

3 June 2022

Secretariat, Quality of Advice Review
Financial System Division
Treasury

By email: AdviceReview@treasury.gov.au

Attention: Michelle Levy, Independent Reviewer

Dear Ms Levy

Quality of Advice Review

Thank you for the opportunity to provide a submission to the Quality of Advice Review and the associated issues paper.

MetLife Australia is a leading provider of life insurance, partnering with employers, superannuation funds and financial advisers to help Australians build a confident financial future. We have been awarded the Life Insurer of the Year Award by the Australia New Zealand Institute of Insurance and Finance (ANZIIF) for two of the last three years (not held in 2020 due to COVID lockdowns).

The financial services sector has undergone very significant reforms in recent years, and the advice sector has been radically overhauled. MetLife supports the professionalisation of the sector, but notes that many advisers have left the sector, with numbers dwindling from 20,600 in 2021 to 17,600 in 2022. This loss of advice expertise presents real challenges for policymakers and legislators.

Compulsory superannuation has now been in place for more than three decades, and Australians are beginning to plan for retirement, and retire, with very significant retirement balances. Australia's policy settings have required employees to forgo wages to contribute to superannuation; it is incumbent on policymakers to ensure that Australians are equipped with access to advice that ensures the key purpose of compulsory superannuation - comfort in retirement - is delivered.

MetLife believes that Australians should have ready access to professional and affordable advice. This submission focuses on the key questions that MetLife believes are central to improving the advice regime where it intersects with life insurance.

Overall, MetLife supports the industry position as submitted by the FSC to the Quality of Advice Review. The exception to this is the provision of intra-fund advice, and our position is outlined below. MetLife believes the regulatory regime should recognise that intra-fund advice and retail advice can be complementary.

The Hayne Royal Commission introduced many reforms to the financial services sector, which MetLife supports as they protect consumers. However, some changes have had unintended consequences which have been detrimental to those same consumers. The Quality of Advice Review is an opportunity to address those issues, to ensure ordinary Australians have access to sound financial advice to help them build a confident future.

If you have any questions about this submission or wish to discuss any aspect of it, please do not hesitate to contact Head of External Affairs and Public Policy Nathan Rees (nathan.rees@metlife.com).

Regards,



Richard
Chief Executive Officer

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MetLife submission to Quality of Advice Review – Issues Paper

About MetLife

MetLife Australia provides life insurance solutions through three distribution channels:

1. **Superannuation (Group)** — MetLife partners with superannuation funds to offer their members Death, TPD and IP cover through fit-for-purpose default life insurance policies.
2. **Retail (through independent financial advisers)** — MetLife offers a unique modular product offering to allow advisers to tailor policies that meet their clients' needs for Death, TPD, Trauma and IP cover.
3. **Corporate** — MetLife partners with corporate organisations to tailor solutions to their talent cohort, offering Death, TPD and IP cover as an employee benefit.

MetLife is the third largest insurer in life insurance inside superannuation and the second largest in corporate insurance in Australia, covering 1.5 million people and in 2020, paid over \$533 million in claims to policyholders.

MetLife is owned by MetLife, Inc., through its subsidiaries and affiliates, and is one of the world's leading financial services companies, providing insurance, annuities, employee benefits and asset management to help individual and institutional customers build a more confident future. Founded in 1868, MetLife has operations in more than 40 markets globally and holds leading positions in the United States, Japan, Latin America, Asia, Europe and the Middle East.

Supporting advisers

At MetLife, we see advisers as key players in the financial services ecosystem. That is why in recent years we have provided significant support to the retail advice sector. This includes a comprehensive training and development program. In 2021, more than 1,000 advisers attended our courses and seminars on the following key areas:

- New Design and Distribution Obligations (DDO) for providers
- An overview of new arrangements for Individual Disability Income Insurance (APRA IDII)
- Professional qualification seminars to assist with the Financial Adviser Standards and Ethics Authority (FASEA) requirements
- FASEA exam preparations
- End of financial year strategies and tax guide.

