National Seniors
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General Manager Retail
Investor Division
The Treasury, Langton Crescent
PARKES ACT 2600

Dear General Manager,

Proposed amendments to the Future of Financial Advice (FOFA) legislation

National Seniors is the largest organisation representing Australians aged 50 and over, with around 200 000 members nationally. We provide a well-informed and representative voice on behalf of Australians aged 50 and over and contribute to public education, debate and community consultation on issues of direct relevance to them.

National Seniors believes the proposed amendments to the FOFA legislation will remove essential consumer protection measures, exposing older Australians to greater risk and uncertainty.

The government is removing legislative provisions that embed standards of professional behaviour, transparency and accountability expected as "a given" in advanced economies.

The amendments will erode financial benefits associated with the original FOFA legislation. Rice Warner Actuaries modelling predicted that by 2027 the reforms, as originally intended, would boost private savings by $144 billion, double the provision of financial advice, and reduce the average cost of advice from $2,046 to $1,163.

National Seniors position on key amendments

1. **Removing the opt-in requirement:** *The opt-in requirement must be retained.*

Without the opt-in requirement most consumers will remain inactive. Unaware of the services they are receiving and associated fees and charges, they will not have the opportunity to determine if they are receiving value for money.

Without the opt-in requirement consumers will continue to pay for services they do not want or need.

2. **Removing the Annual Fee Disclosure for pre 1 July 2013 clients:** *The annual fee disclosure statements requirement for all clients must be retained.*

Economic efficiency and transparency can only occur when a market is fully informed; which may remove the need to tell investors how much they have paid in dollars and cents. Unless this is done, investors will have no way of knowing how much they've paid to product providers and advisers.

Annual fee disclosure statements will allow clients to view all the fees they have paid over the past 12 months and the services they receive for those fees in a format which is understandable and accessible, thus empowering them to make informed investment decisions.

3. Negotiated agreement on scaled advice: *Advisers must be compelled to take into account their clients' individual circumstances when they deliver scaled advice.*

The proposed amendment shifts the responsibility from the adviser back to consumers to assess scaled advice in the light of their individual circumstances. The amendment ignores the fact that consumers will always be the less powerful party when agreement is formed on the scope of any scaled advice.

Removing this requirement allows advisors to ignore key financial information they have about the client's circumstances and no longer obligates advisors to investigate fully the client's objectives, financial situation and needs. The proposed change will increase the risk that advice may result in negative outcomes for consumers.

***4.* Exempt general advice from the definition of conflicted remuneration:** *Advisers should be free of any real or perceived bias at all times regardless of what type of advice they are providing clients.*

Commissions by their nature have the ability to influence advisers and create a conflict between advisers providing the most appropriate advice to the client and securing personal financial incentives from commission payments.

National Seniors is open to redrafting the provision to exclude staff who do not provide advice to clients. However, National Seniors does not subscribe to the argument that general advice by its nature is less likely to influence a person's financial decision making.

5. Remove the Catch All provision in the best interest duty: *The "Catch All provision" Section 961(B) must be retained.*

Removing section 961(B) will reduce the advisers' responsibility to act in the best interest of the clients and allow advisers to hide behind a tick box exercise of a limited list of actions.

Section 961(B) currently allows the legislation to not be overly prescriptive. If section 961(B) is removed, additional steps will be required within the legislation to ensure that all possible actions are taken to guarantee that advisers act in the best interests of their clients.

Any cost savings for consumers resulting from the scaling back of the FOFA legislation will be eroded by the increased risk and loss of certainty, understanding and awareness resulting from the proposed amendments.

Given the reduction in consumer protection resulting from the proposed amendments National Seniors does not support the Future of Financial Advice exposure draft.

Yours faithfully

Michael O'Neill

Chief Executive