



28<sup>th</sup> April 2014

Committee Secretary  
Senate Economics Legislation Committee  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

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Dear Dr Dermody

**Re : Inquiry into the provisions of the Corporations Amendment  
(Streamlining of Future of Financial Advice) Bill 2014**

Thank you for the opportunity to comment on the proposed amendments to the Future of Financial Advice (FOFA) legislation. If implemented these proposals go a long way toward making financial planning more efficient and effective, allowing greater access to advice for ordinary Australians.

I would comment as follows :

1. **Opt-In.** I fully support the removal of this provision in the legislation. It is very costly to produce and administer the Opt-In notices, and I believe it is ultimately dangerous.

If a client does not acknowledge they wish to continue receiving services then they are assumed to have "opted out" and must be removed from our care. In our experience, clients often ignore "paperwork" (in whatever form) and it takes considerable resources to follow up.

The danger is that a client may think we continue to monitor their situation whilst in fact we do not have the authority to do so. Although they may be at fault for not returning the paperwork, the result can be disastrous. This is not in the client's best interest.

Finally, there is a considerable amount of compliance required when both opening and closing files. Accidental opt out will become a costly exercise.

Given all these issues, it would be better to educate the public to "opt-out" if they do not want to deal with that Planner.

2. **Fee Disclosure Statements.** In my view the restriction to apply these to clients from 1<sup>st</sup> July 2013 does not go far enough and it should be removed altogether.

We had been prepared to send out the statements as per the legislation on 1<sup>st</sup> July 2013 however ASIC granted a six month period under which the appropriate systems could be developed, delaying the implementation date to 1<sup>st</sup> January.

The shock came during the training period for the new software and legislative obligations.

The amount of time needed to prepare such a statement is more than anyone thought - I had previously costed out the process at \$110 per client per annum. Our experience to date indicates that this will be much higher as every statement has to be individually processed. Again, these costs will have to be passed onto the client.

The cost of financial planning in Australia is skyrocketing. The objective of the legislation was laudable (to provide greater access to advice) but the outcome is far from it. Instead of working with clients to address their needs, we are spending more time on administration that our clients do not appreciate or feel the need for. We are already fielding complaints about the amount of paperwork that has to be signed and it does slow up the advice process itself.

It should be noted :

- (a) The client receives disclosure of our ongoing fees in a range of documents :
  - . Statement of Advice.
  - . Record of Advice (relating to ongoing advice and service).
  - . Product provider statements which are sent to the client anywhere between quarterly to annually. Adviser service fees are clearly outlined in these.
- (b) The development of a clear and concise disclosure table has been in force over recent years. In the drafting of FOFA legislation this fact was neither acknowledged nor recognised as being a significant step forward to eradicate the closed nature of commissions.
- (c) The more paper a client receives, the less they take notice of what is on it. We found this with the development of the Statement of Advice.

If you look at the Storm model, they actually charged very high up-front fees and not very much ongoing and therefore would have hardly been affected by this provision.

3. **Catch-all Provision.** The removal of this is essential if any scaled advice is to be achievable.
4. **Scaled Advice.** If we are to make any headway into providing cost effective advice, then scaled advice is at the heart of it. We tend to move to "full advice" in fear of missing out something that the law says we should address.

On behalf of both clients and financial planners I urge you to allow the financial planning profession to be "open for business" rather than drown in the morass of administration without a positive outcome for any of the parties concerned.

Please advise me if you would like to discuss this further.

Yours faithfully

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