Mr Ray Ong
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Quality of Advice Review Secretariat
Financial System Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via e-mail: AdviceReview@treasury.gov.au

Dear Sir/Madam,

RE: Quality of Advice Review

My name is Ray Ong. I completed a Bachelor of Commerce in Financial Planning in 2005. I've worked in the industry since 2005 and have been providing personal advice since 2008. I own and operate Access FP Pty Ltd t/a Fortitude Wealth Partners. Access FP is an AFSL holder and I am the responsible manager and sole adviser.

I started working at a boutique retirement planning practice in my final year of university. My initial responsibilities were administration and client services. Soon after I was responsible for paraplanning in the business and in 2008 I had the opportunity to become a major shareholder and start as an associate adviser. We gave up our AFSL and joined a large bank-aligned licensee in 2011. In 2013 the business owners went their separate ways however I continued on my own under the same the licensee.

With a large debt and immense amount of regulatory change post FOFA, I contemplated selling the business and changing career many times. The constant stream of proposed changes, new laws, new licensee standards, negative public perception, downward pressure on fees, increased red tape, reduced revenue and significantly higher risks made me question my career choice daily.

I am still here because despite the challenges, I have firsthand experience of how quality financial advice has the power to transform lives. Acting in the best interests of clients is not a legal obligation to me. It is the reason I exist as a professional financial adviser. An exam did not cultivate that in me.

An undersupply of financial planners will have an enormous long-term impact on the economic health of the Australian Government and people for generations to come.

Please contact me on ray@fortitudewp.com.au if you would like to discuss my answers to the consultation questions.

Yours sincerely

Ray Ong
CFP®, LRS® Life Risk Specialist, BCom (FinPlan)
Aged Care Professional™

1. What are the characteristics of quality advice for providers of advice?
Centred around client goals. Leads to real life outcomes that leaves them better off. Advice that is transparent but easy to understand. Advice that reduces fear and improves mental, emotional and financial well-being.

2. What are the characteristics of quality advice for consumers?
Helping me clarify my goals. Centred around my goals and specific circumstances. Leads to better outcomes than I could I produce on my own. Advice that is affordable and saves me time. Advice that reduces complexity in my life. Advice that reduces fear of the unknown and improves mental, emotional and financial well-being.

3. Have previous regulatory changes improved the quality of advice (for example the best interests duty and the safe harbour (see section 4.2))?
2002 – Financial Services Reform – *Yes*
2013 – FOFA reforms – *Yes, but not 961B(2)(g) take any other step provision*
2015 – Financial Advisers Register – *No*
2018 – Life insurance remuneration reforms – *Difficult to say for sure but it has led to more underinsurance in Australia. Is that a quality outcome? There are less specialised risk advisers as a result which drives up the cost which most don't want to pay. Life insurance is extremely complex and there is no other insurance in life where you need to pay a fee for advice and service to get the insurance!*
2019 – Professional standards – *Broadly yes, but not all aspects of the code of ethics. The additional requirements have driven up costs and complexity when providing personal advice. Some requirements have gone too far.*
2021 – Response to the Financial Services Royal Commission – *New consent requirements are unnecessary when FDS and Opt-In was already doing its job. Independence disclosure does not improve quality of advice.*
2022 – New disciplinary requirements – *No, but it makes our lives simpler which helps to reduce costs.*

4. What are the factors the Review should consider in deciding whether a measure has increased the quality of advice?
Have these measures prevented or significantly reduced financial misconduct in Australia? Has this measure led to more Australians receiving personal advice? Has this measure led to less Australians receiving advice and what is the long-term impact of this? Has this measure led to less complaints/disputes against financial advisers?

5. What is the average cost of providing comprehensive advice to a new client?
How long is a piece of string? How do we quantify business risk adequately? How do we determine profit margins when the environment is consistently changing? Comprehensive would be $2,200 to $4,400.

6. What are the cost drivers of providing financial advice?
The construction of the Statement of Advice is singlehandedly the biggest cost. Everything is connected to the Statement of Advice (i.e. best interest obligations, record keeping, PI, staff, technology etc.).

7. How are these costs apportioned across meeting regulatory requirements, time spent with clients, staffing costs (including training), fixed costs (e.g. rent), professional indemnity insurance, software/technology?
Time spent with clients 20-30%. Staffing 40%. Technology 10%. PI 10%. Rent 15%.

