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Submission on Terms of Reference Quality of Financial Advice Review

Dear Sir/Madam

Thank you for the opportunity to comment on the Terms of Reference for the Treasury's Quality of Financial Advice Review.

At SuperEd, and our subsidiary Retirement Essentials, we are committed to finding ways to provide quality and affordable advice to everyday Australians, who are underserved by today's very high cost and complex financial advice industry. Since 2013, we have been developing ways to serve clients through digital and human advice. It has been very challenging due to the complexity and tangled nature of Australia's financial advice laws, which contribute to financial advice and help being too expensive and largely inaccessible for most Australians.

So, we strongly support the objectives of the Review.

We did want to point out what we believe is a major gap in the Review's Terms of Reference: an articulated focus on retirement advice and help.

Retirement advice and help is arguably the most important area of financial advice. People preparing for, and living in, retirement face a huge challenge to understand and decide how they can best fund their retirement years. The Retirement Income Review highlighted the financial issues. But the "navigational" issues of steering oneself through a change from 30-40 years of accumulation to decades of drawing down assets to fund retirement are substantial, creating a very strong need for retirement advice.

The Government recently has made concerted efforts on the Retirement front through its excellent Retirement Income Review and through the Retirement Income Covenant initiative. The Retirement Income Covenant demands that super fund trustees develop a Retirement Income Strategy and provide appropriate guidance for members. However, the Retirement Income Covenant Consultation Paper ducked the question of how super fund trustees can safely provide quality and affordable retirement advice.

As we stated in our submission on the Retirement Income Covenant Consultation paper:

"The great challenge still to be addressed by super funds is how to "assist members to balance the retirement income objectives" -- how to help members find the appropriate answer for their own needs. The paper does list a set of things funds can do to encourage their members to understand their choices, under the headings of factual information, guidance, nudges, default settings, financial advice, etc.

However, the paper really does not confront the difficulties associated with giving retirement advice under today's regulatory settings. Is a super fund offering "retirement advice" intra fund advice or is it scaled personal advice? Where does the boundary end on what personal

circumstances need to be considered by a super fund in giving retirement advice? What can be done to make appropriate advice more cost effective so that it really works for most people who retire with modest balances?"

... "We might have expected the Paper to call out or propose Government solutions to these difficult advice issues. However, the Paper merely suggested the Government would be looking at it later, for instance in the Quality of Advice Review in 2022."

Yet, when we read the Terms of Reference for the Review of Quality Financial Advice, we do not see any reference to retirement as a particular focus or to the quandary faced by super fund trustees. So, we suggest that the Terms of Reference be adjusted to add a focus on providing retirement advice, both inside and outside the superannuation industry. In particular, there should be an investigation of what forms of safe harbour can be provided to super trustees to encourage the provision of useful, quality, affordable advice.

As a (relevant) aside, we noted in our recent submission on ASIC's **CP 351 Superannuation forecasts: Update to relief and guidance** that the relief for retirement estimates and super calculators was not to apply to persons who had retired or were over the age of 67 — another case where the retirement advice needs of older Australians were being overlooked.

Thanks again for the opportunity to comment on the Terms of Reference.

Sincerely,

Jeremy Duffield
Chair
SuperEd Pty Ltd