility or affordability of financial advice?
- a. Listen to the advisers at the coal face and clients. You cannot regulate for those that do not want to listen or learn.

Again thank you for the opportunity to participate in this review and I am happy to volunteer my time should you wish to seek further input from me or participate in a focus group meeting.

Yours sincerely

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