MEDIA RELEASE

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FSC LAUNCHES WHITE PAPER ON FINANCIAL ADVICE

The Financial Services Council (FSC) has today released *the White Paper on Financial Advice*, a blueprint for a simplified regulatory framework that could reduce the cost of providing financial advice by almost $2,000, or up to 37 per cent.

FSC CEO Sally Loane said: "The financial advice industry has reached an important milestone, it has become a profession. It is time the Government modernised the current complex and costly regulatory framework to recognise and respect the professional judgement of advisers."

"Current regulations prescribe compliance obligations at every step of the advice process. They are an unprecedented driver of cost for financial advisers and consumers, and are past their use-by date," Ms Loane said.

The FSC White Paper recommends:

- Raising the threshold under which consumers are identified as 'retail clients' to those with assets of less than $5 million (up from $2.5 million) and index the threshold to CPI (currently not indexed);
- Abolish the Safe Harbour steps for complying with the Best Interests Duty;
- Abolish complex Statements of Advice for a simpler, consumer-focused 'Letter of Advice';
- Break the nexus between financial product and advice and remove complex labels for different categories of advice; and
- Move to sustainable self-regulation by 2030 in which prior learning and pathways, and individual registration are supported by the Australian Financial Services Licensing Regime.

The FSC's proposals would also increase protection for up to 275,300 consumers who could be reclassified as retail clients and therefore brought into the consumer protection framework for financial advice, a change long sought by consumer advocates.

The FSC commissioned KPMG to undertake analysis of the FSC's three key White Paper recommendations – abolishing the safe harbour steps, introducing Letters of Advice and simplifying the categories of advice. KPMG's modelling shows that not only will the cost of providing advice be reduced, but advisers will also have more time to spend with new and existing clients.

KPMG's analysis shows the FSC's key recommendations:

- Will reduce the cost of providing financial advice per client from $5,334 to $3,466;
- Would save financial advisers up to 32 per cent of time when providing advice to clients;
- Allow advisers to provide advice to up to an additional 44 new clients each year;
- Enable advisers to produce 2.2 Letters of Advice as opposed to 1.5 Statements of Advice per adviser per week; and
- Reduce the time required to complete the advice process from 23.9 hours to under 16.8 hours per client.

"Long-term the FSC's reforms could generate cost savings for the advice industry of $91 billion over 20 years," Ms Loane added.

"The FSC has welcomed the strong support and constructive feedback we received from the advice industry, consumer advocates and FSC members. Having led this debate with our *Green Paper* in April we now want to see the past few years of significant reform and professionalisation of the sector rewarded with a regulatory framework that trusts advisers' professional judgement."

To download the FSC's White Paper on Financial Advice please visit here.

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About the Financial Services Council

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing almost $3 trillion on behalf of more than 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world.