8. How much is the cost of meeting the regulatory requirements a result of what the law requires and how much is a result of the processes and requirements of an AFS licensee, superannuation trustee, platform operator or ASIC?
What the law requires 40%. AFS licensee 50%. Everyone else 10%.

9. Which elements of meeting the regulatory requirements contribute most to costs?
The new obligations required as part of the Statement of Advice construction. FDS and fee consent obligations. Distribution and design obligations.

10. Have previous reforms by Government been implemented in a cost-effective way?
No. Little consideration was given to the impact on the cost to clients, hence we find ourselves in the current predicament. FASEA requirements are a significant cost burden.

11. Could financial technology (fintech) reduce the cost of providing advice?
Financial planning is a highly nuanced profession that requires intellect (technical knowledge), emotional intelligence, investment experience, business development skills and business administration. Fintech can help, but it also comes at a significant cost. Fintech should not be the solution to the problem caused by the regulations. Can fintech significantly replace a psychiatrist?

12. Are there regulatory impediments to adopting technological solutions to assist in providing advice?
I don't think so, but the best technology can do is help an extremely complicated process. If the process can be less complicated without compromising outcomes, there is an immediate benefit.

13. How should we measure demand for financial advice?
Survey the community. Have super funds survey their members. Survey participants in financial disasters and see how many received financial advice.

14. In what circumstances do people need financial advice but might not be seeking it?
When they have just started work and can establish strong foundations for the long term.
Those who are struggling with finances and can't afford it.
Those looking for guidance on life insurances.
Those who need help with investing, superannuation, retirement etc.

15. What are the barriers to people who need or want financial advice accessing it?
Shock of the fees involved with financial planning when in their minds the advice is simple.
The level of detail required when engaging a financial adviser. They want it to be more straightforward than it is.

16. How could advice be more accessible?
Remove the requirement for a documented Statement of Advice. This will dramatically reduce the cost of advice and how financial planners engage with the community. Alternatively, remove the SoA requirement for non-product specific personal advice (i.e. personal advice on class of products only does not require an SOA). Maintain best interest principles but remove the requirement for a contract style/legal document SOA.

Make financial planning fees tax deductible.

Allow people to use their superannuation to pay financial planning fees. Commissions are gone, FDS, fee consent and fair value code of ethic standards are already in place. All advice tends to be connected to retirement benefits and are aimed at improving an individual's finances to rely less on social security. Is using part of your superannuation to buy your first home closer to the sole purpose test than financial advice?

17. Are there circumstances in which advice or certain types of advice could be provided other than by a financial adviser and, if so, what?
It seems there would be a rather large conflict of interest if product providers are allowed to provide advice direct to consumers. How would it be impartial?

18. Could financial advisers and consumers benefit from advisers using fintech solutions to assist with compliance and the preparation of advice?
To an extent, but the part that I'm confused by is that financial planners should not take a cookie cutter approach. For fintech to streamline and bring about meaningful efficiencies, you naturally incorporate taking a cookie cutter approach. Fintech should not be the core solution.

19. What is preventing new entrants into the industry with innovative, digital-first business models?
Financial planning is a highly nuanced profession that requires intellect (technical knowledge), emotional intelligence, investment experience, business development skills and business administration. It's a difficult and costly problem to solve using technology. The demand pool for the technology (i.e. adviser base) is also shrinking.

20. Is there a practical difference between financial advice and financial product advice and should they be treated in the same way by the regulatory framework?
Absolutely. Financial product advice incorporates the complexity of a specific and nuanced financial product. The financial product has its own lengthy disclosure document. Financial advice can be purely strategic in nature. The exclusion of a detailed financial product significantly reduces the complexity and risks to the consumer. The regulatory framework should reflect this and treat non-product advice differently.

21. Are there any impediments to a financial adviser providing financial advice more broadly, e.g. about budgeting, home ownership or Centrelink pensions? If so, what?
Yes, because of the definition of personal advice (i.e. influencing a person with respect to a class of financial products) there is a fear those broad issues will invariably result in questions relating to classes of financial products which then triggers the SOA. Secondly, when a consumer seeks help from a financial adviser, they have no awareness of what personal advice is and when an SOA is needed. They simply need help and will ask questions or seek guidance on all things related to finance.

