Inquiry into Financial Products and Services
Submission by Charles Hugh Bannister, Chairman, Optimo Financial Pty Limited
13 April 2009

1 Introduction

The contact details for the author of this submission are:

Charles Hugh Bannister
Chairman, Optimo Financial

This submission relates both my personal experience as a client of the financial planning industry and also so provides some observations from my experience attempting to establish and licence a financial advisory firm, Optimo Financial Pty Limited.

My personal story with financial planners is far less colourful than the horror stories evident in most of the submissions to the Inquiry published so far. Nevertheless, I have since been able to view this experience from the angle of a potential service provider. These insights may prove helpful to the Joint Committee.

The Attachment to this submission is a narrative of my personal experience with financial planners. In the body of the submission that follows I will summarise the relevant parts and go on to talk of our experience with trying to establish and licence Optimo Financial through ASIC. Some commentary on the Inquiry's terms of reference will be made in this process. They are drawn together in the Conclusions to the submission.

2 Background

I am married, 65 years old and still working with Intelligent Energy Systems (IES), a business I established in 1983. IES employs about 30 people and works primarily in the energy and financial sectors (the latter through two subsidiaries, Intelligent Financial Systems and, most recently, Optimo Financial). Our recognised strength is mathematical modelling applied across our areas of interest. IES and its subsidiaries have undertaken numerous assignments and develop and sell software products and services in those sectors that build on that strength.

3 My Experience with the Financial Planning Industry as a Client

About 10 years ago I (with my spouse) began to take my retirement needs a little more seriously; rather late but perhaps not unusual for small business people. I have learned a lot in the interim. While I have not been burned as badly as many in the last few years, the story I outline in the

Attachment to this submission makes it clear why I think that the great majority of financial planning clients do not get value for money, even though they may not be aware of it and they do not experience the total disaster generated by outfits such as Storm Financial. Some key points:

- Around 2004 my super and investment affairs were, without asking me, passed from my accountant, whom I knew and trusted, to a stock exchange listed financial planning firm whom I did not know or trust, given that they are obliged to look after their shareholders rather than me. My reservations were subsequently proved valid. I subsequently learned that the driver for this inexplicable change was new industry regulation, regulation that was clearly detrimental to my interests.
- From the outset I have always asked for and I believed obtained a fee for service arrangement, but discovered only later that my fund was paying the planning firm trailing commissions. On this matter I was deceived and lied to.
- When I was passed to the new planning firm, the first recommendation was that I should change funds and go with a "wrap" provider. I was suspicious of this (fearing new exit and entry fees and higher or hidden ongoing fees). The Statement of Advice that was eventually provided to support this was a weighty tome daunting to even a literate reader, and never explained to me. When I eventually went through it in detail I found that all the lower fees from the fund would have been transferred as increased fees to the planner. When I questioned this, the planner immediately offered to halve his fees. I lost faith at this point and declined the change, but otherwise left things as they were as I knew I would need to set up a pension soon.
- When I sought to set up a transition to retirement pension in 2007, I was told that:
    - A fee for this service would be charged, even though the firm had been receiving trailing commissions for many years without providing any service
    - The firm could not turn off the trailing commissions.

  When I checked with my fund I found the latter was simply untrue. Further, I discovered a simple request to "group" my spouse's and my own account could have been saving fees fund and adviser fees and trailing commissions of the order of 40%. After my complaint, the firm eventually agreed to refund the additional part that they had received as a result of the failure to advise me of the potential 40% saving, but not the additional amounts that I had paid to the fund or the trailing commissions they had otherwise received. Both my accountant and my financial adviser were involved in setting up our pension and I get the strong impression that regulation was forcing me to pay twice as many people as necessary to get this job done.

My spouse and I now have our own super fund and manage our own affairs with the advice of our accountant only. I have an arrangement to seek ad hoc advice from the planning firm, but I see no benefit in it, as all the evidence of the past few years clearly shows that advisers are typically hopelessly compromised when advising on investments, in ways that clients are never aware of.

