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2 December 2011

Mr Tim Bryant
Committee Secretary
Parliamentary Joint Committee on Corporations and Financial Services
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Email: corporations.joint@aph.gov.au

Dear Mr Bryant,

INQUIRY INTO THE CORPORATIONS AMENDMENT (FUTURE OF FINANCIAL ADVICE) BILL 2011-SUBMISSION

Money Solutions Pty Ltd., (AFSL 258145) would like to provide this submission in relation to the inquiry into the Corporations Amendment (Future of Financial Advice) Bill 2011 ("Bill"), and the Future of Financial Advice reforms generally. We would also like to thank you for providing us with an extension to 2 December, 2011 to make this submission.

Money Solutions supports the reforms and enshrining a best interests' duty in legislation. We are comfortable that the Bill, as it currently stands, will support the delivery and expansion of piece by piece "scaled advice". This will enable a greater number of Australians to access affordable advice.

We do not believe that an explicit "reasonableness" defence is necessary to be included in the Bill as the concept of "reasonableness" is already built into the duty itself. We believe that the duty already makes clear within each step that the process an adviser should follow only need be "reasonable" based on the client's financial needs, goals and objectives. As an experienced provider of "piece by piece" advice for many years (under S945a of the Corporations Act) we strongly hold the view that single issue advice needs to be principle based in client's best interest based on the client's needs, life-stage and level of money experience. Advice should be primarily about the client's needs and behaviours, and product should play a secondary role.

As one of Australia's leading providers of "piece by piece" and scaled advice we believe that it is important to provide the Committee with information about our experience in delivering this important service that makes a difference to retirement outcomes. As such, our comments in this submission are focused on our experience to date, the practicalities of delivering this important advice service, rather than the legal framework of the Bill, with which we are comfortable.

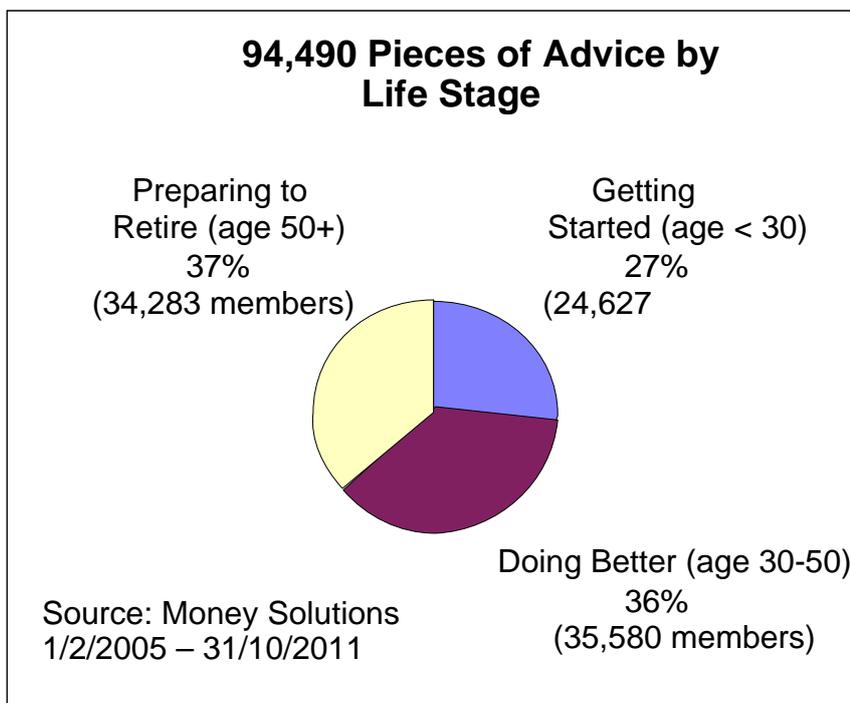
About Money Solutions

Money Solutions commenced business in 1995, but in 2004 took the innovative step, for REST Industry Super, to deliver a “piece by piece” scalable advice model to meet their members’ needs. Our business model has always been “fee for service” and we have not accepted commissions. We now provide this same advice service for nine leading industry and retail funds comprising 2.5 million members. Our contracts with Fund Trustees have always incorporated the principle of acting in members’ best interest.

In the past seven years we have delivered over 94,000 pieces of scalable advice under s945a of the Corporations Act. This advice ranges from simple single issues such as investment choice, salary sacrifice or co-contributions through to comprehensive retirement planning. We are members of ASFA, FPA and the FSC. Our Corporate profile is attached to provide further information (Appendix 1).

