

Banning of Commissions

The Financial Planning Association's push to ban commissions from July 1, 2012, is a sound idea, and I'd like to see all members of the FPA support it.

I'd also like to see the Federal Government support those professional financial planners that agree to work on a non-Commission, fee basis by legislating that they be allowed to be called Independent Financial Planners/Advisors/Brokers. Commission-based participants must only be described as Financial Product Agents

Consumers will have choice as they may receive "financial product advice" from a Financial Product Agent, who is paid commission by the financial product manufacturer that is disclosed to the client. Those who represent more than one manufacturer can be known as Multi-Agents

Alternatively, consumers can receive advice from an Independent Financial Planner/Advisor, who does not accept commissions and who charges the client an agreed fee, which is disclosed to the client.

Financial product manufacturers may own Independent Financial Planning Firms as well as Financial Product Agents, provided they have separate boards with independent directors who take their responsibilities seriously, and are not themselves remunerated solely on performance or other forms of "quasi commission"

I'm sick of seeing clients who have lost hundreds of thousands of dollars by the actions of the minority of commission-hungry accountants, bank advisors, financial planners, and stockbrokers who are "anesthetised" by commission. Often they gear the clients to the hilt in high-commission products, especially if the clients don't have much to invest, which compounds the problem when things turn pear-shaped.

Society has seen fit to established penalties and even jail terms for those who allow the influence of alcohol to endanger others, even though the vast majority are responsible.

The same should apply to commission, as not everyone has the discipline to put the clients' interest first when the temptation of high commissions still exists, supported by some hungry product manufacturers, who devise complex high-commission structures with apparently "no cost to the client".

If the above changes are made, the small percentage of commission-hungry accountants, bank advisors, financial planners and stockbrokers who do the wrong thing by their clients whilst purporting to be putting their clients' interest first by hiding behind a Commission, will no longer exist.

Like most other professional financial advisors I was "brought up" on the commission system in the 1980's; however, as we have with drink-driving, society now deems it wrong to have that third glass of red if we are about to drive, because of the small percentage of irresponsible inebriated fools that have no self control. As "we" can't be trusted with commissions, we have to ban them.

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