
Hi,

My name is Roland Badia. I am a financial adviser licensed under Sentry.

The clients I deal with are predominantly mums and dads (35 to 50) with reasonably large amount of debt.

I find that for them insurance is a crucial offering because if they couldn't work due to illness or injury or if the main bread winner were to pass away, the family's life would literally unravel.

Unfortunately I have found that in most cases these clients are under insured or have the wrong type of insurance (insurance that provide definitions that would make it difficult to have a successful pay-out).

Whilst the concept of insurance (income protection, life insurance, TPD and Trauma) are reasonably simple to understand, the critical aspects such as definitions, correct structures, correct level of cover etc... are a lot more complex and require good advice.

Insurance advice done correctly takes a lot of time and resources to produce. Unfortunately, the new LIF proposal would make it difficult to justify providing insurance advice to the general mums and dads.

Whilst I understand the logic behind asking for fees, the reality is that a large portion of the clients we deal with resent paying fees, and would rather not take advice than paying the appropriate fees. I say appropriate fees because the fees charged would need to be high enough to make up for the substantial reduction in commission receivable, and in turn for the business to be viable. This would ultimately make the advice we provide more expensive for the client.

The existing commission arrangement is a great way of ensuring that those families that really need good advice in relation to insurance, receive it.

From a business perspective, I feel that the new proposed framework will mean that many advisers will be forced to focus away from those clients who really need good insurance and financial advice and focus on those families that already have a high disposable income and net worth because they have the complexity and capacity to justify paying higher fees.

The commissions structure proposed for the first year 80% upfront and 20% ongoing I think is fair, but dropping the commissions down to 60% upfront as proposed for year 3 onwards is too low.

In relation to claw-back, I ask you to put yourselves in our shoes and imagine your income was subject to a 2 year claw-back policy.

I think for any business relationship to work, it needs to be win-win. A commission structure of

80% upfront and 20% ongoing means that our fees can be reasonable and in some circumstances waived and we could continue to provide advice to those who need it most.

Thanks for taking the time to read this.

Roland Badia
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