Our submission

In preparing this submission, we have sought to outline the key areas of improvement, now and into the future. Our submission is premised on:

- Legislation that is flexible, principles-based, technology-agnostic
- Advice that is accessible, scalable and affordable

It will cover the following areas as set out in the Quality of Advice issues paper:

- 4.1 Types of advice – General and personal advice; Intra-fund advice; Limited scope advice; Digital advice
- 4.3 Conflicted remuneration

For each of the questions addressed, this submission will use the following format:

- General outline of the issue presented
- Provision of relevant data
- Suggested approach for adoption.

4.1 Types of advice

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?

For the Australian consumer, “financial advice” is the term that is understood and used. “Financial product advice” (as defined in the legislation) tends to be what people mean when they use the term “financial advice”. To them, arguably, there is no practical difference between the two.

The real confusion for consumers lies in the treatment of “general advice” and “personal advice” in the regulatory framework. That is also where the complexity lies for advisers and other players in the market. See more detail in response to (22) and (23) below. MetLife proposes that the review contemplates legislating a clear definition between the two.

It is also proposed that “financial product advice” be removed as a term, a view supported by most stakeholders in response to the Australian Law Reform Commission’s (ALRC) inquiry.¹ This would simplify terms and definitions used, so that financial advice that involves a provider considering an individual’s personal circumstances and providing a recommendation or opinion, including recommending a product, is defined as “personal advice”.

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?

Under the current regime, there are no legislative impediments to a financial adviser providing financial advice more broadly. There may be professional certifications required, eg certifications to be a financial planner, investment management analyst, chartered financial analyst, chartered accountant, or chartered financial consultant.

A caveat to this is that the financial adviser must have the required skill and knowledge to provide the type of advice that they are providing, and take into account the customer’s best financial interests, including the requirements under the Financial Planners and Advisers Code of Ethics.² Failing that, appropriate disciplinary action should be taken, and a customer should have recourse to compensation where they have experienced (financial) harm as a result of the advice.

22. What types of financial advice should be regulated and to what extent?

Financial advice that is “personal advice” should be regulated. Individuals providing that advice (those holding current Australian Financial Services Licences or their authorised representatives) should also be regulated.

In addition, there are certain consultants or budget advisers in the financial services sector who provide advice to individuals in relation to their financial circumstances who are not currently regulated under the *Corporations Act*, as a product or class of products are not specifically recommended. These groups and/or participants need to fall under the same disclosure, regulatory and disciplinary framework.

Principles-based legislation

¹ ALRC, [Reflecting on reforms – Submission to Interim Report A \(FSL6\)](#), 12 May 2022.

² [Financial Planners and Advisers Code of Ethics 2019](#), accessed 24 May 2022.

In the ALRC's recent paper *Risk and Reform in Australian Financial Services Law*, the commission discusses risks and the financial system. It notes that since the *Corporations Act* was enacted, there has been changing approaches to risk and the law has not adapted to take account of these new approaches. In brief, the financial system has seen a 'risk shift' from government and employers to individuals and 'accelerated financialisation'.³ These two factors have seen a change in regulatory direction to more interventionist financial services laws, layered upon the original regulatory architecture based on a disclosure as a central tenet. This has led to increasing complexity for players in the sector, particularly financial advisers whose conduct are governed by disclosure rules as well as conduct obligations (eg best interest duty and statement of advice requirements).

The result is that under the current regulatory landscape - due to its complexity - advisers have to comply with highly prescriptive legislation for any type of personal advice provided.

MetLife proposes that legislation around financial advice should be principles-based, setting the standards for financial advice and what consumers should expect when seeking advice. This would mean a shift away from the interventionist approach that financial services laws have taken in recent times.

With the move to professionalism of the sector, prescriptive legislation should be removed (or reduced) as consumers should be able to trust the professional judgment of their financial adviser. To that end, prescriptive legislation such as the 'safe harbour' provisions for advisers' best interest duty in the *Corporations Act* s961B(2) should be abolished. They encourage a compliance mindset arguably increasing the cost of providing financial advice.

In research conducted for the FSC last year, KPMG found the current cost of producing advice was \$5,334.64 and time taken to be 23.9 hours.⁴ By removing the safe harbour steps, the cost of producing advice would fall between 9% and 11%. The cost of producing advice would fall a further 17% if Statements of Advice (SoA) requirements were removed.⁵ Time saved would be between 7% and 17%.

