

My possible solution. (although I acknowledge that this process does not comply with ASICs advice requirements)

In partnership with ASIC, Money Smart and only being available to advisers with A rated audit ratings, we have a carve out from the personal advice process to address the multiple funds consolidation.

Licensees need to approve advisers for the program based on their compliance record. Not the advisers that provide a lot of product inflows to their products, the advisers that have good compliance records.

ASIC and Money Smart provide the online framework to address the advice issue to consolidate multiple funds.

The process is only available if the advice results in consolidation into 1 of the ASIC top 10 funds.

The top 10 funds need to allow a legislated advice fee to be paid to the adviser from the clients account. The fee is set by ASIC for this advice.

The online framework allows clients to download a fund fact find that they complete all the questions prior to our meeting. All funds need to make the required information easily available.

We then meet with clients and their information and discuss the benefits and issues with their current funds. We compare them to the ASIC top 10 and provide a recommendation in that meeting on which fund the client should use.

The client is then left to contact the recommended fund to arrange the rollovers.

The online framework can have questions and fill areas where we complete the discussion points with the client in the meeting. It does not allow the next step until an answer is recorded.

It can have a product replacement table that is pre filled with the funds fees. We enter the clients account balance and options and can complete a product replacement table there and then.

This can then be emailed to the client, ASIC, the licensee and the adviser. The client can retain it for their records. ASIC and the licensee can use it to conduct spot audits of the advice, and the adviser can retain it for their compliance.

I would also extend it slightly to include a section about retirement funding. We as advisers could simply walk the clients through a Money Smart projection calculator that shows the value of salary sacrifice contributions (or co conts) to their retirement income and longevity funding. It will help them identify the issue and may help with retirement planning.

It doesn't address the insurance issue. I don't know how to fix that. Apart from full (time consuming and expensive) advice.

The online system can produce all the paperwork and guidance required. ASIC can update it whenever there are changes.

To me, the model feels a little like going to a GP, and they make notes in their system, and then give you a solution on the spot. It will take some brave thinking from ASIC to reduce the compliance work, and that's why I say it's limited to advisers identified by the licensee with good audit records.

It would provide a great benefit to members who would end up in lower cost, better performing super, giving them higher retirement balances. It would reduce some of the Centrelink age pension reliance.

It would allow ASIC to pre vet the funds that best provide benefit to members.

It would create competition and innovation from funds to get onto that top 10 list. The conflict is removed from licensees, funds and advisers to select the fund. It's based on ASICs advice.

If you look at it at a worse case scenario from ASIC's point of view, it could result in advisers targeting the class of member you identify as being let down and taking them through the advice process to consolidate them into a top 10 fund. Wouldn't that meet the concern of the commission?

I agree clients usually benefit by consolidating accounts into a single super fund. Although purchasing a license through Charter (AMP) my preferred super platform is owned by another bank. I can build a diversified portfolio for a 70% growth asset exposure for around 0.55% total fee. For pension clients using a cash bucket for pension payments, this can get to around 0.4% total fee.

The performance of client accounts (net of my advice fee) usually sit in the top 10 returns that are outlined in the Super Ratings website.

The biggest concerns for fund consolidation for me are;

1. Exit fees (including buy sell costs) and capital gains tax. Your proposal to offer CGT relief and limiting exit fees to cost recovery will help.
2. Insurance. Many members with many funds accumulate small (\$70,000 of life / TPD) insurance in each of these funds. When providing advice to these members I need to review each insurance offering and determine which one to retain for a client, or to retain all of them if the member is uninsurable. This is probably the most time consuming part of the advice process and I feel funds provide automatic acceptance insurance to members to trap them into the fund. It's too hard to review / replace. This is where any program designed to consolidate multiple accounts will need to spend a lot of work. Perhaps 'takeover terms' for any fund for all the cover the clients rollover? I don't know. And any fund in the top 10 can't have cancellable insurance.

3. Advice costs. For a client to walk into my door to finally have the advice researched, a statement of advice written and then explain it to the client will take us between 25 and 30 hours. I can't justify a client with \$40,000 across 4 funds to pay me for that when they are likely to save the \$72.50 annual member fee. (0.9% fee across 4 funds is the same as 0.9% fee across 1 fund.) This is why those most at risk are being let down by super.