To be fair, I do not believe the advice provided by the planning firm was ever reckless in my case; in fact, it was even in retrospect rather too conservative for my situation. However, the service provided was at many levels rather indifferent to my specific needs and opportunities or, rather, completely absent, despite the trailing commissions being paid and received. Further, as people at the latter stages of a moderately successful business career, my wife and I had above average financial assets; we got the clear impression that we and others like us are regarded more as milch cows than as valued clients to be well serviced.

4 My Experience with Setting up a Financial Planning Business

As I started to become more interested and knowledgeable about my retirement strategy, I became aware that managing my personal financial affairs can be quite complex if done well. I have a great deal of respect for the task that financial planners and advisers perform, if they do it well and cost-effectively.

First, there is a great deal of uncertainty about my future situation; my income, my expenditure needs and wants, how long I will live and what else might befall me and my spouse. Then there is a great deal of uncertainty about the world at large; the economy, the returns on various investments and government rules and regulations, not to mention the uncertainties in my business.

Next, the rules and regulations governing super, retirement and pensions, family benefits, taxation and a host of other things such as savings grant schemes and student loans are *really complicated*. I discussed these things with my mathematically inclined colleagues and they not only agreed, but related similar experiences to mine about the quality of advice they felt they were getting from their financial advisers. I looked around at my family, and found that my sister was about to sign up to Storm-like scam involving a heavy mortgage, wildly optimistic share returns and fat adviser fees. I advised her against it, finding out only later that I was at risk of being jailed for providing financial advice without a licence. Just as well I went ahead and advised her anyway, as she would financially destitute by now if she had followed the advice of this licensed operator.

About three years ago, I decided we should develop a prototype system to be produce an optimised financial plan given a person's (or couple's) current assets, future income and expenditure expectations and life goals, taking account of the constraints and opportunities provided by the complex rules that apply. This would go beyond producing the few rough scenarios that planners currently turn out with the standard "suck it and see" approach using existing planning tools. Keeping risk at an appropriate level is a key part of this approach.

However, it is not the aim of this submission to describe exactly what this system does. We now have a working system and our approach will be tested in the market place. We first envisaged that we would simply sell our package to interested individuals, such as those who want to manage their own financial affairs and who run self-managed super funds. After some legal advice we found we couldn't do that without an FSL. In fact, we couldn't even run a website without an FSL. So we determined early on to get a licence and I will describe that year-long adventure in the next section. The Committee may also be interested to know what we learned about the industry as we set about researching and developing our business plan.

We first approached the major software suppliers to the financial planning industry with the idea that, if they tested our tool and found it better, they could incorporate it into their own suite as a module. They were not interested, even to look. Fair enough, that's business.

We then approached the major users of such software – major and secondary banks, large planning firms etc. Again, the door slammed shut, but not before our hearing a few new terms and learning of the current priority of these businesses. It certainly wasn't improving the quality of advice given to clients. The emphasis was on something called "straight through processing". That is, software and systems that takes a client who walks in the door and delivers them efficiently into the bank's product line, ensuring ASIC compliance on the way. The lack of interest in tools to produce a quality strategy and the emphasis on tying the customer into specific products was an eye-opener to us and a rather depressing prospect for innocent customers, if they only knew. The upside was an opportunity for us to gain market share by offering a much better service.

Next, we researched and spoke to some smaller planning firms. We were surprised to learn how many were tied to big banks or other product providers, even though they might maintain a shopfront with a different name. They used the parents' tools and philosophy and most were not interested even to look into our offering. OK, that's also a business challenge for us.

Other submissions to this Inquiry have pointed out that it is not clear which of the people and firms that call themselves financial planners and advisers are really nothing other than product salesmen. Indeed, it seems that the whole industry is consolidating towards being just a distribution channel for the banks and other large financial institutions. And they seem to have no trouble being ASIC compliant as they go about this conversion. The danger here is not that they will incubate disasters such as at Storm; their strategies will look reasonable despite being mass produced. The real danger is that customers will be herded into the parents' products and milked, slowly but systematically, under the illusion that the ASIC licence of their adviser is some sort of a guarantee of good, or at least adequate, advice that is in the customer's best interests.

