

2<sup>nd</sup> March 2022



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Senator the Hon Jane Hume  
Minister for Superannuation, Financial Services  
and the Digital Economy  
PO Box 6100  
The Senate, Parliament House  
CANBERRA ACT 2600

Dear Senator Hume

## Re: Financial Planning in Australia We have failed

During the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry we heard of the many failures in the financial planning industry with distress.

We also felt frustration that the debate was closed without opportunity to work through solutions, nor were the changes put into place in 2015 given a chance to provide resolution to many of the issues brought out in this Commission.

What we certainly did not hear about are the many more Australians who benefit from advice and still want to get it - if they could afford it. Professional Planner in their article dated 25<sup>th</sup> February 2022 estimate that 900,000 Australians will become "unadvised". That impacts not only on their own prosperity (both psychologically and financially) but also on the limited Government resources to support these people if they do not save for their own future.

So how are we failing Australians now? That is simple - it costs too much to get advice.

We are a regional financial planning firm with a total of 14 staff with 354 ongoing service clients and 125 transactional clients. In the past, an Adviser would count themselves lucky with one Assistant, now they need two because of the dramatic increase of paperwork over the past two years. Our advice has not really changed – it is the time required to adhere to complex compliance which has.

Most of our clients are not really wealthy – they have worked hard and our advice has helped them to achieve their goals. In our view, we add most value to those who do not have millions to invest or high wages. Yet this current regime is forcing advisers into culling smaller clients in favour of a few, large clients so that we can keep our businesses running.

That is not a fair go for the "ordinary" Australian.

One part of the answer to the cost of advice is to change the Fee Disclosure for ongoing service.

## 1. What is wrong :

- 1.1 It costs approximately \$345 per client to produce the Fee Disclosure Statement and additional documents, follow up and then process the Authorities (note this does not include any costs incurred by the product manufacturer). In our case three (3) days are devoted each month to the process costing approximately \$122,000 to per annum to gather fees for 354 clients.
- 1.2 Our staff handling the process are in a state of anxiety in case something is missed, the figures are out or the dates do not match. Annexure 1 contains our firm's "Enhanced FDS and Service Pack Procedure" and our Licensee guidelines. When we asked a very senior staff member to supervise this process, she responded :  
"It makes me uncomfortable to be relied upon for something so important and complex. Just thinking about it now I am beginning to freeze up."
- 1.3 We are aware of one super provider that has had to add 28 people to their staff to handle the new forms. This adds to the tab that the client pays for.
- 1.4 The paperwork for clients is now so horrendous making them take less notice of what is actually in that paperwork. Most just say "put a sticker where I need to sign".
- 1.5 Many clients do not have the surplus cashflow to pay for advice fees. They rely on their investments (most often super) to help cover the cost. Charging fees from super has become more complex as everyone seeks to protect it, yet financial planning is about building and protecting wealth for their retirement.
- 1.6 People do not neatly fit into a tight review regime. Life is not like that and often clients feel bullied into coming in because we have to meet our deadlines.

## 2. How to fix it :

- 2.1 Rolling 2-year contract. This is far more manageable but also limits any risk to the client.
- 2.2 No Fee Disclosure Statements which look both back and forward. Clients receive notification of fees paid from product providers at least annually in any event.
- 2.3 Allow financial planning fees to be charged within super (with a cap if you must). Often those we can help the most are those who do not have the cashflow to pay for it. What we really do as financial planners is work toward a client's financial independence (ie the ability to retire) so the current regime of splitting fees up between super and non-super does not make sense.

Making financial planning available for ordinary Australians will only work if we are able to have larger client numbers. Spending most of our time battling with complex compliance matters means we have had to abandon many loyal, long-term clients because we can no longer afford to support them.

We are talking about simplifying the process, not abandoning all regulation. We know that good legislation is the backbone of our industry and are keen to see it become a profession but not at the expense of those that we are helping.

Financial planning is unique – it is far more than an “annual review”. We are here for our clients throughout their life events which don’t adhere to a strict timetable and we should be able to respond appropriately to that.

Let’s fix this.

Yours faithfully



**Jo Tuck** *CFP®, BA (Hons), Dip FP*  
FINANCIAL ADVISER  
MTP Financial  
Authorised Representative

Encl Annexure 1 :

- (a) *MTP Enhanced FDS & Service Pack Procedure*
- (b) *Fortnum Professional Advice Framework – Ongoing Service Policy*

CC :

- 1. *Senator Katy Gallagher, Shadow Minister for Finance*
- 2. *Hon Warren Entsch MP*
- 3. *Fortnum Private Wealth Ltd*
- 4. *AZ Next Generation Advisory*
- 5. *Financial Planning Association of Australia*
- 6. *Association of Financial Advisers*

## Annexure 1

- (a) MTP Enhanced FDS & Service Pack Procedure
- (b) Fortnum Professional Advice Framework – Ongoing Service Policy



## ENHANCED FDS & SERVICE PACK PROCEDURE – 2021/2022 YEAR

Amended legislation stipulates new requirements for ongoing fee arrangements as well as transitional requirements for existing clients on ongoing service/fee arrangements. For clients who have an ongoing service arrangement in place before 1 July 2021, then there is a 12-month transition period (to 30 June 2022) to ensure that all changes apply. The new 'Service Pack' wizard will assist practices to prepare the required documents.

The MTP Enhanced FDS and Service Pack Procedure should be read in conjunction with the current Fortnum Private Wealth Ongoing Service Policy. As at time of writing, this is Version 4.1, Effective 1<sup>st</sup> July 2021 Updated.

### Service Pack Components:

#### 1. Fee Disclosure Statement (FDS)

Statement of fees and services entitled and delivered for the previous service period.

#### 2. Ongoing Service Agreement (OSA)

The enhanced FDS must now contain information requiring a client to recommit to the ongoing service agreement in line with new legislative changes from the 1st of July 2021.

### Terminology

- 'Disclosure Date' - original/current FDS due date
- 'Anniversary Date' - the day on which the arrangement is entered into (the date on the OSA document)
- 'Transition Date' - the new Anniversary Date for the arrangement going forward, between 1 July 2021 and 30 June 2022
- 'Effective Date' - the date on the front page of the OSA
- 'Renewal Period' - a period of 120 days which begins on the Anniversary Day

### MTP Procedure

Steps to complete	Who	How	When
<p>Refer to the list of clients due in the current month and add to spreadsheet:</p> <ul style="list-style-type: none"> <li>• FUM balance &amp; RIP/contribution details</li> <li>• Fee %</li> </ul> <p>Update Anniversary date in XPlan to the date you will be running the Service Pack this year.</p> <p>Check Commpay data for each client in the current month's run to ensure <u>at least 12 months' worth</u> of payments showing</p>	Designated team CSOs	Via CommPay screen in Xplan	1 day prior to the planned Transition Day for that month.
Prepare Service pack	Designated team CSOs	Via Opex Suite Service Pack wizard	On the Transition Day for that month
Forward Service Pack to client	Designated team CSOs	Via post on the Transition Day	On the Transition Day for that month

1 <sup>st</sup> Follow up of Service Packs	Receptionist	Phone call to any client record that is yellow in the list.	2 <sup>nd</sup> Monday after Service Packs have been posted
2 <sup>nd</sup> Follow up of Service Packs	Designated team CSOs	Phone call to any client record that is red in the list.	1 day prior to the Transition Day for the following month
Final Follow up of Service Packs	Adviser	Phone call to any client remaining in red in the list	2 months after Service Pack has been sent.
Turn off fees	Designated team CSOs	Give notice to product provider(s)	Between day 120 and day 150

## Timing

Client FDS renewal dates are scheduled to manage workflow around busy times of the year. We have the option to change the Anniversary Date (previously called the Disclosure Date) during the Transition Period between 1 July 2021 to 30 June 2022. We have made the decision to generate all Service Packs for Anthony effective the 1<sup>st</sup> of the month and for Jo they will be effective the 2<sup>nd</sup> of the month. For example, if the Disclosure Date is currently 9 July 2021, the Service Pack will incorporate the period from 10 July 2020 to 31 July 2021, thereby resetting the Anniversary Date to 1 August each year in future.

MTP will commence producing Enhanced FDS Service Packs from 1 September 2021. A full list of existing Ongoing Service Clients as at August 2021 has been produced and refined to spread the load of Transition Dates across the remainder of the 2021/22 financial year. Effectively, we're squeezing 12 months into 9 in the current year by not running Service packs on 1 July and 1 August 2021 or 1 January 2022 (as this occurs during our annual shut down). The list will also include the "end date" of the last FDS issued and the "Start Date" for the current Service Pack to assist in the options to be selected in the Wizard and ensure that at least 12 months' worth of historical payments are reflected in the FDS portion of the Service Pack. This list will be provided to the CSOs upon release of this Procedure.

Each month, on the day prior to the Transition Date upon which you will be running the Service Packs, it is advisable to check the CommPay data and ensure at least 12 months' worth of payments are showing in the data and note on your list any cases where it is not. Based on the current fee deduction/payment cycle employed by CFS (our main payer) running the Service Pack on the 1<sup>st</sup> or 2<sup>nd</sup> day of any month back to the day after the previous FDS period or 12 months' prior to the Transition Date (whichever is longer), you should not have any issues in the CommPay data during the Transitional Year.

MTP provides annual client reviews, and we have purposefully ensured the review date does not align with the Transition Date such that future Anniversary Dates are at least 2 months after the preferred review month for each ongoing service clients. Therefore **the Service Packs will need to be mailed to the client on the Transition Date**. At the client review during the transition period, the adviser will explain the new Service Pack to the client using a template, so they know what to expect.

## **Disclosure Amounts**

FDS - The amount disclosed on the FDS comes from the CommPay module in Xplan. The CommPay amount will often be more than the amount deducted from the product due to the Reduced Input Tax Credit (RITC). Whilst ASIC has not provided direction on this, Fortnum has indicated that disclosing the higher amount is a suitable approach. This does not apply when clients pay from their own bank account.

OSA - Where you cannot determine the exact fees for the upcoming year (e.g., where fees are charged on a percentage basis), at the time of preparing the FDS you must include a reasonable estimate of the fee, as well the method used to work out the estimate. A calculation has been included in the Next Disclosure Date report and templated wording has been included at the end of this procedure document.

## **Resources**

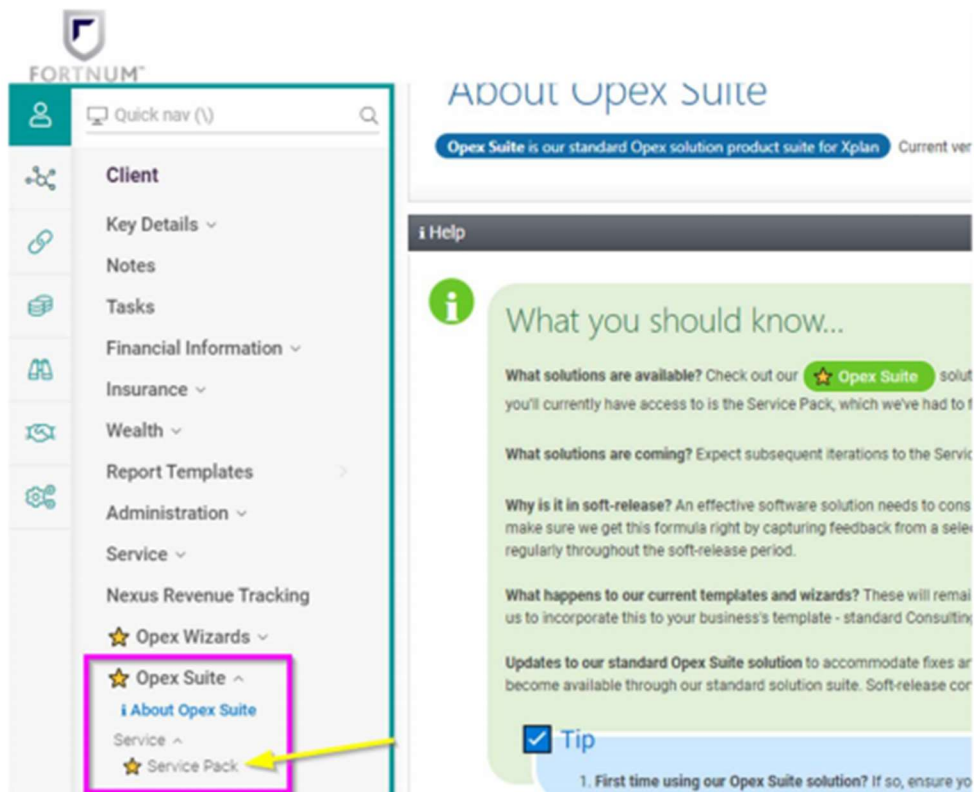
- [Fortnum Ongoing Service Policy](#)
- [Fortnum Enhanced FDS Wizard Quick Start Guide](#)
- [Fortnum Ongoing Service Hub](#)

# Generating & sending the Service Pack

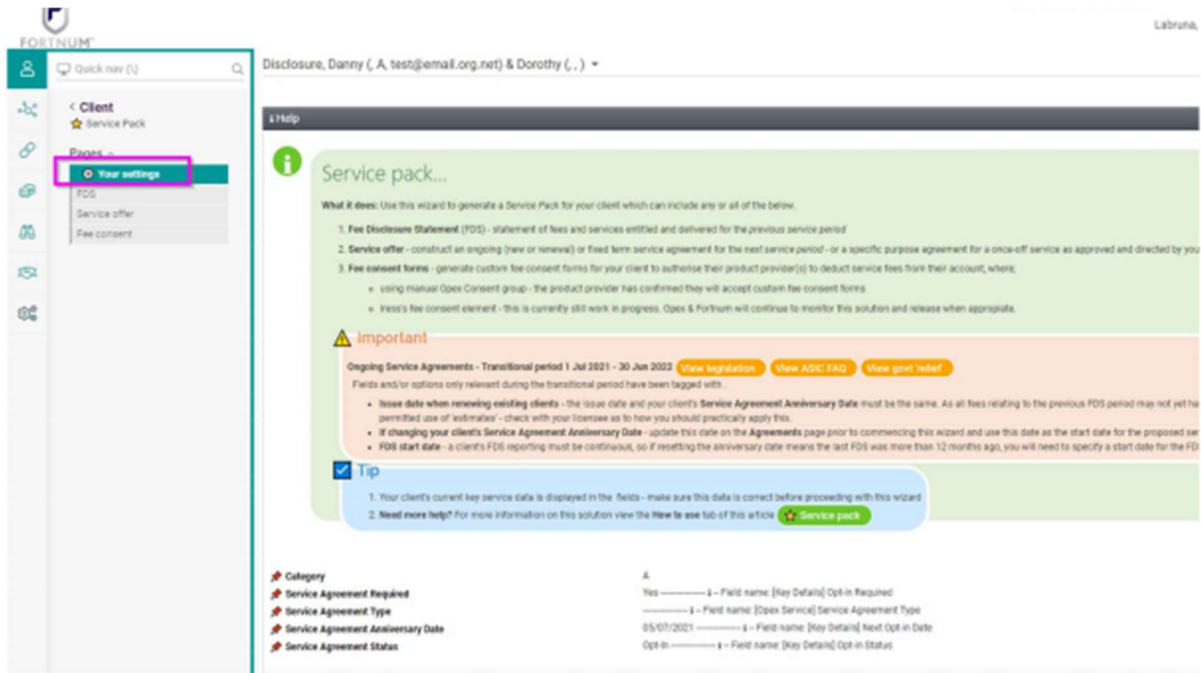
## Summary of screens from the Fortnum Enhanced FDS Wizard Quick Start Guide v1

Please refer to the Quick Start Guide (available via the link above) for specific details of what is shown on each page. The following summary is here to add MTP specific instructions to compliment the Guide.