Under a principles-based system, together with the Code of Ethics, the adviser will use their professional judgment guided by the Code, to determine what should or should not be included in an advice document, what should or should not be recorded or considered to comply with the best interest duty.⁶ Current safe harbour provisions could be recast as "indicative behaviours of compliance", a view that has support from submissions to the ALRC review.⁷

Disclosure should be proportionate to the complexity of the advice. Again, this should be left to the professional judgement of the adviser, in the context of the Financial Adviser Code of Ethics.⁸ Together, this will help reduce the cost of providing advice in some circumstances.

Finally, to make it easier for participants in the system to reference their obligations, the review should consider whether financial advice should be regulated via one separate legislative instrument outside of the *Corporations Act*.

23. Should there be different categories of financial advice and financial product advice and if so for what purpose?

Financial advice should be scalable to a customer's individual needs and circumstances. There should be different categories or tiers of advice as there is no one-size-fits-all solution to the type of advice consumers seek. People should have the choice of what type of advice they wish to receive/purchase – dialling up or down the level of advice they want to suit their personal circumstances. Having

³ ALRC, [Risk and reform in Australian financial services law \(FLS5\)](#), 21 March 2022.

⁴ KPMG, [Cost profile of Australia's financial advice industry](#), 31 August 2021.

⁵ Ibid.

⁶ FSC, [White paper on financial advice](#), 2021.

⁷ ALRC, [Risk and reform in Australian financial services law \(FLS5\)](#), 21 March 2022.

⁸ Ibid.

different levels of advice also helps answer the accessibility and affordability question as consumers can get the right type of advice at the right time and at a price they can afford. In addition, they are clear on the type of advice they are receiving.

“General” information and “personal” advice

As mentioned in (20), the confusion and complexity lies in the current definitions of “general” and “personal” advice.

MetLife proposes that there should be a move away from the current category of “general advice”. As far back as 2014, inquiries and research have pointed to challenges with the term “general advice”. The 2019 report by ASIC, *Financial Advice: Mind the Gap*, found “there are disparities between the current regulatory framework and consumer awareness and understanding of general and personal advice”.⁹ In fact, consumers couldn’t tell the difference between general and personal advice – to the layperson, the terms were misunderstood and not clearly distinguishable.

ASIC identified specific problems with “general advice”. First, the use of word “advice” in “general advice ... carries the risk of inflating consumers’ expectations about the relevance of the advice to personal circumstances”. Second, even when given the general advice warning, “some do not understand the limitations”.

On the other hand, consumers intuitively understood that “personal advice” is financial advice that is tailored to their circumstances and in a situation where the adviser asks for information about their personal circumstances to help them achieve their financial objectives.

Advice should be given its ordinary meaning: “an opinion that someone offers you about what you should do or how you should act in particular situation”.¹⁰ A layperson understands this as considering their personal circumstances. If the “advice” is general in nature, not taking into account an individual’s personal circumstances and not offering an opinion or recommendation, and not seeking to influence their decision, the word “advice” should not be used.

More recent research from ASIC did find that changing the term on its own was “unlikely to prevent confusion about the nature of general advice and that alternative labels were no better fit”. Instead, it was the circumstances in which general advice is received that had more impact on how advice is received by consumer.¹¹

However, a new survey conducted by CoreData Research commissioned by Lawcadia and Gadens, revealed that the greatest proportion of breach reports have arisen from advice-related issues (23%), suggesting the provision of “general advice” and “personal advice” is a particular pain point in the industry.¹²

Therefore, removing the word “advice” from “general advice” will eliminate doubt about whether it is advice, that is, an opinion or recommendation, and provide clarity for consumers and advisers alike. Instead, MetLife proposes it should be relabelled as “general information”. The majority of submissions to the ALRC also support replacing the label for “general advice” in favour of a term that “better reflects the substance of the definition”.¹³ This category should not be regulated as financial advice. It would include marketing and advertising, education and guidance, digital tools, general information about super, insurance etc. The current general advice warning under *Corporations Act* s.949A(2) will continue to apply – so that consumers are clear they are only being given factual

⁹ ASIC, [Rep 614: Financial advice – Mind the gap](#), 28 March 2019.

