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

*By email: economics.sen@aph.gov.au*

29 September 2017

Dear Committee Secretary,

**AFA Submission – Inquiry into the Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No 2) Bill 2017**

The Association of Financial Advisers Limited (**AFA**) has served the financial advice industry for 70 years. Our objective is to achieve *Great Advice for More Australians* and we do this through:

- advocating for appropriate policy settings for financial advice
- enforcing a Code of Ethical Conduct
- investing in consumer-based research
- developing professional development pathways for financial advisers
- connecting key stakeholders within the financial advice community
- educating consumers around the importance of financial advice

The Board of the AFA is elected by the Membership and all Directors are required to be practicing financial advisers. This ensures that the policy positions taken by the AFA are framed with practical, workable outcomes in mind, but are also aligned to achieving our vision of having the quality of relationships shared between advisers and their clients understood and valued throughout society. This will play a vital role in helping Australians reach their potential through building, managing and protecting wealth.

### **Choice of Fund**

The AFA supports the proposal to provide choice of fund to employees working under workplace determinations and enterprise agreements.

**AFA Submission – Establishment of the Australian Financial Complaints Authority**

It is our view that employees should have the right to choose their own fund and to retain that fund as they progress through their working life.

More particularly we recognise that the lack of choice has a detrimental impact in a number of different scenarios, including the following:

- Employees with two or more part time jobs that are covered under an enterprise agreement where they would be forced to contribute to separate funds and pay fees to each fund.
- Situations where an employee has moved from one employer to another and is forced to commence contributing to a new fund. It may be in the best interests of the employee to continue paying into the previous fund. One example would be where they have insurance in the old fund that they do not want to give up. This might include circumstances where they have implemented tailored insurance arrangements that may have been put in place as a result of financial advice and required medical underwriting. It may also be the case that the previous fund provides better terms and more suitable investment options than the new fund.
- Another situation might arise where the employee was previously self-employed and had set up their own SMSF, which they want to retain and don't want their contributions to go into a new fund.

To address the scenario where they have multiple funds, employees need to roll-over funds from one of their funds to another. This takes time and effort and often this is left undone. As a result, it is very common for people to have multiple funds and they often end up paying not only multiple fees but also multiple insurance premiums. This can also lead to lost accounts and contributes to issues with members being disengaged from their superannuation.

Whilst being employed under an enterprise agreement may mean employees have access to a default fund, it is beneficial for them to also have the opportunity to choose their own fund. This simply gives them choice and does not remove their options.

The AFA is supportive of choice of fund on a principles basis and believes that this legislation provides these employees with the benefit of greater choice without any disadvantage.

## **Salary Sacrificing Integrity**

The AFA welcomes this piece of legislation as it addresses an unfortunate loophole in the current law that some employers choose to take advantage of. This loophole has worked in two forms – firstly treating salary sacrifice contributions towards the SGC obligation and secondly by reducing the earnings base that the SGC is calculated off. We believe that this loophole may have prevented some employees from taking full advantage of salary sacrificing into their superannuation account and therefore has had the effect of reducing their retirement benefit.

There is no genuine basis for reducing SGC contributions, simply because the employee has chosen to make voluntary salary sacrifice contributions into their superannuation fund. This is an issue of equity and needed to be fixed.

We strongly support this measure.

**AFA Submission – Establishment of the Australian Financial Complaints Authority**

**Concluding remarks**

The AFA supports both measures in this Bill and believes that they will operate for the best interests of employees in giving them the ability to select their superannuation fund and also in ensuring that they are not inappropriately disadvantaged by salary sacrificing into superannuation.

The AFA welcomes the opportunity to make this submission. Should you require any clarification with respect to this submission then please contact us on [REDACTED]

Yours sincerely,

[REDACTED]

**Philip Kewin**  
Chief Executive Officer  
Association of Financial Advisers Ltd