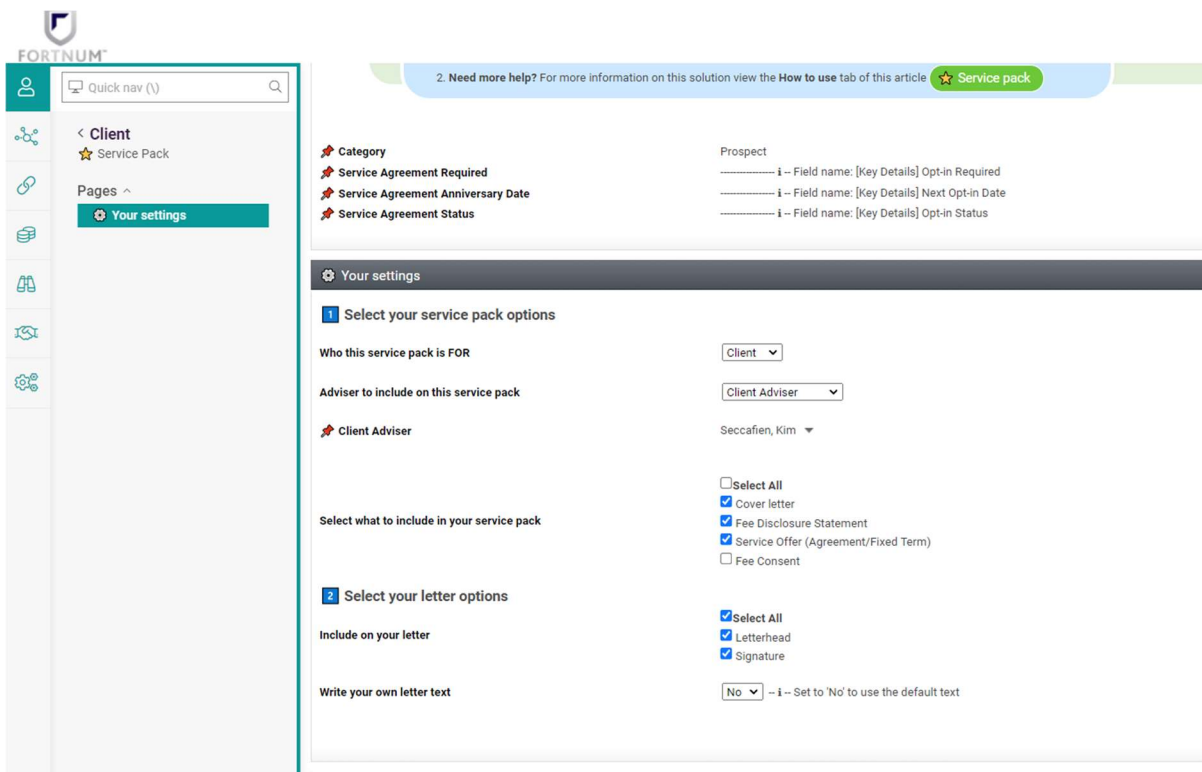
The Service Pack Wizard can be found in the Client Menu under Opex Suite as shown below.



The first page displayed is titled Your Settings.



Below this screen are the options allowing you to configure the client specific information.



**Who is this service pack for** - if the original OSA is only in the name of the client or partner as listed in Xplan, select Client or Partner here. Only select "Joint" where the original OSA was entered into with both the Client and their Partner.

**Adviser to include on this service pack** - for the Transition Period it will always be the Client Adviser as we do not have any other category of adviser relationship established at this stage.

**Select what to include in your service pack** - to issue an Enhanced FDS to clients during the Transition Period please select all options except the Fee Consent.

**Select your letter options** - select all options (Letterhead - will add MTP letterhead and Signature - adviser signature prefilled).

- **Write your own letter** - leave as no

Click the **Next** button at the top or bottom of the screen. This will take you to the FDS page where you can configure the FDS portion of the service pack.

# FDS (Look back) portion of the Service Pack

Previous Next Save & Exit Cancel

i Help

**Look back... construct your FDS for the previous service period.**

You have selected to include a **Fee Disclosure Statement (FDS)** in your service pack.

**FDS period to apply** - by default, the FDS period will be 12 months ending the **day prior** to the client's **Service Anniversary Date**. If shifting the service anniversary date, check the end date of the last FDS - if more than 12 months ago, specify the FDS start date so it follows directly on from the last FDS with no reporting gap.

**FDS services to be included** - only 'Strategic Reviews' and 'Portfolio Reviews' that were completed within the FDS period will come through to your FDS Letter.

**Fee data source** - Choose where to pull revenue data from for fees received in the previous service period.

- Manual** - enter the relevant fees received in the fields provided
- CommPay** - totals transactions that have been processed in CommPay with a Statement Record Date within the stated FDS period with the relevant FDS-able CommPay 'Revenue Type'. Note, you do not need to have the CommPay Lodge/View licence for data to merge from CommPay.

**Tip**

- Using CommPay to track your revenue?** Run the CommPay transaction report at the end of this wizard to check all underlying transactions have been processed in CommPay for the FDS period - CommPay licence not required for this report to run correctly.
- Need more help?** For more information on this solution view the **How to use** tab of this article [★ Service pack](#)

Service Agreement Required  
Service Agreement Anniversary Date

Your FDS...

1 Confirm your FDS period

FDS period to apply  -1 - Use existing 'Service Agreement Anniversary Date', or reset to new date

Your FDS...

1 Confirm your FDS period

FDS period to apply

2 Confirm your services provided

- Use current 'Service Agreement Anniversary Date'
- Move 'Service Agreement Anniversary Date' - more than 12 months since last FDS
- Move 'Service Agreement Anniversary Date' - period overlaps with previous FDS
- Move 'Service Agreement Anniversary Date' - new client & less than 12 months since service started

**FDS Period to apply** - As you will have updated the Service Agreement Anniversary Date in Xplan to the date you are running the Service Pack, you will need to assess if you can run based on current "Service Agreement Anniversary Date" or select the appropriate option if the start date is more than 12 months prior to today or if you will need to overlap with the previous FDS. The selection you make here will determine the text that comes through to explain what's going on with this FDS.

Manage Reviews

Action	Type	Description	Scheduled	Status	Responsibility	Frequency
	Strategic Review	This is a description	19/12/2021	Incomplete	Labruna, Justin	Yearly
	Portfolio Review	look at investments and weighting	04/11/2021	Incomplete	Labruna, Justin	Half-yearly
	Portfolio Review	look at investments and weighting	04/05/2021	Completed	Labruna, Justin	Half-yearly
	Strategic Review	This is a description	19/12/2020	Completed	Labruna, Justin	Yearly
	Portfolio Review	look at investments and weighting	04/11/2020	Completed	Labruna, Justin	Half-yearly

Add

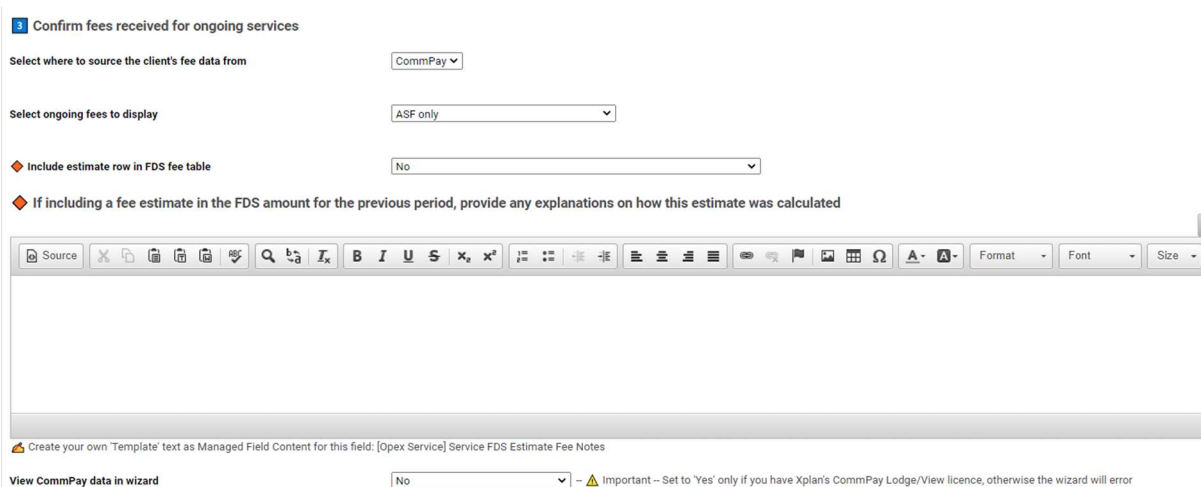
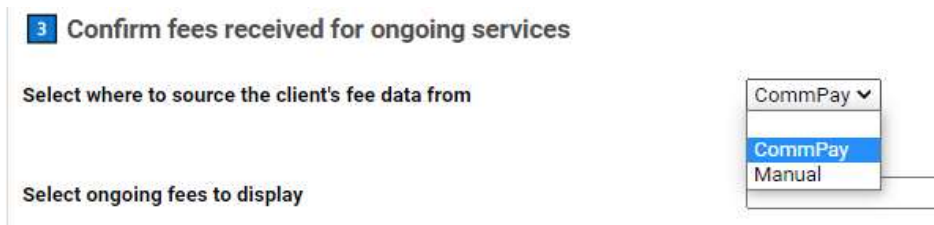
**Manage Reviews** - use this screen to ensure that all relevant reviews (that fell within the service period you are reporting on) have the Type "Strategic" or "Portfolio" and are marked as Complete otherwise they won't appear in the FDS document. You can also add reviews that are missing. At this time it is understood that all members of the CSO team are competent in working in the Manage Reviews screen and do not require further instructions here.





**Comment on service activity during the period** – the response to this defaults to No, but if you select Yes the text box will appear. The example above provides an explanation of why a review was missed and when it will be completed. It is unlikely we will need to use this screen as we have generally met our review obligation targets. If you come across a client where there is no evidence on file that a review has been completed during the period the FDS covers, please speak directly with the adviser to establish an appropriate explanation to the client.

**Confirm fees received for ongoing services** – The standard practice at MTP will be to use the CommPay option meaning the following screen will appear.



**Select ongoing fees to display** – The preferred approach at MTP has been established as ASF only as there is no legislative requirement at this time to report Commission amounts in an FDS.



**Include estimate row in FDS fee table** – You should have checked CommPay as noted on page 2 of this Procedure to confirm that there will be *at least 12 months' worth* of fees pulled through into the FDS and in most instances this should be the case based on the end of month timing and current pay cycle of the majority of the providers we use. Refer to the Quick Start Guide for what to do where you need to estimate here.

## Service Offer (Look forward) portion of the Service Pack

The screenshot shows a software interface for configuring a service offer. On the left is a sidebar with navigation options: '< Client', 'Service Pack', 'Pages', 'Your settings', 'FDS', and 'Service offer' (highlighted). The main area has a 'Help' tab and a green informational box with the text: 'Look forwards... construct your service agreement for the next service period. You have selected to include a Service Offer in your service pack.' Below this, it lists 'Proposed service agreement type' options: 'Ongoing Service Agreement (OSA) - renewable 12 month agreement; for renewing clients, ensure you also include the FDS. For new clients, this should not be dated more than 30 days in the future.' and 'Fixed Term Service Agreement (FTSA) - specified period to a maximum of 12 months'. A 'Tip' box suggests: 'Need more help? For more information on this solution view the How to use tab of this article.' Below the tip is a 'Service Agreement Anniversary Date' field with a 'Prospect' category. The 'Service offer terms...' section includes a 'Set the proposed service agreement terms' instruction. It features a dropdown menu for 'Select proposed service agreement type' (currently set to 'Ongoing Service Agreement'), a 'Specify service start date' field, and a 'Specify service end date' field. A legend explains: 'Ongoing Service Agreement - i - Determines what T&C's will be included & how the key dates will be defined', 'i - For OSA & FTSA agreements, this should be the same as your 'Service Agreement Anniversary Date'', and 'i - For OSA's set to 12 months from start date, for FTSA's this can be any date up to a maximum of 12 months from start date'.