¹⁰ *Cambridge Dictionary* online, accessed 24 May 2022.

¹¹ ASIC, [“Findings from consumer research on ‘general advice’ label”](#), 4 May 2021.

¹² Lawcadia and Gadens, [“State of financial services breach reporting in Australia”](#), 28 April 2022.

¹³ ALRC, [Reflecting on reforms – Submission to Interim Report A \(FSL6\)](#), 12 May 2022.

information, that does not take into account their personal circumstances.¹⁴ Any situation that specifically directs or instructs a customer/client to take a particular course of action based on “other customers or clients in your circumstances normally select this option, benefit or strategy”, would not be classified as general information but would be classified as financial advice.

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

ASIC’s *Mind the Gap* report suggested that consumers saw “general advice” and “personal advice” as being on a spectrum.

At the most basic level there will be “general information” – what is now considered “general advice”. The use of the term “advice” as discussed in (23) above, should not apply to this category.

The next category should be “personal advice” and should be seen as being on a spectrum. Personal advice remains as currently defined, that is, taking into account the customer’s personal circumstances and providing a recommendation or opinion about their course of action. It can, but not necessarily, include advice on financial products. This should span:

- **Digital advice** – There is scope for harnessing new technologies and artificial intelligence (AI) for information gathering and providing basic advice. AI-driven advice will go beyond the provision of product information, for example, where the robot asks for financial information such as savings, mortgage payments, super account balances etc, and the algorithm recommends particular action including income protection insurances plus specific products. This also applies where the AI has mined data from the individual’s online behaviour (eg via social media) and has personal information about them. Where a person’s circumstances do not fit the algorithms in digital advice, they will be triaged to a financial adviser for further advice (a hybrid advice model). This level of advice would be affordable and accessible to most consumers and a good first step on their financial advice journey.¹⁵
- **Financial product advice** – this is financial product information provided as part of providing personal financial advice. This can be provided by financial advisers or there’s scope for possibly expanding this category to include advice provided by the product issuer. The latter would be a low-cost way for consumers to receive personal advice on financial products from the product issuer.
- **Limited advice**¹⁶ – this is provided for in RG244 “Giving Information, General Advice and Scaled Advice”, Part D. Requirements for disclosure and documentation should be based on the adviser’s professional judgement and match the depth and breadth of advice that is being provided. This can be a low- to medium-cost way for people to access advice when they need it on specific topics. (This has often been referred to as “scaled advice”.)
- **Comprehensive advice** – advice that looks at all areas of the individual’s finances on an ongoing basis. The adviser will develop a plan/strategy tailored to the person’s situation, needs and goals. The plan/strategy will be reviewed after a certain period and updated if required and ongoing advice provided. With this level of advice, the stakes are much higher for the customer and if something were to go wrong, the loss will be greater. So the level of consumer protection should correspondingly be higher.

¹⁴ References to “advice” in s.949A(2) should be replaced with the word “information” or “financial information”.

¹⁵ CEO Asia Pacific of Ignition Advice Craig Keary said recently at the ASFA Conference (28 April) that this hybrid model led to more than 70% completion rate, with advisers being able to serve 10-15 times more customers and reduce the cost of advice.

¹⁶ ASIC, [“Response to ASIC Consultation Paper 332: Promoting access to affordable advice for consumers”](#), 1 July 2021 - advisers prefer the term “limited advice”.

A framework with different levels of advice, based on depth and breadth, and complexity, also supports professionalisation of the advice sector. That is, the level of advice advisers can provide will be based on their education standards or experience. While this review is not considering professional development of advisers, it's a relevant consideration as part of this suggested framework.

Briefly, any AFSL licensee, representative or authorised representative can provide general information, financial product advice, and scaled/limited scope advice. To provide more specific strategic advice or comprehensive advice, they would need further professional training, certification, and/or years of experience.

Separately, there should be room in this framework for intra-fund advice – where a super trustee provides advice and the cost is borne by all members of the fund.¹⁷ See further discussion below in section on “Intra-fund advice” (see (28) to (31)).

All advice on this proposed spectrum would be considered “personal advice” and regulated as such.

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?

Yes. It is very difficult to provide general advice to an individual without crossing the line to providing personal advice, as personal information about an individual is almost always known by the adviser.

