



MEDIA RELEASE

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AUSTRALIANS WITH COMPLEX FINANCIAL ADVICE NEEDS REQUIRE FIT-FOR-PURPOSE REGULATORY FRAMEWORK

The number of Australians with complex financial advice needs will grow by 70 per cent in 25 years – from 4.3 million to 7.2 million, however regulatory design has favoured default settings and ignored Australian consumers requiring more complex and personalised financial advice.

As people get older, their financial circumstances become more complex, due to changes to wealth, debt, and dependants, however superannuation regulation and legislation is overwhelmingly designed with simple, default arrangements in mind.

Focusing on five policy areas to demonstrate the impact the current approach is having on consumers in the superannuation 'choice' sector, new research for the Financial Services Council (FSC), conducted by NMG, recommends a regulatory approach that recognises and supports Australians with unique advice needs. The report recommends a regulatory approach that is designed on the principle that Choice products should have wider guardrails given the high level of consumer engagement and decision making.

CEO of the FSC Blake Briggs said: "The number of Australians with complex financial advice needs will grow by 70 per cent to 7.2 million consumers over the next 25 years, and the regulatory framework for consumers choosing their own superannuation and investment arrangements needs to evolve to meet their needs.

"The current 'one-size-fits-all' approach to superannuation regulation prioritises simple, default arrangements, adversely impacting the 70 per cent of the market characterised by engaged consumers making investment choices and supported by financial advisers.

"Australia's regulatory framework need to evolve to accommodate the superannuation funds, investment platforms and financial advisers that cater to Australians with more complex financial needs."

The FSC has released a framework for regulators and policymakers to consider how the current focus on default products has impeded best practice regulatory design. This includes examples of regulation that were designed with default settings in mind that are ill-suited to industry participants that cater to more complex advice needs.

"A more sophisticated approach to financial services regulation would promote competition and reduce

regulatory cost and complexity for choice products and expand consumers' access to financial products that better suit their personal needs," Mr Briggs concluded.

The research examined five areas of regulatory design that could evolve to reflect consumers and industry solutions that focus on consumers with more complex advice needs, including:

- The 'Your Future, Your Super' performance test only applying to MySuper and Simple Choice (multi-sector and broad single sector trustee directed options) and not apply to Broad Choice products to acknowledge the role of financial advisers' investment selection.
- Regulators, in enforcing the Retirement Income Covenant (RIC), acknowledging the role of financial advisers in Choice customers' decision making. RIC interpretation should encourage trustees to support member choice and acknowledge some customers have already made an active choice of product/investment option, and do not require significant further assistance from the superannuation fund.
- Consolidate the Member Outcome Assessment into other trustee obligations.
- The regulatory framework should recognise that Broad Choice product users have already set-up and chosen their preferred engagement and communication preferences with their provider.
- Fee templates should capture the range of different fee configurations allowing Broad Choice fee structures to be more easily reported and contextually interpreted by superannuation members.

The full report can be accessed on the FSC's [website here](#).

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About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing more than \$3 trillion on behalf of over 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 one of the largest pools of managed funds in the world.