**Select proposed service agreement type** - MTP is currently only using Ongoing Service Agreements for clients from whom we receive an ongoing adviser service fee. The whole Service Pack process is not relevant to our "Ad Hoc" or non-fee paying clients.



### Specify service start/end dates -

- the **start date** will be listed in the report provided for the Transition year and will either be:
  - The day immediately after the end date listed on the last FDS provided to the client if that was at least 12 months ago (eg last FDS period ended 09/08/2020, start date will be 10/08/2020); OR
  - The date 12 months prior to the Transition Date (eg where the Transition Date = 01/09/2021, the Start Date will be 01/09/2020)
- the **end date** will be the day before the Transition Date (eg where the Transition Date = 01/09/2021 the end date will be 31/08/2021).

**Specify services to be included** - this is where you indicate the review type and frequency for each client as was being done previously in the OSA Wizard. In all cases, MTP offers a Strategic Review, annually. Select "No" for Portfolio Review. Click the Add button to bring through the following screen.

**Ongoing Service Agreement Details**

These details apply to:

Strategic Review

Frequency

Portfolio Review

MDA Portfolio Review

**Consent to deduct fees** - not to be confused with the "Fee Consent" section in the Service Pack that is not being used. This again follows the format of the old OSA Wizard (with a couple of extra fields) and is where you detail the fee methodology and provide the estimate of fees for the coming 12 months. Click the Add button to bring through the following screen.

Save Cancel

**Consent to deduct fees**

Fee consent method

Fee status \*

Owner/Payee

Fee payment method

Fee start date \*

Fee end date

Fee per frequency (inc GST)

Fee payment frequency

Fee Type

Template

Source X Copy Paste Undo Redo Search Bold Italic Underline Strikethrough Bulleted List Numbered List Indent Decrease Indent Increase Decrease Font Size

Normal Font Size

Fee estimate description

**Fee consent method** - select "Generate Form"

**Fee status** - defaults to "Pending - Client" - leave it at this as it reflects the fact that at the point of providing the Service Offer document to the clients as part of the Service Pack, you have also provided the Fee Consent Form(s) to the client but are yet to get the signed copies back to send to the Provider.

**Owner/Payee** - align this with the ownership of the product/account from which the fee is to be deducted.

**Fee payment method** - in most instances it will be deducted from the product, but in some instances we do have clients pay Ongoing Advice Fees via invoice.

**Start/End date** - The Start Date = Transition Date (ie the 1<sup>st</sup> of the month) and the End Date = the 30<sup>th</sup> or 31<sup>st</sup> of the previous month in the following year. (eg Transition Date = 01/09/2021, Start Date = 01/09/2021, End Date = 31/08/2022)

**Fee per frequency (inc GST)** - Fees deducted from products are generally deducted ("paid") monthly so you will need to take the annual amount and divide it by 12 for this field.

**Fee payment frequency** - Monthly if deducted from product / Annually if paid via invoice (or as appropriate if a client is paying via regular deduction from their bank account - I don't think we currently have any of those).

**Fee type** – In most cases this will be Percentage of FUM, but there are a few clients who are paying via CFS but on a flat fee per month basis. Check the previous OSA and CFS account “Fees” section if unsure. Clients paying via invoice on an annual basis are generally on a flat fee arrangement. Again, check the previous OSA.

**Product details and notes** – A template list of Product Details and Notes is included at the end of this procedure document.

You will need to go through this process for each client/account from which fees are being deducted by clicking the Add button.

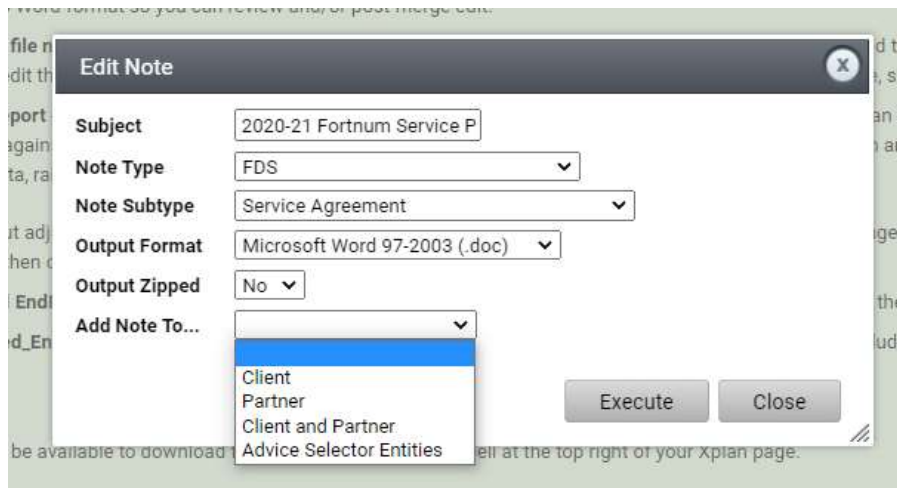
Action	Fee status *	Fee start date *	Fee end date	Owner/Payee	Fee payment method	Product name	Product account #	Fee Type	Fee per frequency (inc GST)	Fee payment frequency	Fee consent method
	Pending - Client	29/09/2021	29/09/2021	Client	Deduct from product	Colonial First State FirstChoice Personal Super	123456	Percentage of FUM (estimate)	123.00	Monthly	Generate form

Once they are all entered, click Next.

## Generating the documents Hooray - you made it!

For the cautious, you can check the CommPay transactions prior to generating the Service Pack documents, just to be on the safe side otherwise please select “Fortnum Service Pack & add as file note”.

An Edit Note screen will appear as below:



**Subject** 2020-21 Fortnum Service Pack

**Note Type** FDS

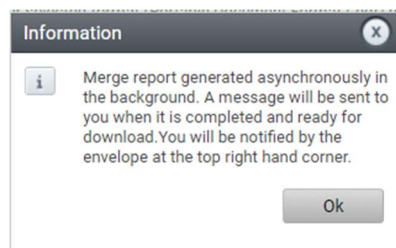
**Note Subtype** Service Agreement

Make no changes to the **Output Format and Output Zipped** options.

**Add Note To** Select as appropriate, ie if the Service Pack is only in relation to the Partner, select Partner.

Press "Execute" to close the Edit Note screen and the Note will be added to the Notes list.

Click OK to the next box that appears.



## Provider Fee Consent Forms

At the time of writing this procedure there is no standard form for use across Licensees and Product Providers therefore you will also need to generate/print/complete the Fee Consent Form for all providers subject to this Enhanced FDS to be sent to the clients as part of the Service Pack. Instructions for Colonial First State and MLC Navigator have been included below.

### Colonial First State (CFS)

Search for the client within FirstNet. Click on the Account Number for the product you are charging a fee out of.

Colonial First State - FirstChoice				
Account number	Product	Account designation	Balance (\$)	Status
	FCWAP			Open
	FCPSUP			Closed
<b>Total</b>				

Click on Fees on the lefthand menu. Then click on the Manage Fees button.

The screenshot shows the FirstNet interface. On the left is a navigation menu with the following items: Last client search, New client search, Full client list, Maturing annuity search, Segmentation, Client reporting, e-Post a request or scanned form, Open new account, Client portfolio, Client documents, Client account, Account balance, Transaction history, Pension payments, Fees (highlighted in blue), Auto-rebalancing, and Account mailing details. On the right, a 'Fees' pop-up window is displayed. The window has a title bar 'Fees' and a sub-header 'Current adviser service fee'. Below the sub-header, there are two rows of data: 'Ongoing adviser service fee' and 'Investment option fee is debited from'. At the bottom of the window, there are two buttons: 'Manage fee' and 'Cancel fee'.

This will open up a new browser window. Please note if you close the Adviser Service Fee window at any stage you won't be able to save any changes you make past here.

Select "Change current ongoing fee". Further boxes will drop down in the screen below, bringing through the existing fee that is in place on the account.

### 1 Ongoing adviser service fee details

The existing percentage and investment option are brought down automatically. **You don't need to put a \$ amount (monthly) figure in where the fee is % based.** If required, you can change the investment option, noting only the options available in the client's portfolio are shown in the drop-down list.

### 2 Consent period

The Anniversary date is 12 months from the Service Agreement start date and should align with the anniversary date set in the Service Pack. Click on the calendar icon and select the relevant date.



Click on the calendar icon under "Consent end date" and click as far forward in time as it will allow you to go and click on the final date available. This should be a further 120 days from the Anniversary date.

**2 Consent period**



Please specify the anniversary date, and consent end date for this fee.

After the consent ends, the final fee payment will generally be made in the first week of the following month, unless renewed.

**Anniversary date**

07/10/2022  

**Consent end date**

01/03/2023  

**March 2023**

S	M	T	W	T	F	S
26	27	28	1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1

amount is not known, a reasonable estimate of the next 12 months must be provided.

the estimate:

### 3 Fee Estimate



Refer to the spreadsheet to extract the annual \$ fee amount and type it into the Dollar Amount box.

Copy and paste the most appropriate explanation of the method used to calculate the estimate from the examples at the end of this procedure and edit accordingly then click Review.

**3 Fee estimate**

If percentage (%) based fee or where the amount is not known, a reasonable estimate of fees to be paid from this account over the agreed period:

**Dollar amount**

\$1,486.32  

**An explanation of the method used to calculate the estimate:**

Based on the balance of your account on 31 August 2021 being \$185,790.41 and an ongoing fee of 0.80% pa.



This will bring up a "Print Preview" screen to check the output. Once you are happy that the data entered is accurate, click the printer icon at the bottom of the screen.

[← Back](#)

## Review and send to client

### Client details

Client name

Account

### Fee summary

#### New fixed term adviser service fee

[Edit](#)

Fee amount	0.80% per annum
To be debited from	FirstChoice Wisale Defensive (1)
Consent period	1 Sep 2021 - 31 Aug 2022

Fee estimate over the agreed period	\$1,486.92
Explanation of the method used to calculate the fee estimate	Based on tl an ongoing
Services provided for above fees	Strategic A

#### By submitting this request, you:

- have read and understood the requirements outlined in
- agree to be bound by the Licensee Terms, which govern
- certify that you are appropriately authorised to provide | State account(s)

#### Where fees are deducted from a member's account and are paid to you or your dealer group, you:

- agree that where services are not provided, Colonial First State reserves the right to clawback fees, including an amount for member compensation where applicable
- confirm that the fee arrangements are consistent with the information in any applicable opt-in renewal notice or fee disclosure statement given to the member
- confirm that where any adviser service fees are paid from a member's Colonial First State superannuation or pension account(s) to you, these fees are:
  - agreed with the member in line with a fee arrangement they've entered into
  - only for financial product advice and advice services provided to the member
  - only for financial product advice in relation to the member's superannuation or pension account(s) that the fee is deducted from
  - are an appropriate and reasonable amount for the services provided
  - acknowledge that it may be an offence including an illegal early release of super if the above confirmation is not true and correct.

#### You acknowledge that:

- to your knowledge, no part of the adviser service fee has been calculated on or by reference to any money borrowed, used or to be used, by the member to invest in this product or any other financial product
- Colonial First State has complete discretion to decline a request to pay adviser service fees, including in order to comply with its obligations under any applicable law.

 [Fee consent form](#)

[Send to client](#)

Repeat this process for each account fees are drawn from.

## MLC Navigator

Search for the client within NLink and open their client record. Navigate from the Portfolio Valuation tab to the Fees tab.

Portfolio Valuation	Asset Allocation	Transaction	PV History	Fees	Account Details	Insurance	Notes	Document Management
Portfolio Investment Details (as at 31/08/2021)								
Investment				APIR/ASX				Units
<b>Managed Investments</b>								
AUSBIL Investment Trusts - Australian Active Equity Fund				AAP0103AU				21376.1528
Fidelity Australian Equities Fund				FID0008AU				6170.5264

Click on the View/Edit/Confirm button in the Advice Fees box

The screenshot shows the 'Fees' tab in the MLC Navigator interface. The 'Fee Model Details' section shows 'MLC Navigator Pension Series 2' with 'Full Investment List selected'. The 'Ongoing Fee Details' section shows 'Superannuation Admin Fee' at 0.025% (RTIC applied) and 'Superannuation Admin Fee' at \$643.90 (Gross) with a \$800.00 (Net) cap. The 'Other Details' section shows 'Discount Type' and 'Discount Rate'. The 'Series 2 Cost to Client Calculator' section shows the output path. The 'Fee Arrangement' section shows 'Ongoing' with an 'Anniversary Date' and 'Expiry Date' of 30-06-2022. The 'Advice Fees' section shows 'Adviser Ongoing Service Fee \$ pa' at \$0.00 and 'Adviser Ongoing Service Fee % pa' at 0.50%. The 'View/Edit/Confirm' button is highlighted with a red box.

This will bring up the Fee Arrangement window. Enter the data from the spreadsheet and templated wording from this procedure document and click Save, then Validate. If there are any missing details a screen will prompt you to add it.

**Adviser Service Support Fee**

**Fee Arrangement**

What consent type is applicable to the fees below?

Ongoing (fee will continue being paid until client consent expires)

Next Anniversary Date   Use 12 months from processed date

Fixed term (fee will turn off after End Date)

End Date   Use 12 months from processed date

**Services Provided**

Review of your account  Strategic superannuation advice  Investment advice on your account

Contribution strategy  Insurance in superannuation strategy  Withdrawal advice

**Advice Fees**

Adviser Ongoing Service Fee \$ pa  ✓

Adviser Ongoing Service Fee % pa

Flat  ✓

Tiered

Investment

Ongoing Advice fee estimate \$ (incl indexation if applicable)  ✓

How have you calculated the estimated Advice fee cost (including indexation, if applicable)

Based on the balance of your account on 31 August 2021 being \$1,553,878.69 and an ongoing fee of 0.50% pa.