5 Optimo Financial's Experience when Dealing with ASIC

We realised early on, after legal advice, that the simple act of selling a financial calculation tool and running a website to promote it would require us to obtain an ASIC Financial Services Licence. We seriously set about this task around April 2008. We sought legal advice and also hired a firm experienced in the process of nursing through FSL applications to assist us in this process.

As a result of our market research our business plan was still evolving, so we determined to get a licence that would cover us for the activities we *might* need to undertake as well as the activity that was the proposed core of the business. In essence, to demonstrate the power of our software and as a basis for building a business, we determined to become a financial planning house, with the emphasis on providing strategic advice. While we could recommend on asset classes for investment, it was not our intention to focus on specific products, and certainly not to accept commissions from them – we would be a fee for service business. Later, there may be scope to sell our software to other parties.

While we have a chartered accountant in house and highly knowledgeable people versed in tax calculations and financial analysis, we did not have direct experience as a *provider of personal financial advice;* our professional experience was with corporate finance. Other than that, our direct experiences with personal finance were as dissatisfied customers.

Therefore, to round out the initial skills required in our small business we determined to search for and recruit a person:

- qualified and experienced in personal financial planning who would fit the criteria ASIC required for a Responsible Manager (RM), the person responsible for maintaining compliance in the organisation. We saw this as being a single person at the launch of the business, but it could rapidly evolve into a separate position;
- who understood and was sympathetic with and supportive of our aim of providing quality, fee-for-service strategic advice with the aid of our newly-developed analytical tool *Optimo Pathfinder* ; and
- whose initial remuneration requirements were acceptable, given the business was a start-up.

This search, and the process of getting ASIC to acknowledge their suitability as RMs, proved to be a challenge far beyond our expectations.

We advertised initially in an international newspaper and received a range of responses. We were struck by the extravagant remuneration packages expected from people who were only qualified as RMs with little or nothing in the way of independent academic achievement. A good number immediately lost interest when they learned for our fee-for-service rather than commission-based model. In fact, some of the short-listed candidates from our first effort also managed to fail the checks that would satisfy ASIC as to their suitability as RMs, so we advertised again. The pickings were equally slim second time around, but we were impressed by a knowledgeable and enthusiastic younger woman who immediately understood the power and utility of our software tool to provide strategic value for the client and ensure compliance to the spirit as well as the letter of the regulations.

With the help of our adviser we checked out her qualifications and experience and we determined that she met ASIC requirements, which were a suitable qualification as well as 3 years experience as a financial planner. On this basis, in mid December 2008 we submitted our application for the licence with our proposed new recruit nominated as our RM. That is when our problems began.

After some period we were advised that while our proposed RM was qualified, she was not experienced and would not pass the test to be an RM. We queried the basis for this; the reason was that her qualifications came less than three years ago (closer to two in fact), so that her experience working as a planner under supervision prior to that simply did not count. This in our mind, and in the minds of our advisers, was an arbitrary and unwarranted interpretation of the published guidelines for experience, which make no mention of the experience having to be entirely post-qualification. For example, doctors are required to get experience before they become fully qualified. We spent a great deal of time, energy and expense in arguing this fact but to no avail, we were eventually advised formally (after several months of delay) that our application would be refused, but we could request an ASIC internal hearing by a senior ASIC delegate independent of the initial assessment.

We went through the delegate hearing process, again wasting time and money but to no avail. We then proposed an option where a known and experienced RM would advise us on a part-time basis. ASIC had made it clear that they did not like such arrangements as the RM needed to be focussed on ensuring compliance within each business. But they had approved it many times before, so we went ahead and re-applied with such a person. We preferred someone in house also but they would not accept our nomination and we had no other acceptable candidates; lots of knowledge and experience but not of precisely the right kind for ASIC.

