19 December 2021

Advice and Investment Branch
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Email: AdviceReview@treasury.gov.au

Dear Sir/Madam,

SUBMISSION – **Quality of Advice Review**

I welcome the opportunity to provide this submission in response to the Government's Quality of Advice Review. I am a Chartered Accountant and SMSF Professionals Association Specialist Advisor and Auditor. I have worked in public practice since 1999 having taken a period of leave for 4 years (2016-2020) to volunteer overseas. Early in my career I took a keen interest in superannuation and became heavily involved if the management of the firms SMSF clients. In 2009, having become aware of the SMSF Professionals Association of Australia, I completed my specialist auditor and advisor designation with them in order to better service the firm's clients. At the time my professional body did not have a specific SMSF designation.

The review into the provision of quality advice is critical within the superannuation space, particularly as one of the three pillars of the Australian Government's Retirement Income Policy. Also relevant is the extent to which self managed superannuation funds (SMSFs) are being established as well as the assets held by such funds. According to an ATO statistical report into SMSFs:

- There are 597,900 SMSFs holding $822 billion in total assets, with more than 1.114 million SMSF members, as at 30 June 2020 – representing approx. 25% of the total assets invested in superannuation.

In addition there is also an increase in the number of funds moving from accumulation phase to pension phase. A trend which I would anticipate to increase further particularly in light of recent observations that the COVID pandemic has seen members bring forward their retirement plans.

In this submission I seek to provide my views in relation to:

Recommendation 2.3 — Review of measures to improve the quality of advice

In addition to the areas you have identified I feel that it may be worthwhile to consider how review of the role of other professionals in providing advice could compliment measures that have been implemented to improve the quality of financial advice. Particularly, consideration to the areas accountants can and cannot give in respect of superannuation. Please refer below for further clarification.

I also note that more can be done to ensure more effective communication between all professionals advising to a client as well as access to data. There have been instances where advices have not been implemented as effectively as possible due to limited, restricted or no communication between parties.

Recommendation 7.2 from the Tax Practitioners Board review

I am supportive of a specific review of what advice accountants can and cannot give in respect of superannuation and which accountants that might apply to.

Since 1 July 2016 and under current Corporations Regulations, accountants can give clients factual information about SMSFs, guiding them through administrative tasks around the establishment, maintenance and wind up of the fund and tax advice on the fund investments as well as the structure of the fund. In discussions I have had with a number of other accountants and personal observations from firms I have worked with I can see the following happen:

- Accounting firms cease to support clients in the management of their SMSF out of fear of falling short of the changed regulations. In some instances this has led to positive outcomes particularly where the accountant has sort out SMSF specialists to take over the function. Though I had one situation that was brought to my attention where the fund trustees subsequently decided to withdraw all funds from the superannuation environment due to the frustration of not being able to get guidance from trusted advisers.

- Accounting firms working directly with a financial adviser to service the SMSF client. Again I have seen situations where this has worked well, particularly where there is an internal division and the accountant and adviser work together. Though there have been situations where this has failed due to lack of implementation and communication. There have also been instances where the financial advisor is outside of their scope and superannuation is not their speciality. I was having a conversation with one such financial adviser that confessed to not being active in relation to super strategies for their SMSF clients as it was not their areas of expertise.

  Conversely, there are also licenced financial advisers I have spoken to that have expressed frustration of working with accountants that lacked sufficient knowledge to effectively implement the strategies being put forward.

Given the drop in financial advisers operating in Australia (30% decline since 2018 numbers and the first financial year since 2015 that ended with numbers falling below 20,000 according to the latest Rainmaker Information's *Financial Adviser Report*) as well as the need to maintain strong quality control standards to regulate the industry I applaud a review in what role accountants can play to respond to the need to not only enhance the quality of financial advice but to increase access to. ASIC's 2019 Report into *Financial advice: What consumers really think* (REP 627) highlights that many don't seek financial advice due to factors such as high costs, significant distrust of the industry and a perception that financial advice is only for the wealthy.

While the limited advice offering (which was introduced after the end of the accountant's exemption) was an option to consider, in practice, many have not taken it up due to the costs involved as well as the ability to truly limit advice. I would hope that the review recommended would specifically look at the effectiveness of this model which has been in operation for over 5 years noe.

When professionals in the industry talk about carving out superannuation advice as its own speciality I am optimistic that this could address concerns around quality and access. In this light, a review of who can provide superannuation advice as opposed to general financial advice should be considered noting that this will impact current financial advisers and could open the door for certain accountants.

In this discussion the varying array of superannuation specific advice should be considered (SMSF establishment, investing, insurance, estate planning, wind up, etc) from which a more robust discussion can be had regarding who is best placed to provide that advice. In the instance that accountants are considered (which I strongly think they should) disclaimers should be developed in respect of superannuation specific areas the accountant cannot advice on with a strong recommendation that a suitable qualified adviser be consulted with regard to that matter.

Lastly, in 2009 when I became an accredited specialist of the SMSF Professionals of Association I was drawn to this designation due to the potential such a professional body has to bring integrity to the superannuation and particularly the SMSF industry. It is an association that recognises the importance of the key players (lawyers, investment advisers, financial advisers, accountants, auditors and fund administrators) and brings them together to collectively raise the standards and quality of the industry. In order to maintain the integrity of any system established to specifically deal with superannuation specific advice, it is important that professional bodies also play their role.

If you have any questions about my submission, please do not hesitate to contact me. I thank you again for the opportunity to provide this submission.

Yours sincerely

Dianne Hanna