Advice to a group can be general information or “marketing and education” (one to many) as it would not take into account specific personal information.

Advice to an individual should be regulated as personal advice. As mentioned, advice should also be extended to include situations where a product is not recommended, for example, a strategy paper.

26. How should alternative advice providers, such as financial coaches or influencers, be regulated, if at all?

Yes, financial coaches or influencers should be regulated if they are giving personal advice. That is, they are providing an opinion or recommendation, or are seeking to influence the consumer’s decision in terms of a particular course of action, such as purchasing a financial product or swaying them towards considering a particular course of action over another.

In March, ASIC found that 33% of 18-21 year olds follow at least one financial influencer on social media and a further 64% reported changing at least one of their financial behaviours as a result of following a finfluencer.¹⁸ The latter statistic is the concerning one, especially since finfluencers might not have the education or professional development to provide financial advice. Finfluencers might also receive payment via affiliate links which might be considered a “fee arrangement”, with related disclosure obligations.¹⁹ There are arguments that finfluencers provide useful financial information,²⁰ so if there is clarity around general information and personal advice, it will help players understand where they stand, and ensure consumers are protected.

MetLife proposes that alternative advice providers be subject to the same regulatory framework as financial advisers where they are providing personal advice, and the same regulatory framework as product manufacturers where they are promoting specific products, services or investments.

¹⁷ ASIC, “[Info 168: Giving and collectively charging for intra-fund advice](#)”, accessed 24 May 2022.

¹⁸ ASIC, “[Info 269: Discussing financial products and services online](#)”, accessed 24 May 2022.

¹⁹ ASIC, “[FAQs: Ongoing fee arrangements](#)”, accessed 24 May 2022.

²⁰ SMH, “[ASIC ‘finfluencer’ crackdown curbs social media finance posts](#)”, 10 April 2022.

27. How does applying and considering the distinction between general and personal advice add to the cost of providing advice?

If the changes proposed in this submission to redefine general information and personal advice are accepted, they will likely reduce the cost of providing personal advice.

First, simplifying the definitions will ensure players in the sector have clarity around the type of interaction they are having with consumers – that is, giving general information or providing personal advice - and the information they need to provide to ensure the customer is clear. Current complexity in legislation has resulted in advisers erring on the side of caution and over-complying thus driving up the cost of providing advice, leading to the voluminous SoAs we hear about.

Second, reducing the amount of documentation required when providing personal advice will reduce the cost of providing advice. Currently s947B of the *Corporations Act* sets out requirements for an SoA. Producing these SoAs for all types of advice drive costs up.²¹ As the FSC recommends, there should be simple documentation for all personal advice – a document that only has information that the client needs to make an informed decision and be aware of the costs, services and relevant products.²² “The advice provider would be enabled, for example, to use judgement about whether or not to include modelling or projections. This will help develop a culture of disclosing what is commensurate to the risk of the financial advice being sought, rather than a catch-all approach.”

KPMG research shows that if safe harbour provisions were removed, definitions of advice clarified and requirements for SoAs simplified, the cost of providing advice would fall 37% from \$5,334.64 to \$3,360.35.²³

Intra-fund advice

28. Should the scope of intra-fund advice be expanded? If so, in what way?

Yes, intra-fund advice should be expanded, and considered complementary to access to personal advice via a financial adviser.

Intra-fund advice should be considered personal advice that is limited. Where required, the member can be referred to an appropriately qualified financial adviser to provide more comprehensive or strategic advice that suits the customer’s needs.

With the majority of working Australians having a superannuation fund, intra-fund advice is an avenue of advice that could help with tackling the issues of accessibility. It would give many Australians access to affordable advice on critical topics, such retirement strategies.²⁴ And would help narrow the advice gap that is more acute in Australia than other parts of the world.²⁵

For clarity, intra-fund advice would constitute personal advice being provided by the super fund, either internally or through third party advisers.

Currently superannuation funds can provide members with simple, non-ongoing personal advice on the member’s interest in the fund, where the cost of the advice is borne by all members of the fund, or paid for from the member’s account balance, as long as it complies with the “sole purpose test”. This can include insurance arrangements that apply to the person’s interest in the fund, such as

²¹ ASIC, “[Response to ASIC Consultation Paper 332: Promoting access to affordable advice for consumers](#)”, 1 July 2021.

