

BETTER FINANCIAL ADVICE CAN BENEFIT ALL AUSTRALIANS

By Blake Briggs, CEO of the FSC

Financial advice delivers a direct tangible benefit to consumers, and the failure of the current regulatory framework to deliver affordable advice on the topics consumers need is causing financial harm for millions of Australians.

Michelle Levy's Quality of Advice Review's final report, released by the Assistant Treasurer this week, has delivered the Government a comprehensive road map to delivering good advice to more consumers, within a strict consumer protection framework, at a cost that ensures financial advice is not priced out of the reach of all but the wealthiest Australians.

The scare campaign about a return to the 'bad old days' of conflicted advice that failed to put the interests of consumers first is dead on arrival as a result of the thorough analysis by Michelle and her Treasury review team.

A decade of financial advice regulation has been painful and Financial Services Council research has shown that regulation has driven the cost of providing advice to over \$5000. Reform has, however, established the advice profession that we see today - an industry that is deserving of a regulatory framework that trusts advisers' professional judgement.

Michelle analyses in detail how her approach would give advisers latitude to provide consumers advice on the topics they need, at the points in their life they need it, within a robust consumer protection framework.

The 267-page final report clinically outlines the consumer protections that should dispel the ghost of 'dodgy' financial advisers from this debate once and for all:

- Financial institutions must act efficiently, honestly and fairly in giving advice;
- Superannuation funds must act in the best financial interests of their members; and
- The law prohibits the unsolicited 'hawking' of financial products.

ASIC's new Design and Distribution Obligations are also a game changer, with financial institutions now required to design and distribute financial products only if they are likely to be suitable for their customers, and ASIC not hesitating to exercise their new powers under the regime.

Michelle also proposes introducing new consumer protections by expanding what is personal advice, and creating a 'good advice' duty to ensure advice is 'fit for purpose'. The report exorcises stakeholders that have argued the current best interest duty should be retained by pointing out that the 'safe harbour' attached to the current duty is no more than a tick-the-box exercise.

The move to a 'good advice' duty draws on the work of Commissioner Hayne's Financial Services Royal Commission and would align the advice framework with legal protections in the Australian Consumer Law.

Michelle also resolves the uneasy relationship between the financial advice industry and superannuation funds. By expanding the range of topics on which a superannuation fund can provide advice for their members, and at the same time allowing consumers to direct their superannuation fund to pay advice fees to an independent adviser from their superannuation savings, Michelle has put the interests of consumers first by allowing the consumer to decide who is best to provide them the advice they require.

Extending more choice to consumers will drive competition in the sector, and in turn force all providers to improve the quality of the services they provide, develop digital solutions, and put downward pressure on advice fees.

Taking a step back, Michelle's final report starts from a very simple first principle; that consumers make better financial decisions after having received financial advice.

There are many times in a consumer's life when they could benefit from advice, be it when they are investing their superannuation, transitioning to retirement, or taking out insurance when they buy their first home.

There are only 16,000 financial advisers in Australia, however, and about 25 million Australians. There are simply too few financial advisers to provide financial advice to all consumers that would benefit from it.

The regulatory framework urgently needs wholesale reform to deliver low-cost advice at scale. This can only be achieved by encouraging more qualified Australians to aspire to become financial advice professionals, at the same time as we encourage institutional players to invest in their service offerings and recruit and train new advisers.

The Quality of Advice Review final report presents the Assistant Treasurer with an unprecedented opportunity to fix what he has identified as the "hot mess" that is financial advice regulation. The Assistant Treasurer has been clear that he understands the frustration the industry is experiencing not being able to meet consumers' needs.

The Government's commitment to consult is an important first step now the final report has been released, but implementing Michelle's recommendations must be the priority for the Assistant Treasurer to keep faith with the industry and deliver on its potential to improve the financial wellbeing of millions of Australians.

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