22. What types of financial advice should be regulated and to what extent?
Product specific financial advice should be regulated as is but consider removing the need for a documented SOA. Best interest principles remain. Advisers should keep comprehensive notes on file but have the flexibility to provide the advice in a way that is fit for purpose (i.e. e-mail, phone, recorded meeting, verbal etc.).

Non-product financial advice should be regulated as is, but remove the need for a documented SOA. Best interest principles should apply and the level of detail and inquiry should reflect the consumer's needs.

23. Should there be different categories of financial advice and financial product advice and if so for what purpose?
If you remove the need for an SOA the categories should be ***general information*** *and* ***personal financial advice****. In this instance, there doesn't need to be a distinction between product and non-product advice.*

If the SOA is still required I would have the following categories to draw attention to the type of advice being received.

General information
Financial advice (strategy and product)
Financial advice (strategy only)

The current categories are not easily understood by consumers. I believe these categories are easier to understand.

24. How should the different categories of advice be labelled?
As above.

25. Should advice provided to groups of consumers who share some common circumstances or characteristics of the cohort (such as targeted advertising) be regulated differently from advice provided only to an individual?
No, by doing this you increase the risk of damage being done to a large cohort of individual consumers who've been target as a group. If you want to protect the broad base of consumers, why reduce protection for large groups?

26. How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?
Influencers should be regulated given the extent of their reach and the strong influence on their followers. They should meet the education standards and be licensed to provide general information. Regulation and consumer protections should not be watered down to further encourage consumers to do it themselves.

I don't believe that consumers know the differences between a financial coach and financial adviser. Consumers can be forgiven for thinking they are one and the same. There is a danger that the consumer confuses the two and takes the "coaching advice" as financial advice. Wouldn't a consumer naturally ask about what to do with the money which invariably leads to influence over a class of products. It is also interesting that the majority of financial coaches were ex-advisers. Maybe if the regulations were more palatable, they'd still be advisers with specialisation in budgeting/spending/saving and connecting money and emotions.

27. How does applying and considering the distinction between general and personal advice add to the cost of providing advice?
The advice process for general and personal advice is very different. The distinction results in time needing to be spent determining if the consumer should receive general or personal advice.

32. Do you think that limited scope advice can be valuable for consumers?
It is the preferred way to receive advice. Comprehensive holistic planning is complex. Taking on a huge amount of new information in a short space of time is difficult.

33. What legislative changes are necessary to facilitate the delivery of limited scope advice?
I feel most advice is limited in some way and the legislation already facilitates the delivery of limited scope advice.

34. Other than uncertainty about legal obligations, are there other factors that might encourage financial advisers to provide comprehensive advice rather than limited scope advice?
Removing the requirement to produce an SOA will dramatically reduce the time involved in providing advice. By freeing up time, advisers can provide comprehensive advice more easily.

35. Do you agree that digital advice can make financial advice more accessible and affordable?
Digital advice is not true financial advice. It can make certain aspects of advice more accessible and affordable (i.e. automated portfolios), however I can't see how digital advice providers can adhere to the code of ethics (e.g. standard 6 and 7). It would be dangerous to scope out important aspects of advice but that is what digital advice providers have to do.

On the point of digital advice, there are plenty of off the shelf "automated portfolio" products that already exist. The only extra step digital advice is taking is risk profiling the client using a questionnaire to determine a suitable pre-made portfolio. Research shows that relying solely on a risk profile questionnaire is flawed. There is no human conversation between client and adviser to discuss the risk profile and client goals. Furthermore, how would a digital advice provider objectively satisfy Section 961B(2)(i) where you're required to compare against other financial products? I don't believe that you can legally scope out this requirement in the SOA. Limiting advice in this way would be inappropriate and against the spirit of the law.

36. Are there any types of advice that might be better suited to digital advice than other types of advice, for example limited scope advice about specific topics?
Not under the current laws.

37. Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?
Yes, the risks are heightened because important considerations are scoped out. Consumers are unlikely to understand the implications of the scoping, regardless of lengthy written warnings. Standard 4 and 7 of the FASEA code of ethics are likely to be breached with digital advice. Would it be safe for an algorithm to provide digital medical and pharmaceutical advice without talking to the relevant health professionals? How can you truly demonstrate informed consent?