At this time, ASIC staff began asking for increasingly detailed justifications. Please provide a schedule as to what this new RM would be doing for the period until our own initial nomination magically became suitably experienced in about 9 months time. We submitted a broad plan. Not good enough – please detail it hour-by-hour. In my 25 years running a consulting business I had never seen such a request; I know lawyers do it but only so they can charge everything out; we always do fixed price work. But we put something together and have since been advised that, subject to paperwork being completed, we will get our licence.

My business (the parent of Optimo Financial) is big and ugly enough to ride through this and I am quite prepared to wear setbacks and disappointments as they are part of building and running a business in Australia. However, such a bruising experience with ASIC at this time does raise some questions.

First, the process of getting an FSL to provide basic strategic financial advice took Optimo Financial around 12 months. This was infinitely more demanding and time consuming than setting up the company itself, for example, and it must discourage all but the largest operators. Even with only a small establishment team on the job, the direct costs and delays from the licensing process cost us at least $500,000. Of this, at least $200,000 was to do with ASIC's arbitrary interpretation as to whether 9 months of experience was good enough. And of this amount, the last $100,000 was, by our assessment, due to sheer ASIC bloody-mindedness.

One cannot help to observe that a big bank, whose sole aim is to set up distribution channels for the products with a focus on "straight through processing" of their clients into these products, would sail through the ASIC licence application and compliance processes without a query. In fact, we got the distinct impression that ASIC would much prefer to deal with the big operators; the small guys are more difficult to keep an eye on. Better to let clients be milked slowly and surely by the big operators, as long as it's unspectacular.

On the subject of matters spectacular, we note that ASIC now has a whole section of its website devoted to the Storm Financial mess, all too late and all too useless. But where was ASIC when this abomination was building up steam? During our FSL application, we were told by our advisers that ASIC would be looking for "trends"; our analytical software might be regarded with suspicion on that ground. According to the submissions to this Inquiry, Storm was certainly on a trend; leverage every client to the max, often dishonestly and regardless of their circumstances, and take the credit and the fees while the market boomed. This was always a crazy strategy; a trend *par excellence* that went on for many years, but where was ASIC? Perhaps they were too busy chasing down suspicious small FSL applications such as those by Optimo Financial.

6 Conclusions

Even a casual observer must conclude that the regulatory system surrounding financial planning is broken. In fact, it was always broken; the worst effects hidden by the long boom. More insidious then the spectacular disasters is the gradual erosion of client wealth caused by rapacious and often careless or indifferent advisers seeking long term trailing commissions or inflated up-front fees. This is not to deny that some advisers are capable, conscientious and professional, but a worrying small minority they are.

The worst offences have been and are perpetrated by holders of ASIC licences (FSL). Yet much bad advice stops short of being catastrophic. The evidence in the submissions to the Inquiry highlights the fact that these licences give clients an entirely unwarranted sense of security. The regime has had the further insidious effect of excluding accountants from the planning process, even though they are fully trained in most of the relevant matters (or could easily be upgraded) and most have long demonstrated a sober and conservative approach to their clients' interests under a fee for service business model. Why should most be excluded from providing financial advice because of the regulatory burden, a burden which has demonstrably failed to protect many clients?

Following is specific comment on the Inquiry's Terms of Reference.

1. The role of financial advisers;

Clients should be able to clearly distinguish professional financial advisers from those who are product salesman wearing a financial planners disguise. Current ASIC licensing is a very good disguise that also acts to drive small, independent professional advisers into the arms of product sales organisations.

2. The general regulatory environment for these products and services;

This is clearly in need of a complete re-think and overhaul. Some regulation and licensing to ensure basic client protection is clearly necessary. Other than that, there is too such focus on giving smaller operators a hard time and not enough effort into following up evidence of systematic fraud or recklessness.