**Indexation**

Apply Indexation

CPI

Percent

Indexation Date

**Dealer Facilitation Fee**

Ongoing Dealer Facilitation Fee \$ pa  ✓

Ongoing Dealer Facilitation Fee % pa  ✓

Ongoing Dealer Facilitation fee estimate \$  ✓

How have you calculated the estimated Dealer Facilitation fee cost

**Indexation**

Apply Indexation


CPI

Percent

Indexation Date

Once successfully validated, the following text box should appear. Click OK

**Adviser Service Support Fee**

 **The transaction was successfully validated.**

Processing of the fee amendment will only commence once the 'Submit' button is selected and the signed forms are uploaded.

Proceeding with this fee amendment will be considered a new fee arrangement and the consent expiry date will reset accordingly upon Submit.

Click Print Instructions - which will actually bring up the form the client needs to sign as a PDF document in a new window.

Adviser Service Support Fee

**Fee Arrangement**

What consent type is applicable to the fees below?

Ongoing (fee will continue being paid until client consent expires)

Next Anniversary Date   Use 12 months from processed date

Fixed term (fee will turn off after End Date)

End Date   Use 12 months from processed date

**Services Provided**

Review of your account  Strategic superannuation advice  Investment advice on your account  
 Contribution strategy  Insurance in superannuation strategy  Withdrawal advice

**Advice Fees**

Adviser Ongoing Service Fee \$ pa

Adviser Ongoing Service Fee % pa

Flat   
 Tiered   
 Investment

Ongoing Advice fee estimate \$ (incl indexation if applicable)

How have you calculated the estimated Advice fee cost (including indexation, if applicable)

Based on the balance of your account on 31 August 2021 being \$1,553,878.69 and an ongoing fee of 0.50% pa.

**Indexation**

Apply Indexation

CPI   
 Percent

Indexation Date

**Dealer Facilitation Fee**

Ongoing Dealer Facilitation Fee \$ pa

Ongoing Dealer Facilitation Fee % pa

Ongoing Dealer Facilitation fee estimate \$

How have you calculated the estimated Dealer Facilitation fee cost

**Indexation**

Apply Indexation

CPI   
 Percent

Indexation Date

Save Validate **Print Instructions** Submit Digital Signature Submit Cancel

The first 2 pages of the form relate to other fee arrangements. The Adviser Service Fee - Ongoing section starts on Page 3. Check the information that appears on page 3 and 4 and if all okay use the print icon in the PDF reader window to print the form.

AccountAmendment\_1.pdf

C:\Users\Admin5\AppData\Local\MLC\nlink\cache\nav\olt\form\Account...

Page 3 of 7

OR

Investment percentage based fee

Cash Accounts/Term deposits  % pa  
Managed funds  % pa  
Shares  % pa  
SMA Model Portfolios  % pa

Please refer to the Investment Allocation Authority for further information on investment types.

The estimated dollar amount for the percentage fee above (if selected) is \$

The method used to calculate the estimate was:

Based on the balance of your account on 31 August 2021 being \$1,553,878.69 and an ongoing fee of 0.50% pa.

**(b) Dealer Facilitation Fee**

Dollar based fee \$  pa and indexed by  % pa or CPI  each year

AND/OR

Percentage based fee  % pa

Note: The Dealer Facilitation Fee and the Adviser Ongoing Service Fee are components of the Adviser Service Support Fee (ASSF). For further information about the ASSF please refer to the PDS.

The estimated dollar amount for the percentage fee above (if selected) is \$

The method used to calculate the estimate was:

Once printed, you will need to tick the appropriate box(es) on page 5 of the form.

For pension or investment clients this should be:

- Review of your account
- Investment advice on your account

For super clients also include "Strategic superannuation advice".

---

#### 4. Adviser Service Fee Consent

**The Product Issuer needs to obtain your consent to Adviser Service Fee deductions selected in Section 2 of this form.**

By signing the **Your agreement and authorisation** section you consent to the Product Issuer charging and deducting the fee(s) specified in Section 2 for financial product advice (as applicable), and you agree and acknowledge that:

- your consent will be taken to have been given on the date that this form is processed;
- the name of the member/investor who holds the account from which the fees will be deducted will be the name specified in Section 1 of this form;
- the name and contact details of your financial adviser who will provide the financial product advice you will receive is set out at the end of this form;
- the Product Issuer is seeking your consent to deduct the Adviser Service Fee(s) from your MLC Navigator Retirement Plan - Pension Service Series 2 account;
- the consent you give in this form will expire at the earliest of:
  - the day you withdraw your consent to the fee;
  - the day the last Adviser Service Fee authorised under this form is deducted;
  - the end of the fixed term of up to 12 months (if applicable based on your selections in Section 2); and
  - the day the fee arrangement is terminated and/or replaced;
- information about the services that you are entitled to receive for the fee(s) you are paying is set out below;
- the cost of the advice services will be passed on to you by way of a deduction of the Adviser Service Fee(s) from your account;
- the amount of the Adviser Service Fee(s) to be deducted will depend on the type of Adviser Service Fee you have agreed to (see Section 2);
- where an estimate of an amount of a fee has been provided in Section 2, an explanation of the method used to work out the estimate is also provided;
- you can withdraw your consent to the payment of the applicable Adviser Service Fee(s) at any time before the fee is deducted by contacting the Product Issuer.

**For Financial adviser completion:** What services will you provide for the Adviser Service Fee being deducted from the account?

- Review of your account
- Strategic superannuation advice
- Investment advice on your account
- Contribution strategy
- Insurance in superannuation strategy
- Withdrawal advice

# Updating the list and Xplan Notes

It is important that records are kept updated in both the Excel spreadsheet list (to enable a quick overview of progress across the client base) and within the client records in Xplan (to ensure there is an accurate trail of progress for each client at all stages of the process).

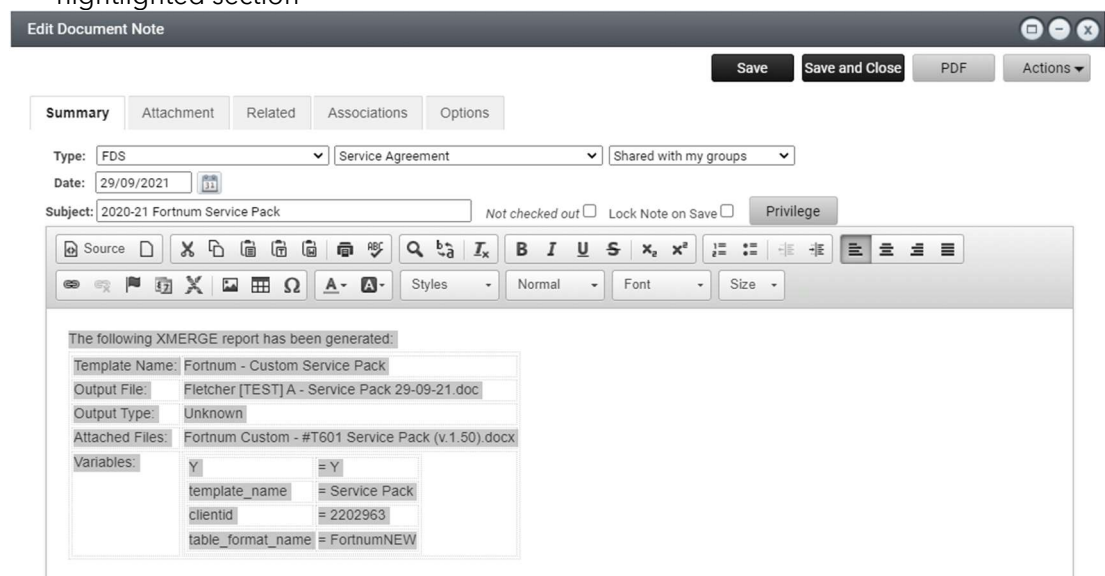
## Updating the EFDS Client List as you progress through the process

- On the day the Service Packs are sent out, change the row colour for each completed client to yellow.
- Once a follow up call has been made to the client (see details later in this procedure document) change the Client Name cell only to red.
- As the signed documentation is received back, change the row colour to green.

## Filing and updating the Xplan Note

### On the day of generating the Service Packs:

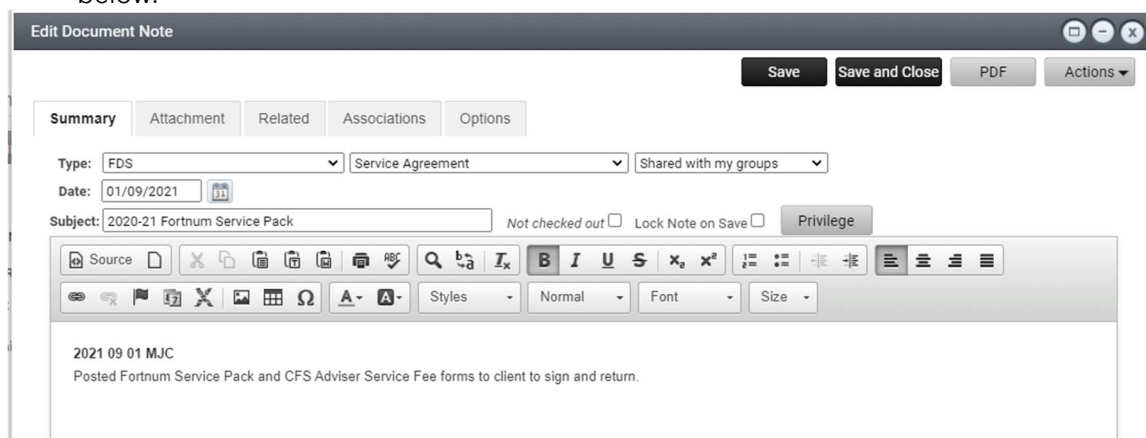
- Edit the Note that you created when you Generated the Service Pack by deleting the highlighted section



The screenshot shows the 'Edit Document Note' interface. The 'Summary' tab is active. The document title is '2020-21 Fortnum Service Pack'. The 'Type' is 'FDS', 'Service Agreement', and 'Shared with my groups'. The 'Date' is '29/09/2021'. The 'Subject' is '2020-21 Fortnum Service Pack'. The main content area displays the following XMERGE report details:

Template Name:	Fortnum - Custom Service Pack
Output File:	Fletcher [TEST] A - Service Pack 29-09-21.doc
Output Type:	Unknown
Attached Files:	Fortnum Custom - #T601 Service Pack (v.1.50).docx
Variables:	
Y	= Y
template_name	= Service Pack
clientid	= 2202963
table_format_name	= FortnumNEW

- Add a comment recording that the Service Pack has been posed to the client as shown below.



The screenshot shows the 'Edit Document Note' interface. The 'Summary' tab is active. The document title is '2020-21 Fortnum Service Pack'. The 'Type' is 'FDS', 'Service Agreement', and 'Shared with my groups'. The 'Date' is '01/09/2021'. The 'Subject' is '2020-21 Fortnum Service Pack'. The main content area displays the following comment:

2021 09 01 MJC  
Posted Fortnum Service Pack and CFS Adviser Service Fee forms to client to sign and return.







# Updating the Service Pack Status in Xplan

Throughout the process you will need to manually update the Service Agreement status in Xplan by going to the Service/Agreements section within the client record:

**Client**

- Key Details -
- Notes
- Tasks
- Financial Information -
- Insurance -
- Wealth -
- Report Templates
- Administration -
- Service -
  - Reviews / FDS / Optin
  - Referral
  - Agreements**
  - Fee For Service
  - Opex Wizards -
  - Opex Suite -
  - AZNGA Wizards -
- Fortnum Xtools+ Outputs -
- Portfolios (IPS) -

**Help** | Submit to provider | Edit

**Information**

Capture the client's current executed service arrangements on this page.

If you are using the **Opex Suite > Service Pack** solution, these are the key service agreement date fields referenced.

**Service Agreement Type** - This is used to track this client's next service agreement review date, so set this field according to your practice's current underlying service agreement style with the client.

- Ongoing Service Agreement** - client is on an annual service agreement renewal basis. Their FDS end date will be their **Service Agreement Anniversary Date** minus 1 day; the start date of their next service agreement should be their **Service Agreement Anniversary Date**.
- Fixed Term Service Agreement** - client is on a fixed term service agreement basis.
- Specific Purpose Service Agreement** - client is not being serviced under either of the above agreement types and your practice is engaging on an 'as requested' service basis only. If the client is being serviced on an 'ongoing' or 'fixed term' basis, then just record the additional Specific Purpose Service Agreement in the **Service History** group field below.

**Fee Disclosure Statement fields archived**

From 1 July 2021, the 'Next Disclosure Statement Date' and 'Service Agreement Anniversary Date' (field name: 'Next Opt-in Date') will now always be the same date. Going forwards, only the **Service Agreement Anniversary Date** will be referenced for coded FDSs, so ensure this field is updated.

**Field names for search, export & Xport**

Some fields have been renamed on-screen, but Iress has not yet enabled them to be permanently renamed in the back-end database. To search, export or Xport data in this fields, you will need to reference their field names as listed below.

- Service Agreement Required - Field name: [Key Details] Opt-in Required
- Service Agreement Type - Field name: [Opex Service] Service Agreement Type
- Service Agreement Status - Field name: [Key Details] Opt-in Status
- Service Agreement Anniversary Date - Field name: [Key Details] Next Opt-in Date
- Service Agreement Sent Date - Field name: [Key Details] Opt-in sent date
- Service Agreement Response Date - Field name: [Key Details] Opt-in response date
- Fee Consent (manual) - Field name: (group field) Opex Consent Table
- Service Agreement History (manual) - Field name: (group field) Opex Service History

Scroll down below the "green" instructions screen to see the following sections:

**Disclosure Statement Required** Yes

**Next Disclosure Statement Date** 01/09/2021

---

**Service Agreements & Fee Consent**

**Service Agreement** | Iress Fee Consent | Iress Client Portal

**Copy settings**

**Use master entity** Not Selected

**Service Agreement**

**Service Agreement Required** Yes

**Service Agreement Type**

**Service Agreement Status** Opt-in

**Service Agreement Anniversary Date** 01/09/2022

**Service Agreement Sent Date**

**Service Agreement Method of Issue**

---

**Fee Consent (manual)**

Filter:  Add

Action	Fee status	Fee start date	Fee end date	Owner/Payee	Fee payment method	Product name	Account #	Fee Type	Fee per frequency (inc GST)	Fee payment frequency	Fee consent method	Consent response	Termination requ
	Pending - Client	30/08/2020	01/09/2021	Client	Deduct from product	Colonial State FirstChoice Personal Super	123456	Percentage of FUM (estimate)	123.00	Monthly	Generate form		

## On the day of or day following the day you generate the Service Packs

Edit the Service Agreements & Fee Consent section to record when and how you issued the Service Pack to each client.