38. Should different forms of advice be regulated differently, e.g. advice provided by a digital advice tool from advice provided by a financial adviser?
No, it is illogical to do that. The bias for digital advice is to reduce cost to consumers, but there are dangers in scoping areas out. Why should digital advice providers have lower standards than humans? If digital advice providers can scope important areas out and have a lower level of regulation, does that mean human advisers are allowed to do the same thing?

39. Are you concerned that the quality of advice might be compromised by digital advice?
Yes. It is not the silver bullet. The focus should be on reducing the cost of advice provided by humans.

40. Are any changes to the regulatory framework necessary to facilitate digital advice?
By lowering the standards for digital advice providers, you are compromising on the quality of advice. Consumers will gravitate towards lower cost digital advice, which is not true comprehensive advice.

43. Do you consider that the statutory safe harbour for the best interests duty provides any benefit to consumers or advisers and would there be any prejudice to either of them if it was removed?
I believe the safe harbour provisions (aside from 961B(2)(g) take any other step) provide an enormous benefit to consumers and advisers. It would prejudice consumers if they were completely removed.

44. If at all, how does complying with the safe harbour add to the cost of advice and to what extent?
The most significant time imposition is the requirement to consider alternative products. It would take a minimum of an hour to consider alternative products properly.

45. If the safe harbour was removed, what would change about how you would provide personal advice or how you would require your representatives to provide personal advice?
The only thing I would change is the need to consider alternative products.

47. Do you consider that financial advisers should be required to consider the target market determination for a financial product before providing personal advice about the product?
No. The requirement to consider the TMD serves no valuable purpose when providing personal advice. It is adding an unnecessary layer of complexity when providing personal advice and increasing the cost of advice. The PDS and external research is sufficient to determine if a product is suitable.

48. To what extent has the ban on conflicted remuneration assisted in aligning adviser and consumer interests?
It has significantly improved the alignment of interests. Advisers must provide value and service to receive a fee.

49. Has the ban contributed towards improving the quality of advice?
It difficult to say if it has improved the quality of advice. I don't believe it has. It certainty has improved client outcomes.

50. Has the ban affected other outcomes in the financial advice industry, such as the profitability of advice firms, the structure of advice firms and the cost of providing advice?
I believe the ban has had an impact on the profitability of most advice firms. It has changed the structure of advice firms and it has led to a significant number of "orphaned" clients. I believe it has increased the cost of providing advice as advice and service can't be subsidised by future ongoing commissions. Upfront and ongoing fees are higher to fully reflect the cost to serve.

51. What would be the implications for consumers if the exemptions from the ban on conflicted remuneration were removed, including on the quality of financial advice and the affordability and accessibility of advice? Please indicate which exemption you are referring to in providing your feedback.
Removing commissions on life insurances will have a significant negative impact on consumers. It will lead to more underinsurance in Australia. Fee for service for life insurances is nice in theory but the majority of Australian's are unwilling to pay a fee for advice on insurance. There are no other insurances that require a fee for advice. Life insurance advice is complex and the potential claim against bad advice is more significant than other areas of advice (i.e. investments).

52. Are there alternatives to removing the exemptions to adjust adviser incentives, reduce conflicts of interest and promote better consumer outcomes?
You could make life insurance advice tax deductible.

57. To what extent can the requirements around the ongoing fee arrangements be streamlined, simplified or made more principles-based to reduce compliance costs?
Remove the requirement for both trustees and advisers providing fee consent forms. One fee consent form is sufficient to demonstrate client consent.

58. How could these documents be improved for consumers?
Adviser fee consent forms are straightforward. Product provider fee consent forms are not. Every provider has their own unique form and process and standards. It is another layer of complexity that is adding to the cost to provide advice.

59. Are there other ways that could more effectively provide accountability and transparency around ongoing fee arrangements and protect consumers from being charged a fee for no service?
One fee consent form combined with the enhanced FDS seems more than sufficient.

60. How much does meeting the ongoing fee arrangements, including the consent arrangements and FDS contribute to the cost of providing advice?
10-15% of the cost of providing ongoing advice.