3. **The role played by commission arrangements relating to product sales and advice, including the potential for conflicts of interest, the need for appropriate disclosure, and remuneration models for financial advisers;**

Inquiry submissions and my personal experience suggest that clear disclosure of commissions is honoured only in the breach. On the surface, accepting commissions promotes a clear conflict of interest. On the other hand, if a large organisation determines not only to provide good professional advice to its clients but also to provide low cost products that suit a wide range of client needs, it can hardly be criticised. No doubt there are examples of good service combined with good products out there, but there are plenty of bad examples as well. This is a difficult but critical element for the inquiry to address.

4. **The role played by marketing and advertising campaigns;**

Clearly, a regime that hinders new entry and competition is not to be entertained. However, there are TV ads out there that are, at best, misleading for the unwary. These include promotion of trading in CfDs as a reliable way to make a lot of money.

5. **The adequacy of licensing arrangements for those who sold the products and services;**

As argued in this submission, our experience is that the regulations act to harass and discourage small independent operators and give the big operators an easy ride, even though they may be far more rapacious and compromised by product sales. The focus of existing regulation is entirely on process and not at all on outcomes.

6. **The appropriateness of information and advice provided to consumers considering investing in those products and services, and how the interests of consumers can best be served;**

Most products have their place and more disclosure does not necessarily leave a client any the wiser. A more fundamental requirement is to ensure that a client's overall strategy is suited to their needs. Maybe there should be a requirement for all strategies to be "stress tested". Clearly, Storm's strategies would never have passed pass such a test. As I understand it, Storm's focus was an indexed share funds which are of themselves good products. An additional mortgage and even a margin loan can make sense for an investor with a long investment horizon. But the way these were packaged up, many times dishonestly, in a way totally inappropriate to client needs, did the real damage.

7. **Consumer education and understanding of these financial products and services;**

A Good Thing, but what about all the other good things to learn about?

8. **The adequacy of professional indemnity insurance arrangements for those who sold the products and services, and the impact on consumers; and**

PI Insurance is required for a licensed adviser. I don't see why honest and conscientious advisers should have to subsidise the insurance policies of the shonky operators. Best to weed the shonky operators out at root. One way to do this could be a procedure to randomly check the quality of advice given to a firm's clients.

9. **The need for any legislative or regulatory change.**

A complete overhaul is necessary. The focus should be on the quality of advice given and not procedures and arbitrary and irrelevant rules.

Attachment: Why Are We Doing This? (Setting up a Financial Planning Business)

One Couple's Journey in the Company of Financial Planners: What Can We Learn?

Hugh Bannister

26/12/2008

1 Introduction

I have for the latter part of my working life run a small business in a professional area, developing software and providing advisory services for the energy and finance industries. Like most who do such things, I've been so busy and pre-occupied with running the business that I paid relatively little attention to my personal financial affairs until late in my working life. There was never much cash to spare anyway; it all went back into the business.

So I'd like to tell you a little of my wife and my personal experiences with financial planning and planners, mostly over the last decade or so, not because I think this experience is unusual, but because I think many will relate to much of it. It's not a disaster story, but it's not a great ad for the personal financial planning profession, either. The key message is; take a close interest in your own financial future because you are the one who must live with the outcome.

2 Setting Out

My first job and my studies in the 1960s were with CSR, a venerable sugar company who took a benevolent attitude to loyal staff, undertaking to train and take care of them for life if they served the company faithfully. Unfortunately for them, many of their baby-boomer junior staff did not return the loyalty and moved on quickly, after completing their studies, to more exciting opportunities, myself among them. I realised I was leaving what was offered as a financially secure future, but I wanted adventure!

Adventure I got over the next ten years or so; including marriage and a stint working for government in Canberra. Financially, I stayed afloat but didn't save much, or anything to speak of, really. In my bachelor era I do recall a knock on the door one evening and politely letting in what turned out to be an AMP salesman. He asked and I answered some rather personal financial questions and announced after about 10 minutes that "if I were in your shoes, I wouldn't be able to sleep at night!" Being impecunious at 25 did not strike me as so shocking, so he was quickly shown the door.