### Service Agreements & Fee Consent

Service Agreement | Iress Fee Consent | Iress Client Portal

Copy settings

Use master entity: Not Selected

Service Agreement

Service Agreement Required: Yes

Service Agreement Type: Ongoing Service Agreement

Service Agreement Status: Pending Client Decision

Service Agreement Anniversary Date: 1/09/2022

Service Agreement Sent Date: 1/09/2021

Service Agreement Method of Issue: Mail

Service Agreement Response Date: [ ]

Service Agreement Comments: [ ]

## On the day the signed Service Pack is received by the client

Edit the Service Agreements & Fee Consent section to update the Service Agreement Status and Service Agreement Response Date (date signed by the client) for each client.

### Service Agreements & Fee Consent

Service Agreement | Iress Fee Consent | Iress Client Portal

Copy settings

Use master entity: Not Selected

Service Agreement

Service Agreement Required: Yes

Service Agreement Type: Ongoing Service Agreement

Service Agreement Status: Opt-In

Service Agreement Anniversary Date: 01/09/2022

Service Agreement Sent Date: 01/09/2021

Service Agreement Method of Issue: Mail



Service Agreement Response Date: 15/09/2021

Click Save and scroll down and update the **Fee Consent (manual)** section by clicking on the pencil icon and changing the fee status to "Pending - Provider".

### Fee Consent (manual)

Filter: No Filter

Add

Action	Fee status	Fee start date	Fee end date	Owner/Payee	Fee payment method	Product name	Account #	Fee Type	Fee per frequency (inc GST)	Fee payment frequency	Fee consent method	Consent response	Termination requ
  Pending		29/09/2021	29/09/2021	Client	Deduct from product	Colonial First State FirstChoice Personal Super	123456	Percentage of FUM (estimate)	123.00	Monthly	Generate form		

**Fee Consent (manual)**

Fee status \* Pending - Provider

Fee consent method Pending - Client  
Pending - Provider

Consent response Active  
Closed - Declined  
Closed - Terminated  
Closed - Expired

Owner/Payee Client

Fee payment method Deduct from product

Fee start date \* 29/09/2021

Fee end date 29/09/2021

Fee per frequency (inc GST) 123.00

Fee payment frequency Monthly

Fee Type Percentage of FUM (estimate)

Also update the **Consent response** date in this screen:

**Fee Consent (manual)**

Fee status \* Pending - Provider

Fee consent method Generate form

**Consent response 15/09/2021**

Owner/Payee Client

Fee payment method Deduct from product

Fee start date \* 29/09/2021

Fee end date 29/09/2021

Fee per frequency (inc GST) 123.00

Fee payment frequency Monthly


Fee Type Percentage of FUM (estimate)

**Once we have received confirmation from the Product Provider that the Fee Consent has been recorded by them.**

Scroll down and update the **Fee Consent (manual) section** by clicking on the pencil icon and changing the fee status to "Active".

Fee Consent (manual) Add

Filter: No Filter

Action	Fee status *	Fee start date *	Fee end date	Owner/Payee	Fee payment method	Product name	Account #	Fee Type	Fee per frequency (inc GST)	Fee payment frequency	Fee consent method	Consent response	Termination requ
	Pending - Client	29/09/2021	29/09/2021	Client	Deduct from product	Colonial First State FirstChoice Personal Super	123456	Percentage of FUM (estimate)	123.00	Monthly	Generate form		

**Fee Consent (manual)**

Fee status \* Pending - Provider

Fee consent method Pending - Client  
Pending - Provider

Consent response Active

Owner/Payee Client

Fee payment method Deduct from product

Fee start date \* 29/09/2021

Fee end date 29/09/2021

Fee per frequency (inc GST) 123.00

Fee payment frequency Monthly

Fee Type Percentage of FUM (estimate)

Fee estimate description Based on the balance of your account on [DD Month YYYY] being \$X.XX and an ongoing fee of X.XX% pa.

## If the Fee Consent is NOT returned by the client within 120 days

Edit the Service Agreements & Fee Consent section to update the sections highlighted below.

**Service Agreements & Fee Consent**

**Service Agreement**Iress Fee ConsentIress Client Portal

**Copy settings**

Use master entity Not Selected ▼

**Service Agreement**

Service Agreement Required Yes ▼

Service Agreement Type None ▼

Service Agreement Status Opt-Out - No Client Response ▼

Service Agreement Anniversary Date 1/09/2022 Set Service

Service Agreement Sent Date 1/09/2021

Service Agreement Method of Issue Mail ▼

Service Agreement Response Date

Fee Termination Date 15/01/2022

Click Save and then scroll down and update the **Fee Consent (manual) section** by clicking on the pencil icon and changing the fee status to "Closed - Expired".

Action	Fee status *	Fee start date *	Fee end date	Owner/Payee	Fee payment method	Product name	Account #	Fee Type	Fee per frequency (inc GST)	Fee payment frequency	Fee consent method	Consent response	Termination requ
	Pending - Client	29/09/2021	29/09/2021	Client	Deduct from product	Colonial First State FirstChoice Personal Super	123456	Percentage of FUM (estimate)	123.00	Monthly	Generate form		

**Fee Consent (manual)**

Fee status \* Closed - Expired ▼

Fee consent method Generate form ▼

Consent response

Owner/Payee Client ▼

Fee payment method Deduct from product ▼

Fee start date \* 01/09/2021

Fee end date 15/01/2022

Fee per frequency (inc GST)

Fee payment frequency Monthly ▼

Fee Type Percentage of FUM (estimate) ▼

# Following up outstanding Service Packs

## 1<sup>st</sup> follow up of outstanding Service Pack documents

On the 2<sup>nd</sup> Monday after the Service Packs have been sent out, Receptionist to call any client who's record is still yellow in the spreadsheets. A reminder for this to be placed in Calendar.

"Hi, it's [Receptionist name] from MTP Financial. I'm just calling to check if you have received some forms from us in the past week?"

**[If client confirms they have received and sent back]** "Thank you for that, we'll keep an eye out for it in the post".

**[If client confirms they have received it but not yet signed]** "Great, do you want to talk to [adviser name] about it at all?" If yes, email message to Adviser and CSO. If no, "As it says in the letter there is a deadline for it to be returned and it's still a month or so away, but we would appreciate getting it back from you as soon as possible to keep your file up to date."

**[If client hasn't received it]** "I'm sorry. I can arrange for another copy to be sent to you, or if you are coming past the office we can leave a copy at reception for you?" Email CSO to arrange copy as per client preference.

Upon successfully speaking to the client, change only their name cell to red and update the Fortnum Service Pack note in Xplan with one of the following outcomes:

2021 XX XX [initials]

Spoke to [client name] and confirmed they had received our Service Pack and [have/will/won't] be sending forms back this week.

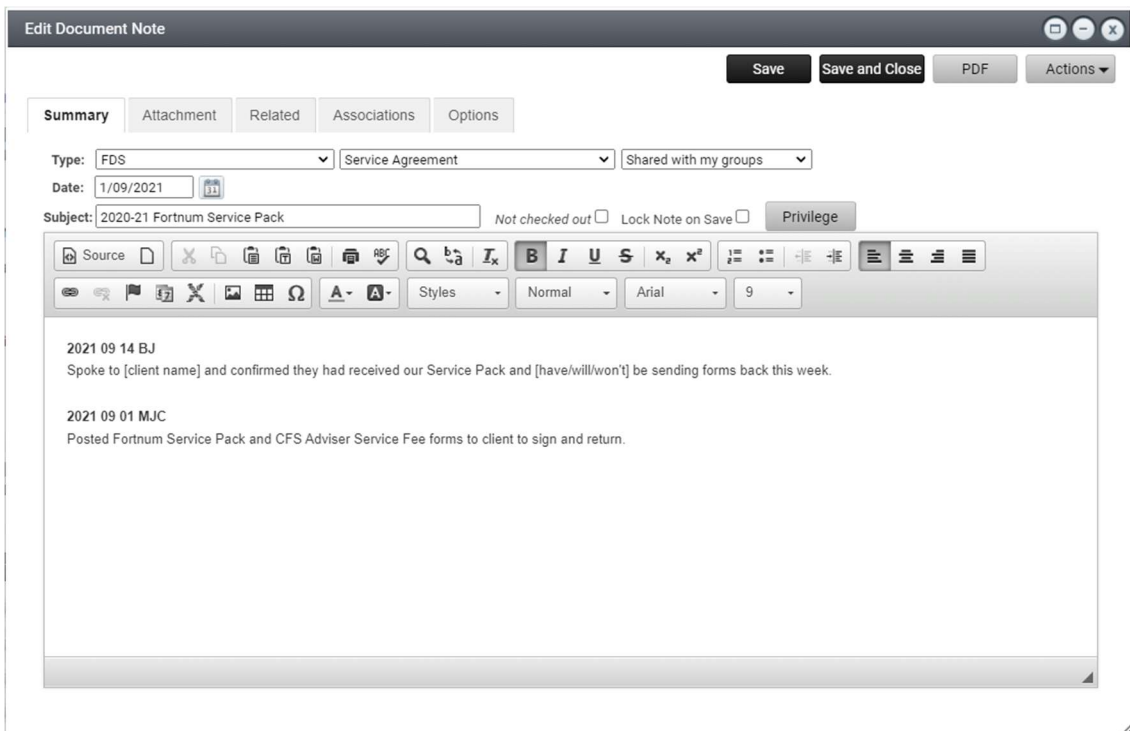
OR

Spoke to [client name] and confirmed they had received our Service Pack but want to talk to adviser about it before sending forms back. Emailed adviser and CSO to request callback.

OR

Spoke to [client name] and they didn't receive our Service Pack. Apologised and said I would arrange a copy to be sent/available at reception. Advised [CSO Name] via email.

Example:





## 2<sup>nd</sup> follow up of outstanding Service Pack documents

- On the day prior to the next run of Service Packs CSO checks list and calls clients again to follow up. CSO may ask Receptionist to complete this 2<sup>nd</sup> follow up if they prefer. Keep name cell red once followed up.
- Refer to covering letter in Service Pack to identify final date for return of documents.
- Update 2020/21 Fortnum Service Pack Note in Xplan to record this second follow up discussion with the client.

Example:

**Edit Document Note**

Save Save and Close PDF Actions

Summary Attachment Related Associations Options

Type: FDS Service Agreement Shared with my groups

Date: 1/09/2021

Subject: 2020-21 Fortnum Service Pack Not checked out Lock Note on Save Privilege

Source

Rich text editor toolbar: Bold, Italic, Underline, Strikethrough, Text Color, Background Color, Bulleted List, Numbered List, Indent, Outdent

2021 09 30 MJC  
Phoned [client name] again as we still have not received the Service Pack and they apologised and said they would bring it into the office tomorrow.

2021 09 14 BJ  
Spoke to [client name] and confirmed they had received our Service Pack and [have/will/won't] be sending forms back this week.

2021 09 01 MJC  
Posted Fortnum Service Pack and CFS Adviser Service Fee forms to client to sign and return.

## Final follow up of outstanding Service Pack documents

If not returned after 2 months let adviser know of outstandings so they can call the client to discuss.  
Add the resulting file note to the 2020-21 Fortnum Service Pack note in Xplan.

Edit Document Note

Save Save and Close PDF Actions

Summary Attachment Related Associations Options

Type: FDS Service Agreement Shared with my groups

Date: 1/09/2021

Subject: 2020-21 Fortnum Service Pack Not checked out Lock Note on Save Privilege

Source [Icons] B I U S x<sub>2</sub> x<sup>2</sup> Styles Normal Arial 9

2021 10 31 MJC  
Let Anthony know that we still don't have the service pack back from [client name] and he will call them [when] as a final follow up. See attached file note of his conversation with them.

2021 09 30 MJC  
Phoned [client name] again as we still have not received the Service Pack and they apologised and said they would bring it into the office tomorrow.

2021 09 14 BJ  
Spoke to [client name] and confirmed they had received our Service Pack and [have/will/won't] be sending forms back this week.

2021 09 01 MJC  
Posted Fortnum Service Pack and CFS Adviser Service Fee forms to client to sign and return.

### If Service Pack documents not returned after 120 days

If not returned after 120 days (as noted in covering letter of Service Pack) terminate fees directly with the provider(s) within 30 days of the 120<sup>th</sup> day.

Update 2020/21 Fortnum Service Pack Note in Xplan to reflect this.

Edit Document Note

Save Save and Close PDF Actions

Summary Attachment Related Associations Options

Type: FDS Service Agreement Shared with my groups

Date: 1/09/2021

Subject: 2020-21 Fortnum Service Pack Not checked out Lock Note on Save Privilege

Source [Icons] B I U S x<sub>2</sub> x<sup>2</sup> Styles Normal Arial 9

2021 01 15 MJC  
As we still have not received Service Pack from client arranged to terminate fee via CFS FirstNet. See attached screen shots and confirmations.

2021 10 31 MJC  
Let Anthony know that we still don't have the service pack back from [client name] and he will call them [when] as a final follow up. See attached file note of his conversation with them.

2021 09 30 MJC  
Phoned [client name] again as we still have not received the Service Pack and they apologised and said they would bring it into the office tomorrow.

2021 09 14 BJ  
Spoke to [client name] and confirmed they had received our Service Pack and [have/will/won't] be sending forms back this week.

2021 09 01 MJC  
Posted Fortnum Service Pack and CFS Adviser Service Fee forms to client to sign and return.