64. How much does the requirement to prepare a SOA contribute to the cost of advice?
At least 60-70% of the cost of advice is attributed to the preparation of the SOA.

65. To what extent can the content requirements for SOAs and ROAs be streamlined, simplified or made more principles-based to reduce compliance costs while still ensuring that consumers have the information they need to make an informed decision?
Remove the requirement for a documented SOA. Advisers are responsible to keep comprehensive file notes and records to demonstrate best interest duties have been met. Leave it to the adviser to determine how best to present the advice to help the consumer make an informed decision. Best interest principles can remain, give the adviser freedom to present the advice in a way that is clear, concise and effective, and focus on quality client-outcomes. Doctors are not required to document their advice in an SOA equivalent and they are dealing with life and death.

66. To what extent is the length of the disclosure documents driven by regulatory requirements or existing practices and attitudes towards risk and compliance adopted within industry?
Existing practices and licensees have taken a conservative approach because of the outcome of determinations and court rulings, which are a direct result of the regulations. It is not fair to blame licensees and compliance teams for lengthy documents. It is extremely difficult to present

complicated and highly nuanced advice in a clear, concise and effective way. You will always run the risk of saying too much or too little.

67. How could the regulatory regime be amended to facilitate the delivery of disclosure documents that are more engaging for consumers?
Remove the need for a documented SOA and allow advisers to solve the problem of communicating advice in a clear, concise and effective way.

68. Are there particular types of advice that are better suited to reduced disclosure documents? If so, why?
Financial advice (strategy only) because it is less complex in nature.

69. Has recent guidance assisted advisers in understanding where they are able to use ROAs rather than SOAs, and has this led to a greater provision of this simpler form of disclosure?
Yes.

71. Should accountants be able to provide financial advice on superannuation products outside of the existing AFSL regime and without needing to meet the education requirements imposed on other professionals wanting to provide financial advice? If so, why?
No. Doing this will result in an influx of inappropriate SMSFs again.

72. If an exemption was granted, what range of topics should accountants be able to provide advice on? How can consumers be protected?
No exemption should be granted. Why should an accountant be allowed to tell a client to commence a pension but a qualified financial adviser needs to produce an SOA to do the same thing? Focus on reducing the cost of advice so consumers can access simple advice in a simply way and at a lower cost. Why would you give exemptions to perpetuate a conflicted model (setup an SMSF and we will do the tax)?

73. What effect would allowing accountants to provide this advice have on the number of advisers in the market and the number of consumers receiving financial advice?
It will drive adviser numbers down even more. The quality of advice will be lower. If the priority is protecting consumers it makes no sense to provide exemptions for accountants. Reduce the cost of advice so consumers can access advice more easily.

76. Should there be a requirement for a client to agree with the adviser in writing to being classified as a wholesale client?
Yes. This is known as client consent or informed decision making.

78. Should there be a requirement for a client to be informed by the adviser if they are being classified as a wholesale client and be given an explanation that this means the protections for retail clients will not apply?
Yes, most definitely, particularly when the size of the responsibility is greater.

79. What steps have licensees taken to improve the quality, accessibility and affordability of advice? How have these steps affected the quality, accessibility and affordability of advice?
I don't think licensees have focused on accessibility and affordability. Their focus has been on licensee protection.

80. What steps have professional associations taken to improve the quality, accessibility and affordability of advice? How have these steps affected the quality, accessibility and affordability of advice?
The video SOA example produced by the Financial Planning Association of Australia is a huge step in the right direction. It categorically improves the quality, accessibility and affordability of advice.

81. Have ASIC's recent actions in response to consultation (CP 332), including the new financial advice hub webpage and example SOAs and ROAs, assisted licensees and advisers to provide good quality and affordable advice?
Yes it has.

82. Has licensee supervision and monitoring of advisers improved since the Financial Services Royal Commission?
Yes it has, but I'm not convinced it has lead to improved client outcomes.

83. What further actions could ASIC, licensees or professional associations take to improve the quality, accessibility or affordability of financial advice?
Educate the population on what financial advice is and why it is valuable.
Make changes to the regulations and give time for the industry to adapt before introducing new requirements or changing old ones.
Incentivise/subside advice in some way (i.e. tax deductibility of advice, or allow the use of super to pay for financial advice fees).