Moving to Sydney, I started my business in 1983 but of course it was slow to start with, and I slowly sank into debt. I took out a loan secured by my house (that house turned out to be a good investment) just before interest rates rose suddenly to 16% or thereabouts. The borrowed cash disappeared quickly paying overdue bills and wages. For the next few years I struggled to pay the interest charges and stay afloat.

The accountant who regularly did my books was polite and soft-spoken, but one year told me quietly "I'm surprised you haven't committed suicide!" This pulled me right up, not least because I was reminded of my youthful escapade with the AMP salesman. But also because I knew things were bad, but were they that bad? I guess I always had confidence, or at least hope, that things would turn around.

As it turned out, they did. What happened was that there was a growing momentum in the country towards financial and business reform, and a key part of that was the energy and finance sectors. These were the areas we worked in, focussing on mathematical modelling and optimisation of complex systems. With my energy background and the research I had done in the field, we were pretty much at the centre of the electricity sector reforms that began from the early 1990s. And the business gradually started to prosper and grow with it.

But this did not mean I had any cash to spare; as always, it all got ploughed back into the business to pay for salaries, larger premises, equipment, insurance; the list of things to spend it on goes on. My implicit hope was that, when the time came, the business would somehow be able to support my retirement needs. But I barely had the time or energy to dwell on it.

3 Enter Compulsory Super and Financial Planning

Then, along came Paul Keating and compulsory superannuation. Well, it actually started before this, but by around 2000 was becoming pretty significant. The business had to adjust to this new reality. I can't recall how I handled my own contributions – they were so trifling to begin with (matching the extremely modest salary I paid myself at the time) they may still be floating in cyberspace, although my accountant later assured me that all is now tracked down and in order.

After a while I realised I should focus on more on what was happening with my nest-egg and I had I called in my accountant. We agreed I should set up a new super fund in an established institution, ASGARD in this case. He had the forms with him. I said I didn't want any adviser (namely, my accountant) creaming off percentage fees; I wanted to pay for advice on a fee-for-service basis. Fine, he said, just tick the box in this form. I looked. It said "Refund advisor fees to account" or something like this, so I ticked it and thought that was all done and dealt with.

Somewhat later I was looking at my fund statement and I noticed an entry "fee to adviser" or some such, which was now starting to get quite significant. I then recalled I hadn't seen any explicit line entry for advice fees on my accounting bill. What was going on? I confronted my accountant. He looked uncomfortable and muttered that the fees from the fund more or less covered the fees he would have charged. But I ticked the box! He ducked and weaved. I never did figure out what happened. Perhaps he didn't get up front fees but got trailing commissions instead. I didn't tick a box for that. I felt somewhat misled. But I didn't have the energy to pursue it further.

Then came another life-changing development. We had won a big job in South East Asia, which required me to spend half of time there over the next four years or so. I was in my later 50s at this time, so I thought I would use this opportunity to pay myself a decent salary and build up my super, taking advantage of some tax concessions that were on offer for extended periods of overseas work on government aid jobs.

Around this time (I may not have this sequence quite right), my accountant called and said that there were some new rules that meant it was too hard for his firm to keep managing my super affairs. They could advise me on tax and things but they could not provide financial advice. I didn't quite get this, but went with the flow. My super affairs had been passed to a financial planning firm, which happens to be listed on the stock exchange. I felt uneasy about this. A public company is obliged to maximise the wealth of its shareholders. I felt more comfortable dealing with an accountant, to whom I paid a fee to help manage my affairs. At least, that's what I wanted, but it didn't happen with my accountant and it wasn't happening here. But inertia won again, and I went with the flow.

My new adviser came to visit my wife and I one evening, to set us on a new path. He was a pleasant man in a well-cut grey suit. He announced that my existing fund was no good; the fees were too high. He said we should move to "wrap service" – I think it was with Macquarie Bank. I didn't know what a wrap service was although I gathered it did allow you to nominate what you invested in, had pretty nifty reporting, not that my simple investment strategy needed nifty reporting. If it had lower fees I knew that could be important for our long term returns.