## Colonial First State

In FirstNet, navigate to the "Fees" page in the relevant client record and click "Cancel Fee"

The screenshot shows the 'Fees' page in FirstNet. On the left is a navigation menu with options like 'Last client search', 'New client search', 'Full client list', etc. The 'Fees' option is highlighted. The main content area shows a 'Fees' header and a 'Current adviser service fee' box. Below this, there are two buttons: 'Manage fee' and 'Cancel fee'. The 'Cancel fee' button is highlighted with a red box.

## MLC Navigator

Search for the client within NLink and open their client record. Navigate from the Portfolio Valuation tab to the Fees tab.

The screenshot shows the MLC Navigator interface. The top navigation bar includes 'Portfolio Valuation', 'Asset Allocation', 'Transaction', 'PV History', 'Fees', 'Account Details', 'Insurance', 'Notes', and 'Document Management'. The 'Fees' tab is highlighted. Below the navigation bar, there is a table titled 'Managed Investments' with columns for 'Investment', 'APIR/ASX', and 'Units'. The table contains two rows of investment data.

Investment	APIR/ASX	Units
AUSBIL Investment Trusts - Australian Active Equity Fund	AAP0103AU	21376.1528
Fidelity Australian Equities Fund	FID0008AU	6170.5264

Click on the View/Edit/Confirm button in the Advice Fees box

The screenshot shows the 'Advice Fees' box in the MLC Navigator interface. The 'View/Edit/Confirm' button is highlighted with a red box. The interface displays various fee details, including 'Ongoing Fee Details', 'Other Details', and 'Dealer Facilitation Fee'. The 'View/Edit/Confirm' button is located in the 'Advice Fees' section.

This will bring up the Fee Arrangement window. Edit the fee to be 0.00% click Save, then Validate. If there are any missing details a screen will prompt you to add it.

The screenshot shows a software window titled "Adviser Service Support Fee" with a close button in the top right corner. The window is divided into several sections:

- Fee Arrangement:** Contains a question "What consent type is applicable to the fees below?" with two radio button options: "Ongoing (fee will continue being paid until client consent expires)" (selected) and "Fixed term (fee will turn off after End Date)". Below are input fields for "Next Anniversary Date" (31-08-2022) and "End Date", each with a "Use 12 months from processed date" checkbox.
- Services Provided:** A grid of six checkboxes: "Review of your account", "Strategic superannuation advice", "Investment advice on your account", "Contribution strategy", "Insurance in superannuation strategy", and "Withdrawal advice".
- Advice Fees:** Includes input fields for "Adviser Ongoing Service Fee \$ pa" (\$0.00) and "Adviser Ongoing Service Fee % pa" (0.50%). It has radio buttons for "Flat" (selected), "Tiered", and "Investment". An "Ongoing Advice fee estimate \$ (incl indexation if applicable)" is shown as \$7,769.39. A text box contains the calculation: "Based on the balance of your account on 31 August 2021 being \$1,553,878.69 and an ongoing fee of 0.50% pa."
- Dealer Facilitation Fee:** Includes input fields for "Ongoing Dealer Facilitation Fee \$ pa" (\$0.00) and "Ongoing Dealer Facilitation Fee % pa" (0.00%). An "Ongoing Dealer Facilitation fee estimate \$" field is also present. A text box for calculation is empty.
- Indexation (two instances):** Each section has an "Apply Indexation" checkbox, radio buttons for "CPI" and "Percent", and an "Indexation Date" input field.

At the bottom of the window, there is a row of buttons: "Save" (orange), "Validate", "Print Instructions", "Submit Digital Signature", "Submit", and "Cancel" (orange).

Unable to confirm what happens next without using a live case. Any additional screen shots will be added should a real case be actioned.

# Templated wordings

## **Fee estimate methodology**

Based on the balance of your account on [DD Month YYYY] being \$X.XX and an ongoing fee of X.XX% pa.

OR

Based on the balance of your account on [DD Month YYYY] being \$X.XX plus 12 months' worth of regular investments at \$X.XX per month and an ongoing fee of X.XX% pa.

OR

Based on the balance of your account on [DD Month YYYY] being \$X.XX plus 12 months' worth of concessional contributions of up to a maximum of \$27,500.00 and an ongoing fee of X.XX% pa.

OR

Based on the balance of your account on [DD Month YYYY] being \$X.XX plus the proposed additional lump sum investment of \$X.XX and an ongoing fee of X.XX% pa.

## **Provider contact details**

Colonial First State Investments  
GPO Box 3956  
Sydney NSW 2001

MLC  
PO Box 200  
North Sydney NSW 2059

FirstWrap Services  
Locked Bag 3460  
GPO Melbourne VIC 3001

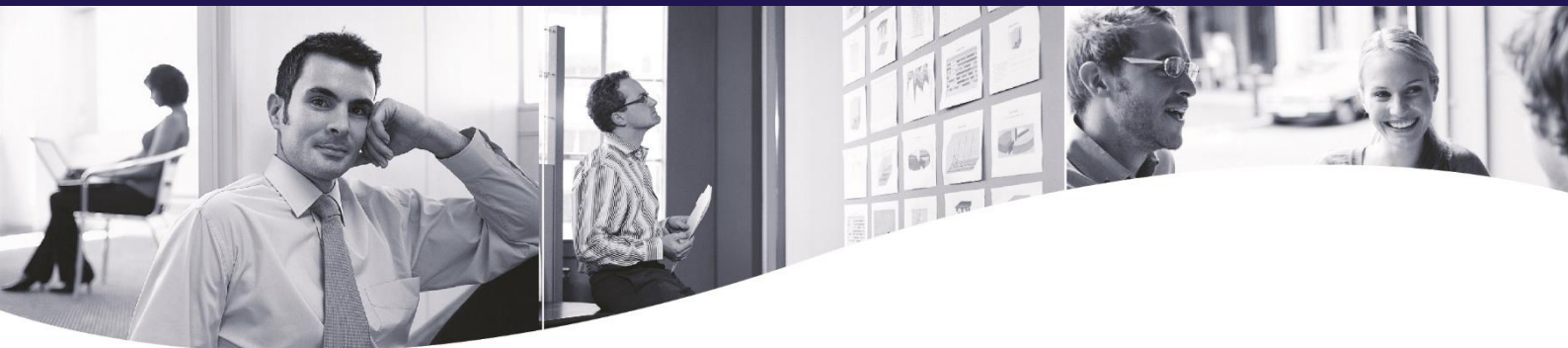
BT Panorama  
GPO Box 2861  
Adelaide SA 5001

Asgard  
PO Box 7490  
Cloisters Square WA 6850

# Fortnum Professional Advice Framework

# ONGOING SERVICE POLICY

Version 4.2 | Effective 1 September 2021 Updated



Understanding your obligations in documenting your ongoing service proposition.

The policy outlines requirements in regard to:

- Ongoing Service Agreements
- Client Service Contracts



Issued by:  
Fortnum Private Wealth Ltd  
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AFSL 357306

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## Purpose of the Policy

The purpose of this policy is to provide guidelines in regard to the two options available to advisers in relation to service relationships with clients.

## Introduction

The ongoing relationship between the Adviser and Client should always be clear and transparent and enable both parties to have clear expectations on what services will be provided over the agreed period. It enables your practice to adequately resource and manage its service delivery, and it ensures that the client is aware of the important terms of the relationship and clarifies any fees in place.

Under this policy, we allow for service to be provided to clients via an Ongoing Service Arrangement or via a Client Service Contract.

## Mandatory use

A Fortnum Ongoing Service Agreement or Fortnum Client Service Contract is mandatory whenever an ongoing arrangement exists with a client.

Where ad-hoc service is provided on a fee for service basis then it is not required. Payment for ongoing services via an ongoing commission only is not considered an ongoing arrangement. Therefore, in such instances, this is optional. Typically, this will be for risk only clients.

## Transitional Period

Amended legislation was introduced on 2 March 2021. These amendments stipulate new requirements for ongoing fee arrangements as well as transitional requirements for existing clients on ongoing service/fee arrangements. For clients who have an ongoing service arrangement in place before 1 July 2021, then there is a 12-month transition period (to 30 June 2022) to ensure that all changes detailed in this document apply.

This includes all pre-FOFA clients (including those on implied arrangements) i.e., clients who had/have an arrangement in place prior to 1 July 2013. The amended legislation has removed the previous grandfathered provision in relation to pre-FOFA clients and any exemptions that they were previously afforded (such as exemption from Opt-In Renewals).

Please refer to the *Existing Ongoing Service Arrangements – Transitional Requirements section* for more information regarding meeting the transitional obligations.



## Ongoing Service Arrangements (OSA)

An ongoing service arrangement or 'ongoing fee arrangement' exists where an adviser provides personal advice to retail clients under the terms of an arrangement for a fee that is paid for a period of more than 12 months<sup>1</sup>.

As part of the release of the Financial Sector Reform (Hayne Royal Commission Response No.2) Act 2021, all ongoing service agreements must now be renewed annually instead of the previous 2-year renewal period.

This section of the policy will cover both new clients who will sign a OSA post 1 July 2021 and the requirements for all existing clients with an OSA in place prior to that date.

## New Ongoing Service Arrangements

### Client Acceptance – New OSA

Please note; this is for new OSA not existing clients that will be impacted with transitional requirements. Please see the Existing Ongoing Service Arrangements – Transitional Requirements section for more information.

Where a client has elected to proceed with ongoing service, the client must be afforded adequate time to consider the offer. Fortnum Authorised Representatives are prohibited from applying undue influence or pressure of any kind.

The day on which the arrangement is entered into is now referred to as the “**Anniversary Day**”. This day now forms the key date for all the legal OSA requirements and is set for the entire life of the arrangement.

If the client signs the OSA prior to the 'effective' date (noted on the front page of the OSA document), the start date of the OSA is the 'effective date' on the cover page. Where the client signs post the 'effective' date then the OSA start date will be the date the client signed, not the 'effective' date.

You may set the effective date in the future, no more than 2 months of generating the OSA.

## Ongoing Disclosure Requirements – Enhanced FDS

As released under the new legislation, all annual disclosure requirements for clients with an ongoing fee arrangement can now be met via **one** document. The document is commonly referred to as an *Enhanced FDS* but will now also include the following:

- Fee Disclosure Statement (FDS)
- Ongoing Service Arrangement (OSA)

It is important to note that the *Opt-In Renewal Notice* is no longer required as the OSA now forms part of the FDS. The new requirements under each key section are described below.

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<sup>1</sup> Corporations Act 2001 s962A



Any contravention of these requirements is subject to penalty proceedings under the Corporations Act.

## **Fee Disclosure Statements**

FDSs must be provided to clients on ongoing service arrangements on an annual basis. An FDS must contain information regarding the following; the *Previous Year*, the period of 12 months ending immediately before the anniversary day and the *Upcoming Year*, the period of 12 months starting on the anniversary day.

### **The Previous Year Requirements**

In regard to the previous year, the following must be documented in the FDS:

- The amount of fees paid by the client
- The services received by the client; and
- The services that the client was entitled to receive.

### **Consistency regarding the agreed services on the OSA and FDS**

All services documented and agreed to via the Ongoing Service Arrangement **MUST** be represented on the FDS. Details regarding how and when the service was provided must also be included. For example, "Face to Face review meeting was held with you on the XX/XX/XXX".

Where the service was not provided, this must also be clearly stated.

### **The Upcoming Year Requirements**

In regard to the upcoming year, the following must be documented in the FDS:

- The amount of fees the client will be required to pay (please see *Fee amounts that cannot be determined for upcoming year section* for more information); and
- Information regarding the services that the client will be entitled to receive.

### ***Fee amounts that cannot be determined for upcoming year***

Where you cannot determine the exact amount of fees that the client will be required to pay for the upcoming year, at the time of preparing the FDS you must include a reasonable estimate of the fee, as well the method used to work out the estimate.

#### ***Percentage based fees***

Where percentage-based fees are charged, we would expect that the estimate is based on the following:

- The balance (of the account, FUA, etc) at the time of preparing the FDS; plus
- Expected contributions for the year (for example, regular investments plans, super contributions, etc.).



Unless substantial withdrawals are being made from the account, we would not expect you to reduce the balance by the amounts in order to estimate the fees.

### **Example**

A client has an existing superannuation account with a balance of \$350,000. The client is currently contributing \$20,000 per annum to the account. The adviser charges an adviser service fee of 0.30% per annum of the balance of the account.

In order to meet FDS requirements we would expect an estimate of fees of \$1,110 ( $\$370,000 * 0.30\%$ ) to be disclosed with the following explanation:

*You are currently being charged an adviser service fee of 0.30% per annum based on fund invested. Based on your existing balance of \$350,000 and expected contributions of \$20,000 for the year, we estimate that you will be charged adviser service fees of approximately \$1,110 for the upcoming year.*

Please note; where flat fees are being charged, the above does not apply.

### **Ongoing Service Arrangement (part of enhanced FDS)**

The enhanced FDS must now contain information requiring a client to recommit to the ongoing service agreement. The renewal notice must contain the following statements:

- The client may renew the arrangement by providing notice in writing.
- The arrangement will terminate if the client does not renew, and no further advice will be provided, or fees charged.
- That the client is deemed to have elected not to renew if they do not respond by the end of the Renewal Period.
- That the Renewal Period is a period of 120 days which begins on the Anniversary Day.

This information will be contained within the Fortnum approved template.