²² FSC, [White paper on financial advice](#), 2021.

²³ KPMG, [Cost profile of Australia’s financial advice industry](#), 31 August 2021.

²⁴ For example, see [ISA submission: Promoting access to affordable advice for consumers](#).

²⁵ Money Management, “[How can Australia lessen the advice gap?](#)”, 25 May 2022

additional super contributions and investment options,²⁶ and the types of insurance cover that may be suitable to them.

A recent report on advice found roughly 1.5 million members had approached their super fund representative for advice over the last 12 months.²⁷ The top barriers holding back members from seeking advice from their fund are unclear costs and a lack of awareness about what advice topics they have access to.

This is despite another survey on Australians' attitudes towards money, financial advice and retirement revealing people want to turn to institutions they trust, such as their super funds, for advice; and the most popular place to access digital financial planning tools are super fund websites or apps.²⁸

The support that funds should be able to provide their members should span "general information" (guidance) to "personal advice". At the most basic level, where it is no longer linked to financial products, super funds can confidently provide information on super, insurance and retirement via online calculators, call centres, newsletters and research reports, and webinars/seminars. This information can, and arguably, should be linked to life stages of members. That is, the fund should "prompt" members with information and education about what they should be aware of with regards to their finances, insurance or retirement savings, at a particular life stage and to seek personal advice if required. Other triggers could be reaching a certain account balance or approaching retirement. Members should also be provided with information about access to intra-fund advice at any of these trigger point.

As the industry gets better at collecting, using and analysing the data it has, this can help funds understand their members and points where access to intra-fund advice would be beneficial. This expanded intra-fund advice will allow funds to consider the member's investments outside of super, pensions, retail insurances etc to provide more well-rounded advice on specific issues and help drive better member outcomes.

29. Should superannuation trustees be encouraged or required to provide intra-fund advice to members?

Yes, superannuation trustees should be encouraged to provide intra-fund advice to members.

Indeed, the *Superannuation Industry (Supervision) Act*, s52(12) covenant requires the trustee to "promote the financial interests of the beneficiaries of the entity who hold a MySuper product or a choice product, in particular returns to those beneficiaries". This could be interpreted to mean that it is "not sufficient that RSE licencees safeguard the interests of members; they must expend energy in furthering those interests".²⁹

"It is clear that the covenant in section 52(12) is intended to apply broadly to the conduct of the RSE licensee. The reference to investment performance is inclusive, and would seem to be designed to orientate the RSE licensee towards the ultimate goal of the trust – providing a means by which members can efficiently accumulate a financial nest egg for use in retirement – without limiting its application to matters related to the investment strategy formulated by the RSE licensee."³⁰ Arguably, providing sound financial advice is part of helping members "efficiently accumulate a financial nest egg for use in retirement".

²⁶ Adviser Voice, Investment Trends, "[2021 Financial Advice Report – COVID has stoked demand for financial advice, but affordability remains an important barrier](#)", 5 November 2021.

²⁷ Ibid.

²⁸ ASFA, "[The journey to financial wellness](#)", 10 March 2022.

²⁹ Donald, S, "[Section 52\(12\) – The forgotten covenant](#)", 7 April 2022.

³⁰ Ibid.

A recent study by Griffith University and IRESS found that during COVID, switching super investments tripled, at the worst point of the downturn, over 70% switches had a negative impact and ‘bad’ switches were most prevalent in those who could least afford it.³¹ One of the recommendations from the study was: “Access to quality financial advice should be dramatically improved to ensure that help is available to those who need it.”³²

As has been said, many Australians have access to a superannuation, so ensuring they have advice through their fund is a first, affordable, step to them receiving financial advice and helping them secure good retirement outcomes. A recent news article notes that an estimated 700 Australians enter retirement each day, and around \$70 billion is transferred from the accumulation phase of super to retirement each year.³³ With the Retirement Income Covenant coming into play from 1 July 2022, it will be the fund’s responsibility to provide members with help and personal advice.