But, hang on, what was my previous adviser doing, putting us in a dud fund with fees that were too high? My new guy charged on. We should move out of shares and into cash (this was in the early 2000's). That's what their research team had found. Finally, we should not put too much into super because the government kept changing the rules; they had to screw more cash out of super to fund the baby boomers in retirement. Best to hang onto your money outside.

Under the new financial service licensing rules (apparently, the ones that had scared off my accountant from the business) we had to be furnished a formal Statement of Advice about all of this. It duly arrived after a few weeks, about 2cm of dense material. We looked though it and blanched and we said we needed more time to absorb it. The adviser offered to come out to explain and urged that we sign up to the recommended changes as soon as possible. I played for more time.

As is the way of things, I was busy at the time and didn't get around to taking a close look at the Statement of Advice until some time later. After close study and comparing things with my old statements, that nature of the advice became clearer. Yes, the fund fees were less, or so it seemed. But these savings would all be absorbed by additional direct fees to the advisory firm – pretty much to the last dollar! I had to believe that the investment research team at this advisory firm would deliver me better results than the research team at ASGARD. Why should I believe that is the case? I told my adviser that I couldn't see any clear cut advantage in this change for us, although I could see an advantage for him. He went on: "someone with your level of assets should be paying fees of this size".

I continued to express scepticism as I was inclined to keep my investment strategy very simple and long term; I didn't need to be jumping in and out of dodgy investments. He immediately offered to halve his own fees. After all of this, such an offer did not improve my level of comfort at all. I told him we'd think about it but, for the time being, we'll stay invested where we are, thank you very much.

Inertia won out again. I began my work in Asia and we started to accumulate a bit of spare cash which we thought we might put into super but, bearing in mind the advice we had about possible unfavourable changes, we wanted to think about it. What do with a bit of spare cash for a relatively short period? The bank advised a term deposit. A modest rate of interest, but the term was not too long. But after a while we needed to put more away (not a huge amount, but enough not to leave in a cheque account). Another term deposit, then another. After while they started to mature and, if we hadn't got around to telling the bank what to do with each and every one of them, they rolled it over into another term deposit, invariably at a pitiful interest rate. It was a mess.

Then my daughter told me about ING's Savings Maximiser. This is not an advertisement for ING, but what a brilliant idea! A fair interest rate, complete freedom to move cash in and out, no minimum deposit, no fees and interest calculated daily. Sure, ING makes a margin somewhere, but someone at ING actually thought about the needs of customers! Needless to say, the other banks have followed suit, as they had to, but still can't resist imposing some extra conditions – enough to make life difficult.

I digress a little. When the bulk of my Asian work finished in 2006, Peter Costello announced the government's super changes. As my adviser had warned, super was indeed changed by government – to make it much more attractive. By this time I was working with my colleagues on the Pathfinder personal finance optimiser idea, which I'll be talking more about later. But at this stage I had a better idea of what super was all about and it was clear my wife and I were both ripe for transition to retirement pensions, which would be tax free from July 2007.

Around May 2007 we visited our financial adviser whom we had not contacted for a few years, nor him us. We simply wanted him to review the broad strategy and look after the administration of the conversion. My wife and I met him in his plush city office. No doubt in his mind about the strategy. Now to implement it. He started to talk about fees for doing that work. Alarm bells were going off in my head. Wasn't he already collecting commissions from my fund, just like my accountant was? I enquired politely. He responded immediately "We're a fee for service firm, that's the way we prefer to work to avoid conflicts of interest." That's fine and I like that idea, but what about the commission's you've been collecting? "Sorry, the fund doesn't allow that to be turned off".

He continued on the earlier discussion for a while and then he paused, noticing the steam issuing from my ears. "OK, I see you're not happy about that, so we'll set up your pension for free (ha!) and we can formalise a long term advice agreement after that." I felt unprepared to take it further at the time so we discussed and agreed the next steps and we took our leave.