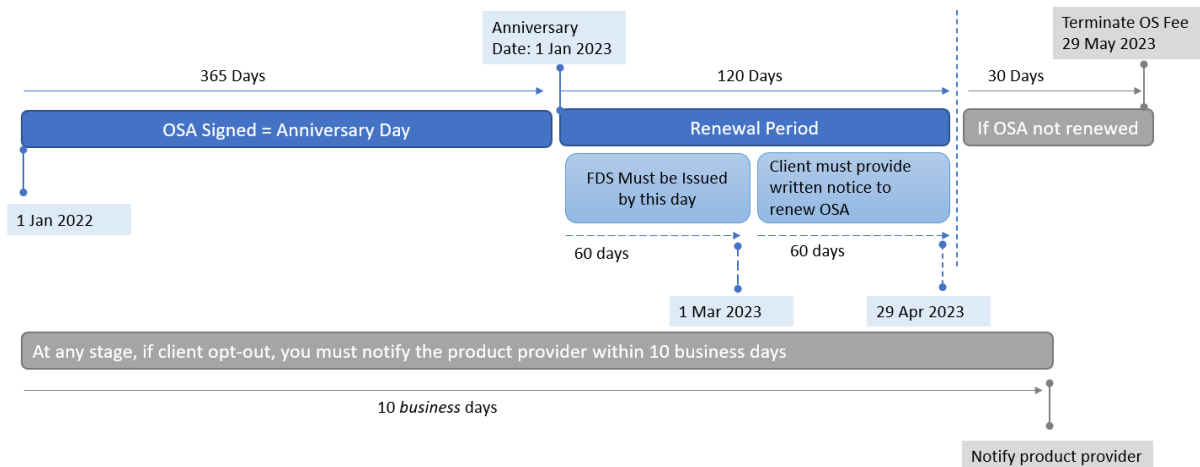
Please note a return email from the client accepting the terms of the new Ongoing Service Arrangement will be accepted. Return SMS from the client is currently not, given record keeping obligations.

### **When must FDS be sent to clients**

The new FDS document (including OSA) must be provided to clients annually, no later than 60 days after the Anniversary Day. The client must return the signed renewal statement within the renewal period, which is a period of 120 days beginning on the Anniversary Day.



Below is an example which illustrates the new timelines:



### Changing the Anniversary Day

The Anniversary Day cannot be changed under the new legislation and cannot be brought forward unlike previous legislation.

In order to effect any change to dates, the OSA must be terminated and then a new OSA re-entered into with the client.

### Changes to Fees and Services

Changes to fees and services can be implemented for the client via the new FDS document for the Upcoming Year. Any changes should be clearly documented within the FDS (under Upcoming Year resection). A new OSA is not requirement to make these changes.

### Variation to the OSA

There may be instances where a variation of the OSA may be suitable where it is agreed to by the client. Variations may occur due to changes to advice to the client or other circumstances. Instances where a variation can be used are as follows;

- increase in the service level
- change to the payment method
- change to the payment frequency
- decrease in fees
- increase in flat fees (capped at 20%)
- increase in % fees (capped in 20%)
- change from accumulation to pension (same product provider).

It is important to note that instances not included above, would be deemed as a material change and therefore a new OSA should be used to effect the changes. Some of these changes include;



- Addition of new entities
- Addition of new products
- Any reduction in service levels

The Variation Letter template must be used and saved on the client file in conjunction with the existing OSA.

## **Fee Consent**

A clients' expressed, written consent must be obtained to deduct or accept any fees in relation to any payments under an ongoing service arrangement. This must be received prior to making any deduction from the client, including where being deducted directly or a third party (for example, platform).

The fee consent must contain the following information:

- The name of the client (account holder).
- The name and contact details of Fortnum and the Adviser.
- An explanation of why you are seeking the account holder's consent.
- Amount of ongoing fees that will be deducted for the upcoming year. Where you cannot determine the exact amount of fees that the client will be required to pay for the upcoming year at the time of preparing the consent you must include a reasonable estimate of the fee as well the method used to work out the estimate.
- Information regarding the frequency of deductions.
- Details about what accounts will be deducted and how much will be deducted from each account.
- A statement about how long the consent will last.
- A statement that the client can vary or withdraw the consent at any time.
- The date when the consent is provided by the client.

Where an arrangement involves multiple parties, account holders, etc. then written consent must be received by all parties.

### **Example**

ABC Super Fund (SMSF) has two individual trustees. Fee consent will be required from both trustees in order to meet the requirements.

## **Third Party Providers and Direct Debit**

Fee consent requirements apply to all fees being deducted from a third-party provider. Where a client is making payment via direct debit using a bank account, then additional fee consent is not required. A signed direct debt form can continue to be utilised.



## **Variations or withdrawal of consent**

A client can withdrawal or vary the consent at any time by providing notice in writing. Where this occurs, you must:

- Provide written confirmation to the client that you have received the request within 10 business days; and
- If the consent was provided to a third party (e.g. platform provider) then you must also provide them with a copy of the request within 10 business days.

Any contravention of the requirements in relation to fee consent is subject to penalty proceedings under the Corporations Act.

## **Product Providers**

Each product provider may set the way in which they accept the client consent for their respective products, for example, signed form, digital or a copy of the FPW FDS/Fee Consent Form.

## **FDS and Fee Consent Template**

Unless specifically requested by the product provider, we would expect that the FDS be generated with the Fee Consent requirements as one document. This document can be generated via the XPLAN wizard. The FPW Fee Consent Form does not need to be produced in addition to the product provider fee consent form.

## **Termination**

Where the client does not elect to renew their arrangement or does not acknowledge the renewal notice within the renewal period, you must terminate the ongoing fees within 30 days after the end of the renewal period. (i.e., 120 Days after the Anniversary Day). The client's consent will cease to have effect at this point.

Where a client elects to renew their arrangement post termination, a new OSA should be established and client consent in relation to the deduction and collection of fees will need to be re-established.

## **When consent terminates**

Consent is automatically deemed to terminate in the following circumstances:

- At the end of a period of 150 days after the Anniversary Day
- If the OSA is terminated by the client, at the time the agreement terminates
- If new consent is provided in relation to an OSA, at the point the new consent is given.

If the consent was provided to a third party, then you must also notify them of the termination within 10 business days.



Please note; where you terminate fees, it is important to ensure that you receive confirmation from the product provider your request has been actioned and fees are no longer being deducted from the client's account.

### **Cancelling an existing OSA**

A client may cancel an OSA at any time by sending a written/email request to you. In the situation where a client verbally requests cancellation of an OSA, you must send the client a written confirmation of this instruction and act on it. This confirmation must be retained on the client's file.

You may wish to use the *OSA Termination Letter (Client Directed)* template.

For completeness, you should review the client file and ensure that all relevant documentation has been saved.

As part of your duty of care, you should ensure that your client understands the risks to their financial situation by not having a review in terms of advice areas that are relevant to them.

Where the adviser elects to terminate the OSA, the reason should be documented on the file. *For example, an adviser may wish to terminate an OSA with a client as the client has not responded to contact attempts.* As best practice, you may offer your client the opportunity to have a review within 6 months of the termination date where the service was not able to be delivered.

You may wish to use the *OSA Termination Letter (Adviser Directed)* template.

### **Refunding Fees**

Where an OSA is terminated part way through the year or terminated within the Renewal Period and you have not delivered all the agreed services, then you must use your professional judgement to assess whether fees for the part period should be refunded to the client.

Under FASEA Standard 7 you must ensure that the fees and charges that a client pays to you are fair and reasonable and provide value for the service you have provided to them. Where this cannot be justified then a refund of fees should be provided to the client. This should be articulated within a file note that is kept on the file.

#### **Example**

A low touch client has elected to terminate their OSA with the adviser. The client has paid for three months of service in the new period. As part of the termination process the adviser has reviewed the file and decided to refund the three months of fees, as upon his review, he was able to confirm that no service was provided, and no contact or communication was made with the client during that period of time.





## Existing Ongoing Service Arrangements – Transitional Requirements

For clients with OSAs in place prior to 1 July 2021 (including pre-FOFA clients), transitional requirements will apply. These requirements are as follows:

- Provide an Enhanced FDS to the client in line with new requirements (as above). This includes the now embedded renewal statement.
- Seek fee consent from the client in line with the new requirements (as above).

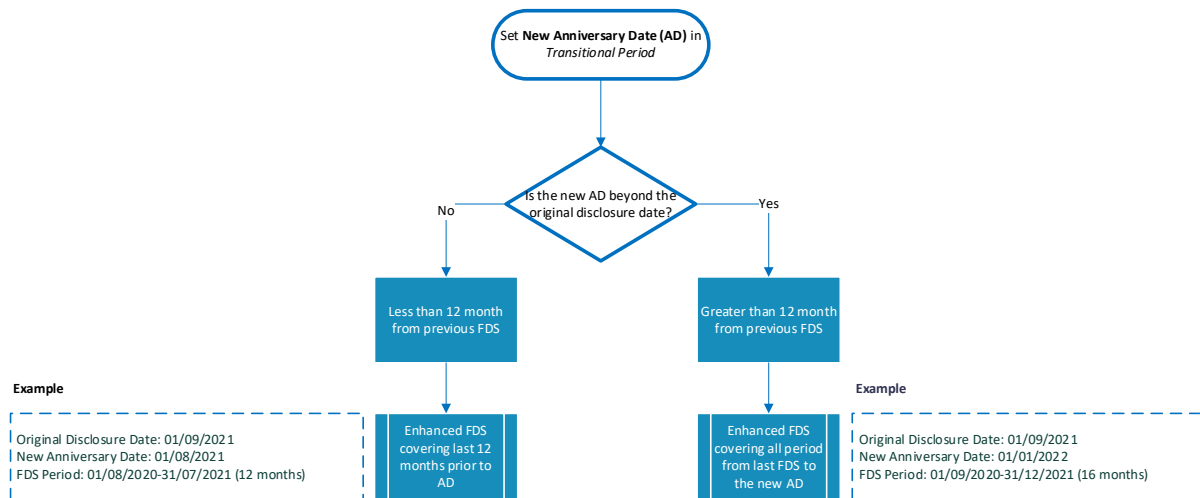
### Transitional Period

For clients with existing OSAs, you must meet transitional requirements within the period of 1 July 2021 to 30 June 2022.

You must elect a Transition Day within the transitional period (at any time) which in turn will become the new Anniversary Date for the arrangement going forward. This date can be set at any time irrespective of the clients original Disclosure Dates set prior to this time.

You must produce a new FDS and seek fee consent for at minimum the 12-month period immediately prior to the new set Transition Date and the period of 12 months starting on the newly set transition date of the arrangement.

Where the new Anniversary Date is beyond the original Disclosure Dates, i.e. the period is greater than 12 months since the last FDS, then the FDS for the previous year must cover the entire period. There should be no gaps in disclosure for the client.



### Timing

Under the new legislation, the enhanced FDS document can include an estimate of fees and services for a period of up to 60 Days prior to the proposed Anniversary Date. Therefore, the FDS must illustrate actual fees of at least 10 months and estimated fees of a maximum of 60 days.

This is only available during the transitional period and is important to note that whilst it can include the estimate, the document must be issued on the Anniversary/Transition Date to the client.



### Example

You have elected to set the Transition Date for an existing Client as the 1 September 2021. The new FDS must cover the Previous Year (1 September 2020 to 31 August 2021) and Upcoming Year (1 September 2021 to 31 August 2022). The enhanced FDS can include fee and service estimates for the period covering 2 July to 31 August.

### Example

You have a client with an existing OSA, of which the OSA period was originally 1 August to 31 July. Normally, the FDS period would commence at this time with an FDS due within 60 days from 31 July. Under the transitional period, the adviser elects the Anniversary Date for this client on 1 October 2021 by providing the client with the FDS and seeking renewal and fee consent.

### Reasonable Estimate

Where an FDS is provided through the transitional period, a reasonable estimate of the fees for that period must be included (up to 60 days).

### Percentage Based Fees

Where you are charging percentage-based fees, we would expect that the estimate is based on the following:

- The balance (of the account, FUA, etc) at the time of preparing the FDS; plus
- Expected remaining contributions for the year.

The fee should then be pro-rated for the remaining estimated period.

### Fixed/Flat Fees

Where you are charging flat or fixed fees, an estimate of the outstanding fixed fees for the remaining period must be included.

### Existing OSA and FDS Requirements Due Around the Commencement of the Transitional Period

Where you have an existing ongoing arrangement with a client in place prior to 1 July 2021 and the existing Disclosure Date falls due between 2 May 2021 and 30 June 2021 even where the 60-day disclosure period ends post 1 July 2021, then you are still required to meet the existing FDS and opt-in renewal obligations in addition to the transitional obligations listed above.



## Practical Application

Whilst you can elect to postpone meeting the transitional requirements to June 2022, it is important to think about the practical elements of setting the Anniversary Date for all clients at the one point of the year. The transitional period allows practices to normalise FDS cycles or provide them in bulk, depending on the preference of the Practice.

It is important to note that whilst the transitional period allows you to reset the FDS dates (now termed Anniversary Day) your service obligations continue.

## Service Obligations

### Review Postponed or Declined

In some circumstances, it may not be possible to provide service to clients as stipulated within the ongoing service arrangement, particularly the client's strategic and/or investment review.

**It is important to note that this should only occur at the request of the client and not adviser directed.** An example would be where a client is overseas and will need to delay their annual review as opposed to where an adviser has delayed the meeting outside the agreed service period.

If you are unable to provide service to your clients, you should look to undertake the following steps.

- Where a client postpones or declines the annual review, a file note should be made detailing the reason for the decline. Other forms of evidence, such as email correspondence, are also acceptable.
- Attempt to contact the client again within a period of 3 months. Evidence of the further attempt should be documented and saved to the file. If you do not receive a response, or the client declines again, you must notify the client that you are terminating the ongoing service agreement and turning off the fee. The client may wish to re-engage in the future. You may wish to use the *OSA Termination Letter (Adviser Directed)* template.
- As part of the termination process, we would expect a *desktop* review to be completed based on the current information you have on file. Disclaimers highlighting that the advice may not be relevant given circumstances have not been updated should be included within the advice document.

As a result, there should be no period of greater than 15 months where a client is being charged adviser service fees where no review is provided, regardless of this being client driven. If the advice document was presented to the client outside of the review period, for example, 2 months into the new service period due to client elected to postpone the review, you must also ensure you fulfill the service obligations for the following year on time. Your review cycle remains unchanged, which means the second review must be completed within the next 10 months. Overall, you should complete two reviews within the 24 months cycle.