In a report by ASIC REP 639 “Financial advice by superannuation funds”, the regulator found general advice made up 75% of advice accessed by members.³⁴ But members actually using intra-fund advice is low – around 1% a year or less.³⁵ In-house call centres and advisers employed by a related party were the most common ways for providing advice to members (63%).³⁶

To scale up intra-fund advice to members this way would arguably be prohibitively costly, so in this area digital advice can be a realistic cost-efficient solution. “[Digital] allow[s] many more members to be served at the current level of expenditure, and for growth in capacity to occur without costs rising in the same proportion.”³⁷ Digital advice can be used for the entire spectrum of intra-fund advice, including providing general information to members. Ignition Advice claims: “We have now reached a point where digital advice technology has matured to a level where single-issue, personal advice can be delivered safely, compliantly, and at scale. The streamlined nature of intra-fund advice is also well-suited to a digital delivery solution.”³⁸ Digital advice can tailor the member’s advice journey to their needs, leveraging technology for administrative tasks, and triaging to human advice for more complex needs.

30. Are any other changes to the regulatory framework necessary to assist superannuation trustees to provide intra-fund advice or to more actively engage with their members particularly in relation to retirement issues?

Current intra-fund advice prohibitions should be removed and this category of advice expanded, as in (28). It is proposed that clarification be provided relating to collective charging for intra-fund advice, the sole purpose test, and the best financial interests duty.

There should be clarity on what constitutes general information and personal advice (see (23)). In responding to ASIC’s consultation on “CP332: Promoting access to affordable advice for consumers”, submissions noted the utility and actual advantage of funds being able to provide other forms of limited advice to members but said regulatory ambiguity and uncertainty around general and personal

³¹ Brimble, M, MacDonald, K and Loy, E, “[The wrong end of the switch: Exposing the switching behaviours of members under duress during a financial crisis](#)”, 2021

³² Ibid.

³³ IFA, “[More retirees means more demand for financial advice, not less](#)”, 11 April 2022.

³⁴ ASIC, “[Report 639: Financial advice by superannuation funds](#)”, December 2019.

³⁵ Ignition, “[Blueprint for Going Digital with Intra-fund Advice](#)”, 2022.

³⁶ ASIC, [Report 639: Financial advice by superannuation funds](#), December 2019.

³⁷ Ignition, “[Blueprint for Going Digital with Intra-fund Advice](#)”, 2022.

³⁸ Ibid.

advice have led to fund hesitancy. Submissions from ASFA,³⁹ Industry Fund Services,⁴⁰ ISA⁴¹ and AIST⁴² were all supportive of the expansion of intra-fund advice, particularly in the realm of advice on retirement.

As mentioned, the Retirement Income Covenant, makes this even more urgent. And as in (29), it's suggested that to "promote the financial interest of ... beneficiaries" would be that link for funds to more actively engage with members. AIST said in its submission to Treasury's Retirement Income Review: "Access to collectively charged retirement advice is of growing importance because members are often unwilling or unable to pay for advice while at the same time there is a growing need for quality retirement advice as more members approach retirement."⁴³

31. To what extent does the provision of intra-fund advice affect competition in the financial advice market?

The provision of intra-fund advice is complementary to the existing financial advice market. Based on the framework proposed by MetLife in this submission, it is another way for consumers to receive affordable advice from an entity they already have a trusted relationship with.

Funds should be able to provide limited personal advice to members on a range of issues, from their investments in super to insurance, to retirement income. Where general information is provided to a member or group of members, these fees are borne by all members of the fund.

When providing "limited" personal advice, the member should be able to pay for the advice from their superannuation, if they want, to help with affordability. Based on the spectrum of advice as proposed in (24), the intra-fund advice would stop at "comprehensive advice", for which the fund will have to refer out to a financial adviser and fees for that should be borne outside of superannuation.

MetLife recognises that there is a tension between intra-fund advice provision, and advice provided in the retail sector by advisers. That is, funds are able to spread fees across the broad membership base. It is arguable that this creates an uneven playing field.

Conversely, the benefit of such a model ensures ordinary Australians have access to affordable advice up to a point. And that might be all of the advice that some members – or most members – require. For those who want more comprehensive advice, there will be an open market of independent financial advisers members to choose from.

From a competition point of view, there will be more competition in the limited advice space – which might help with affordability of advice.