I was not satisfied. Rudely awakened from my earlier slumber through what was going on, I went to the fund website and searched for the rules about fund fees and adviser commissions. I eventually emailed for help and quickly got a polite and informative reply and a link to check out that had further information. Yes, the adviser commission can be turned off; all he has to do is ask and it will be done. I poked a round a little more. There was the usual sliding scale of fund management fees – high percentagewise for small amounts invested but declining (percentagewise) for larger amounts. At this stage I was edging up into the lower (percentage) fee brackets; still a hefty sum for each of myself and my wife.

Then something leapt out. There was a family option; up to three family members could combine their accounts for fee purposes. In our case, that meant our fees would be cut by about 40%. That's right, 40%! And, as the adviser gets a cut from those fees, his fees would be reduced also. This is not offered as a matter of course. How do you get it? "Your adviser can apply for it on your behalf." Hmmmm.... No wonder he hadn't noticed.

Did we deserve this? We had rebuffed earlier advice because it struck us as self serving, but did we deserve such obvious indifference? After all, his firm was still happily banking cash pulled straight from our life's savings. He should at least spend an hour or two every year checking things out for us. All this ended up in my email and must have jumped out of the screen on arrival on his desk, because I got a quick reply, apologising profusely and promising to refund all that had been received as a result of a lack of attention to my affairs. That was only a fraction of our loss, which amounted to tens of thousands of dollars over a relatively few years. But it was all I was going to get short of calling in the lawyers, which was not something I had the energy or budget for, so we accepted the offer.

That wasn't so long ago. We have now set up our own super fund and we're managing our own financial affairs. To do this, we had to convert all our previous fund investments into cash for depositing into our pension fund. This took several months to complete, as we were told they had to find a buyer for some assets. Find a buyer!! What were they investing my money in? But it was done eventually, by which time the market had dropped 600 points from the time when I initiated it. I was more than a little annoyed at that delay, too, but my usual inertia took over just in time and we never got around to re-investing the cash as the market started to sink ever lower. So I'm not complaining about that; we've fared better than most since July 2007.

4 The Lessons?

So what is there to learn from our experience? I suspect our experience mirrors in some way that of many others out there. There are no doubt very many worse horror stories; these days we read about them every day.

The first thing is to take an interest in your own financial affairs. I let far too much slide by because I was ignorant, lazy or just too busy or pre-occupied to take the time. Eventually, things will start slipping by you that will impact on the way you can afford to live. That's worth keeping in mind, even when your life remains mostly in front of you.

It should be obvious also that I've come to be no great fan of commissions to financial planners, and especially trailing commissions. I know I'm not alone here. I'm not claiming exclusivity, only experience. When someone has a pipeline into your life's savings, their prime interest is to keep the tap open and to look for more sources to tap into. The cost to you is not only the direct lost of investable cash, which is significant. The larger cost may be a strategy that may be biased by commissions and simply not tuned to your situation because nobody has made a real effort on your behalf. Trailing commissions in my experience are like cockroaches; you think you have dealt a fatal blow but they keep getting up and crawling into crevices where you can't find them. How the industry defends them and the regulator actually listens I will never understand.

Finally, and it has taken me some time to reach this conclusion, I really doubt the strategic advice that some financial planners give. I look at the components of advice that I received and wonder whether I would be better or worse off now had I followed them. Refrain from super contributions? With the Costello reforms, such advice looks silly. All in retrospect - things could change for the worse later. Could, but probably won't, at least for past investments. All cash as a good investment strategy? Great advice 18 months ago, but only in retrospect. But five years ago? Or ever, for a longer term investment? Picking the timing of market changes is a mug's game. Change to a lower fee fund? Great idea! But then accept and pay for an investment strategy from X rather than Y that soaks up the difference? A toss-up – maybe, but I'd need some convincing. Should I be happy to pay big bucks for what is, at best, a guess no better than mine?

Yet, there are many technical areas where good planning can be boon. But since I and some of my colleagues have begun to explore this in more detail, it has become abundantly clear that some pretty potent analytical tools are needed to help the planning process. The surprise to us has been that very few of the many industry players we have spoken to over the last few years have even noticed this. That's because their clients have no way of checking the quality of the advice they get.