However, it is important to note that, at any time where you identify that there will be no opportunity to provide the service in the near future, the arrangement should be terminated. For example; a client has stated that they wish to postpone their review as they will be moving overseas for work for the next 24 months.



Where no review has been undertaken as a result of the client declining within the service period, this should be noted within the FDS. For example; “Your annual review was offered to you on XX/XXX. However, was it declined due to XXXXX”.

**Please note; you are still required to meet all other legal requirements including FDS, Annual opt-in and client consent in regard to fees within the outlined dates above, regardless of the delay in service.**

### **Exceptions**

It is important to note that product providers and/or superannuation trustees may look to terminate fees at 12 months where no service is provided, irrespective of whether fee consent has been received (as per above requirements). They may require evidence of service to be provided to them.

### **Biennial Reviews**

Biennial service can still be provided to clients, where suitable. For example; a review is provided to them every two years. The OSA must be clearly documented and you should note your clients understanding of the frequency that service will be provided.

Annual FDS (including renewal) and fee consent requirements must still be met, however correspondence should note the biennial review.

Where your service agreement is based on providing reviews every alternate year, the above termination requirements will not apply. In this scenario, where you will not be able to provide a review to the client within the two-year period, the agreement should be terminated at the 24-month mark.

Please note: in order to meet their own requirements, product providers may not accept/approve of fees be deducted from the clients account where a biennial review is in place.

### **Other Obligations**

#### **Record Keeping**

Adequate records must be maintained in relation to all obligation's relation to OSAs and you must be able to ensure that they can be easily ascertained. **This means that a copy of all relevant documentation must be maintained on XPLAN or Xeppo at all times for all clients.** Any contravention of this requirements is subject to the penalty proceedings under the Corporations Act.

#### **Breach Reporting**

As mentioned, most of the OSA requirements are subject to the penalty provisions under Corporations Act. Where it is identified that this has occurred, post the introduction of the new breach reporting rules in October 2021, Fortnum will legally have the obligation to formally record and notify ASIC of all breaches.



---

## **Client Service Contract (less than 12-month term)**

The legislation defines an ongoing service arrangement as one that is longer than 12 months. Where you have an ongoing arrangement that is shorter than 12 months, you can still enter into an Arrangement with the client, however, the term, Client Service Contract should be clearly stated.

ASIC has provided guidance in regard to the usage of contracts as part of an FAQ released in June 2021. When considering the use of contracts, it is important to note the following or the arrangement may be considered an ongoing service arrangement and therefore all relevant legislative requirements will apply;

- The term of the contract – must be 12 months or less
- The deduction of fees being for a term greater than what is stipulated in the contract
- Whether the contract will be renewed exactly every 12 months
- The fees and services are the same in every contract period

## **Client Acceptance**

The client must be afforded adequate time to consider the offer. Fortnum Authorised Representatives are prohibited from applying undue influence or pressure of any kind.

If the client signs the contract prior to the 'effective' date, the start date of the Contract is the 'effective date' on the cover page. Where the client signs post the 'effective' date then the OSA start date will be the date the client signed, not the 'effective' date.

You may set the effective date in the future, no more than 2 months of generating the contract. If the client agrees to start paying the fee earlier (at date of signature) then you will need file notes to support conversations.

## **Confirmation of Fees and Services**

A Fee Disclosure Statement (FDS) is not required to be provided to clients where a client service contract is used. Fortnum however believe that it is important to provide the client with information regarding all fees paid and services provided for the period of the contract. This allows for full transparency in regard to the client adviser relationship but also allows them to make fully informed decisions regarding any ongoing service contracts in the future.

Where you have a client service contract in place with a term of greater than 6 months, we would expect a Confirmation of Fees and Services letter to be issued to the client. This is a mandatory requirement. The template is available on XPLAN.

The letter should contain the following information;

- The amount of fees paid by the client;
- The services received by the client; and
- The services that the client was entitled to receive



The letter should be issued to the clients within 60 days of the end of the contract period or termination date.

## Termination

Upon reaching the end date of the agreement, no further fees can be charged, and the client will need to enter into a client service contract. Fee should be terminated as at the end date of the contract, there is no additional period to facilities this termination.

Therefore, you may want to consider the method of payment of fees for clients with client service contracts. For example; direct payments may be easier to facilitate this strict termination in comparison to fees being deducted from a platform.

## Written Consent regarding Fees

Clients expressed, written consent must be obtained to deduct or accept any fees in relation to any payments including when charged via an annual contract. This must be received prior to making any deduction from the client, including where being deducted directly or a third party (for example, platform).

Where an arrangement involves multiple parties, account holders, etc. then written consent must be received by all parties.

A client can withdrawal or withdraw the consent at any time by providing notice in writing. Where this occurs, you must;

- Provide written confirmation that you have received the request within 10 business days; and
- If the consent was provided to a third party (eg: platform provider) then you must also provide them with a copy of the request within five business days.

The fee consent will also automatically be terminated upon the contract ceasing.

## Service Delivery

It is important to note that, where you have a client service contract, service must be delivered within this period.

In some circumstances, it may not be possible to provide service to clients as stipulated within the ongoing service arrangement, particularly the client's strategic and/or investment review.

**It is important to note that this should only occur at the request of the client and not adviser directed.** An example would be where a client is overseas and will need to delay their review as opposed to where an adviser has delayed the meeting outside the agreed contract period.

If you are unable to provide service to your clients within the contract period, you have an additional three months outside the contract period to meet your service obligations. It is important to note that whilst the service period may be extended, you cannot charge additional fees for this period, unless a new contract term has commenced (via a signed contract).



## Refunding Fees

Where a contract is terminated part way through the year, fees should be refunded for the period where service has not been provided.

## Ongoing Service Arrangement and Annual Contracts

Whilst both types of agreements have many similarities in regard to obligations there are some key differences between the two. They are summarised below;

	<b>Ongoing Service Arrangement</b>	<b>Client Service Contract</b>
<b>Service Period</b>	Greater than 12 months	Less than 12 months
<b>Fee Disclosure Statement</b>	FDS document must be provided in line with legislative requirements – previous year and upcoming year. This includes delivery of document and contents. Civil penalties apply where requirements are not met.	FDS is not required, however a Confirmation of Service & Fees letter must be issued to the client at the end of the contract period when the fixed term is greater than a 6-month period. This must be provided to the clients within a 2-month period.
<b>Renewal</b>	OSAs must be renewed annually in line with legislative requirements. The Renewal is now captured within the FDS document	Contract ceases at the end of the period. A new contract must be issued to commence any new service period with the client
<b>Client consent to deduct fees</b>	Client consent to deduct fees must be received	Client consent to deduct fees must be received
<b>Provision of service</b>	Client directed delay of up to 3 months allowed	Client directed delay of up to 3 months allowed. No fees can be charged or deducted outside the contract period where the service has been delayed.
<b>Biennial Reviews</b>	Can be provided via an OSA	Cannot be provided via Client Service Contracts
<b>Templates</b>	Available on XPLAN and stand alone	Available on XPLAN and standalone
<b>XPLAN Tracking</b>	Available via XPLAN	Available via XPLAN

## Transition from OSA to Contract

Where you are looking to transition from an ongoing arrangement to a contract for a client it is important that you consider the following:

- The existing OSA will need to be terminated and therefore fee consent will no longer be valid.
- A signed contract will need to be put in place, including new fee consent.
- When using a contract, you will not be afforded the benefit of the Renewal period to engage with your client.
- Standard FDS rules apply, where you transition a client within the Renewal Period i.e. where the arrangement was in place for greater than 12 months.



## **Use of both OSA and Contracts**

Whilst Fortnum does not mandate the use of only one option i.e., arrangements or contracts. It is important to note that there may be additional complexities added by deploying both options given the different obligations.





## **Documentation - Ongoing Service Arrangements & Annual Contracts**

There is only one authorised version of each of the available documents; Ongoing Service Agreement and Client Service Contract.

These documents can be generated in XPLAN via the wizard or completed via the word templates, which can be found on the member site . The templates may only be edited in accordance with the instructions provided in the XPLAN wizards and/or templates.

Unauthorised versions of the Ongoing Service Agreement and Client Service Contract are not permitted, and variations must be approved by the Fortnum Advice Team prior to use.

### **Multiple Entities**

Multiple entities can be included on the one OSA or Annual contract, if suitable. You should consider which parties you are providing advice to and to how you would review them. For example; you have clients who are husband and wife and they have both an SMSF and Family Trust. There are no other parties involved, such as another trustee. In this scenario you may consider providing one OSA or Annual Contract as you provide advice to the clients holistically in regard to their personal affairs, SMSF and Trust.

### **Service Descriptions**

Service descriptions within the arrangement document should be clear and concise and focus on the services that provide inherent value to the client. They should avoid technical jargon and provide for outcomes that are objective rather than aspirational, for example “2 meetings per year” rather than “regular meeting”. They should also avoid aspirational statements such as promising to be “available at any time”, “on-call” or “doing anything we can to help”.

There are three default service packages within the template. They cover the following;

- Strategic review;
- Portfolio review; and
- MDA review.

Generally speaking, the ‘Strategic Review’ should be selected where holistic advice (i.e. strategic and investment reviews) is provided. Where you are only providing ongoing investment portfolio reviews, you should select the ‘Portfolio Review’ service. Any of the above services can be deleted where not applicable to the client.

Approval must be sought from the Fortnum Advice Team prior to the addition to the Agreement of any other services.

It is important to note that the “offer” of a service is no longer to be included within service agreements.

### **Documentation of services on client file**

In order to demonstrate that service has been provided, we require all relevant documentation to be saved on file. Where service relates to an annual review, either strategic or investment or both, we would expect a relevant advice document to be produced



and saved on file, including instances of no change. The advice document must be delivered within the service period, unless the client has delayed (as discussed in Client Postponed or Declined Review section). However, the ATP is not required to be signed and returned within the servicing period.

**An *offer of service* is not a service and therefore not sufficient to demonstrate that services have been provided.**



## Other Considerations – Ongoing Service Arrangements & Annual Contracts

### Fees

Whilst Fortnum does not mandate the level of fee that should be charged in a particular instance, we believe that the fees should be appropriate for the services that will be provided. Things that you may consider in determining the level of fees appropriate to the client may include; time and effort in providing the services, the level of assets being advised on, complexity of position and strategies, etc.

As defined by s912(1)(a) of the Corporations Act, we also have an obligation to ensure that services are provided “efficiently, honestly and fairly”. This should underpin the decisions made regarding the level of fees charged to clients to ensure perceived value in that service. FASEA Standard 7 also requires that you must satisfy yourself that the fees and charges are fair and reasonable and represent value for money for the client.

Fees noted within all documentation must also be in Australian Dollars.

### Disclosure of fees

Ongoing service fees must be disclosed in the agreement as both a dollar amount and a percentage of the client’s funds under advice for asset-based fees. Where you are charging a flat dollar fee, the percentage is not required.

When determining the method of payment of fees with the client, such as direct invoice or payment direct from the account, it is important to be aware of other considerations, including affordability, frequency and application of the sole purpose test. For superannuation accounts, it is important to ensure that any deduction of fees does not breach this test.

### Deducting fees from superannuation account must meet the ‘sole purpose test’

You must only deduct advice fees from a client’s superannuation account if the advice (and consequently the advice fee) relates to the client’s superannuation account.

To the extent that you are advising on several issues including the client’s superannuation account, you must apportion fees appropriately. Your methods and reasons for apportionment must be clearly documented.

Where you are advising multiple parties (e.g., an individual and a corporate), ensure the fees deducted are only in respect of advice given to the individual which relate to the client’s superannuation account.

#### Example

You cannot deduct advice fees from a client’s superannuation account if the advice being provided is to the client’s trust account.

Superannuation trustees (as part of product provider) may also require additional information from the adviser in order to satisfy themselves that the fees being deducted meet this test.



## **Client declines Ongoing Service**

In situations where a client does not wish to engage you for ongoing service, then a service arrangement will not exist.

However, in these situations you are required to:

- File a note of the discussion held with the client which documents the client's decision in this regard and the implications in declining ongoing service.
- Consider the appropriateness of your advice and, if necessary, adjust it accordingly.

*Key examples of when this is particularly important include any gearing advice and any actively constructed portfolio which has products or asset allocations which require active management.*

Note: the above does not apply for commission only situations where, as stated previously, an OSA is optional.

## **One off advice**

Clients may elect to receive ad-hoc advice from you when required. In this scenario, an ongoing service arrangement or annual contract may not be suitable, and a one-off fee should be charged at the point the service is provided.

## **Scenarios where existing arrangements should be reviewed**

In situations where you are made aware of any significant changes, you must review the appropriateness of existing agreements as soon as practicable.

Common examples may include:

- Divorce/end of relationship
- Death of client
- Bankruptcy/loss of significant income sources
- Diagnosis of Medical Condition – Terminal illness

If, as the result of the change, your service is no longer needed, or you will not be able to provide the agreed service to your client, you must notify the client to terminate the agreement, stop any future payments and/or process the appropriate amount of refund if the fee was paid in advance.

In certain scenarios, changes to terms of the fee arrangement (including fees) may be agreed to and a new arrangement should be issued, or the client may elect to maintain the existing arrangement. Notes of such discussions should be kept on file.

## **Death of a client**

Upon the death of a client, the fee arrangement automatically terminates, and you will no longer be able to charge or receive fees in relation to this client. You must stop charging fees



as soon as you are notified of the client's death. You may look to commence a new fee arrangement with the clients' Legal Personal Representative (Executor).

It is important to note however that, in many instances, superannuation trustees will not allow any fees to continue to be charged from a deceased client's account, even with agreement with the client's Legal Personal Representative. In this scenario, fees may need to be paid directly from the Estate.

### **Number of clients with Ongoing Service clients in place**

Although the number of clients an adviser can service is not mandated by Fortnum, it should be considered carefully. Having a large number of clients may not allow you to satisfy all contractual and legislative requirements. If you are servicing in excess of 150 ongoing fee-paying clients, you may need to provide further information as to how you can adequately service the clients and meet obligations.