The Need for “Piece by Piece” or Scalable Advice

Our experience strongly demonstrates that ALL Australians need access to affordable advice on issues which are on their mind and relevant to their life stage. We call these “teachable moments” and it is at these moments that consumers will engage with a trusted advice provider. Once consumers are comfortable with the initial advice they have received and if it has resulted in them saving or making money they will seek additional advice when required. The following table, which segments the 94,000+ Statements of Advice that Money Solutions has delivered since 2005, highlights that people at all life stages require advice. It contradicts the commonly held view that younger people are not interested in advice or that advice is only required when approaching retirement.



We have attached a case study (Appendix 2) which in a practical way demonstrates how a few small changes to a person’s savings habits can make a major difference to their

retirement outcome. Our experience is backed by a significant body of research which has been conducted by the financial services industry, both in Australia and overseas, over the past three years (eg ASIC Report 224).

Most Australians do not need comprehensive financial planning advice, particularly prior to retirement. At retirement, comprehensive financial planning advice may be required and this may increasingly be the case in the future as account balances grow under a 12% superannuation guarantee system.

Money Solutions' research indicates that:

- 62% of Money Solutions customers have indicated that prior to receiving advice that they do not feel confident to make financial decisions about their super and savings. They lack the money skills and habits needed to support lifetime savings strategies and retirement goals.
- 69% of Money Solutions customers who have received advice consider themselves to be beginners when it comes to investing.

Changing Environment requires consumers to take greater responsibility

The introduction of the compulsory superannuation system over the past 20 years, requires Australians to accept greater responsibility for their own retirement savings outcomes. However, most Australians have a low level of financial literacy and regard comprehensive financial planning advice as out of their reach and only for the wealthy.

The low level of financial literacy is not because Australians lack intelligence. They simply do not know where to start, or how to get access to appropriate, low cost advice to match their money experience. Good superannuation and saving skills are like other life skills, developed through advice, practice and experience one step at a time.

The real value of single issue advice is that people implement advice one step at a time to incrementally build skills and take increasing control of, and responsibility for, their retirement decisions.

One of the challenges in Australia is that the way in which financial advice has been traditionally delivered has not served the small to medium saver and investor well. Consequently, they are disengaged, don't believe they can access advice and since the GFC their anxiety levels have been raised about who to trust in the market.

While the internet has resulted in an explosion of investment information, this has resulted in many Australians becoming even more bamboozled about their finances because they don't know how to use the information. Information alone does not change savings behaviour. Good money management skills are learned through practice and experience. This means that a trusted adviser needs to be involved in a "show you how" approach.

Payment for Advice

Whilst payment for advice is not specifically covered in the current Bill, we await the 3rd Tranche of the Corporations Amendment (Future of Financial Advice) Bill 2011 regarding Intrafund advice payment. There is currently a significant amount of debate in the

superannuation industry about whether advice should or can be paid for out of a superannuation fund's administration fee.

Our experience strongly suggests that members of superannuation funds are far less likely to seek advice or engage in the advice process if they have to pay for simple pieces of advice. They expect it to be part of the value proposition offered by their superannuation fund. For some the commission system has also conditioned the market to the concept of "free" advice.

Most members do not know when they need advice and when the advice need is identified they do not immediately understand the value that quality advice can deliver. Our experience shows that 70% of members of superannuation funds will engage in the advice process when the first piece of advice is paid for by the fund. Members need to experience the advice process and understand the value that it makes to their retirement outcome. It has been our experience, where superannuation funds do not pay for the first piece of advice, the take-up rate for advice reduces to around 20%.

Additionally, where only the first piece of advice is paid for by the superannuation fund (for example, advice on which investment strategy to choose), less than 12% of members are willing to pay for any additional advice which they may need (for example, advice on obtaining the right amount of insurance cover). This is despite the fact that the additional piece of advice generally will cost less than \$300.

It is important to note that many of the members to whom we have provided advice have relatively low superannuation balances and are on low incomes. They are not serviced by the traditional financial planning model which focuses on delivering comprehensive advice. Of the 94,000 pieces of advice we have delivered, the average annual income of members is approximately \$33,000.

Summary

As you can see from this submission we are passionate about providing access to affordable advice to everyday Australians. This is what we have delivered for the past six years. Whilst this advice has been delivered under the existing Corporations Law we are excited about the prospect that the Bill provides to make financial advice more accessible to as many Australians as possible.

However, we also strongly believe that this objective will not be achieved unless superannuation funds are allowed to pay for at least the first piece of advice for a member to enable them to engage in the advice process. Accessibility to advice would be further improved if the 3rd Tranche of the Corporations Amendment (Future of Financial Advice) Bill 2011 (covering Intrafund Advice) provides for Trustees to determine what advice services their Funds should provide and pay for to deliver better retirement outcomes for their members.

If you would like further information, or have any questions concerning this submission please contact me.

Yours sincerely
Virginia Dowd
Executive Director