Limited scope advice

32. Do you think that limited scope advice can be valuable for consumers?

Yes. There's currently a huge unmet need for advice⁴⁴ – especially basic and limited advice. In a recent panel discussion at the annual ASFA Conference, attendees heard that only one in five Australians consume full comprehensive advice. Not every consumer can afford or wants comprehensive financial

³⁹ [ASFA submission to ASIC Consultation Paper 332: Promoting access to affordable advice for consumers](#), 22 January 2021.

⁴⁰ [Industry Fund Services submission to Consultation 332: Promoting access to affordable advice for consumers](#), 18 January 2021.

⁴¹ [Industry Super Funds submission: Promoting access to affordable advice for consumers – ASIC consultation paper 332](#), 18 January 2021.

⁴² [AIST submission: ASIC CP332: Promoting access to affordable advice to consumers](#), 18 January 2021.

⁴³ [AIST submission to the Retirement Income Review](#), 3 February 2020.

⁴⁴ Adviser Voice, Investment Trends, "[2021 Financial Advice Report – COVID has stoked demand for financial advice, but affordability remains an important barrier](#)", 5 November 2021, found 61% of Australians say they have unmet advice needs.

advice. So there is an opportunity for the majority of people to get help when and where they need it at an affordable price via basic/limited advice or intra-fund advice.

33. What legislative changes are necessary to facilitate the delivery of limited scope advice?

The *Corporations Act* already permits the provision of limited scope advice. The ASIC Regulatory Guides that outline the minimum requirements and documentation for financial advisers and AFSLs need to be revised to allow broader application of limited advice, along with relevant examples of the situations and guidance where limited advice would be both permitted and encouraged.

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?

Not all consumers want or require comprehensive advice. Financial advice should be seen as being on a spectrum – anything from basic to full comprehensive advice and other forms of limited advice in-between. This enables consumer choice, allowing them to access the type of advice they want, when they want it.

Making advice accessible and affordable to more Australians is paramount. Consider the study by Griffith University that showed during the COVID pandemic, “The long-term value of advice for clients in ongoing advice relationships was demonstrated with both a lesser crisis response and more confidence in goal achievement. Advised clients were reported to be in a better financial and behavioural position to buffer stress or to take advantage of the adverse events.”⁴⁵

The introduction of the Single Disciplinary Panel is an opportunity for regulators to provide ongoing compliance clarity. As well as Regulatory Guidelines, published decisions of the panels should be made available to demonstrate the factors that guided a panel’s decision.

Digital advice

35. Do you agree that digital advice can make financial advice more accessible and affordable?

MetLife agrees that digital advice can make advice more affordable and accessible. There are three key issues that need to be considered:

1. For how much of the population is digital advice suitable? Some research indicates that up to 70% of consumers are suitable for digital advice. However, suitability doesn’t mean consumers are prepared to adopt digital advice. Research by Ignition Advice⁴⁶ has indicated 50% of consumers across all age groups prefer to receive advice piece by piece, rather than a full financial plan. Digital or robo-advice can play a key role in these circumstances.
2. Australians are notable for wanting to establish a relationship face-to-face with vendors. How does this preference impact the suitability of digital advice? It may be that this is changing as consumers move towards an increasingly digital world. Research undertaken by Altus and Ignition indicated that around 80% of advisers agreed that COVID-19 had accelerated digital transformation efforts in their business.⁴⁷ Further, this research indicates that the traditional advice model requires 15 hours of time to service an individual client. They estimate that a hybrid model can reduce this to just 3.5 hours, with associated benefits for advice affordability.
3. Digital advice as a form of Artificial Intelligence (AI). The first generation of AI is essentially based on rules-based decision making by a program. This is relatively easy for a regulator to regulate - the rules can be interrogated, and where there are departures from regulatory

⁴⁵ Griffith University Business School, “[The value of professional financial advice for consumers in a crisis: Experiences of financial advisers during the COVID-19 pandemic](#)”, July 2021.

⁴⁶ Ignition, “[Blueprint for Going Digital with Intra-fund Advice](#)”, 2022.

⁴⁷ Altus-Ignition “[Reimagining financial advice - How digital advice is enhancing not replacing the financial adviser](#)”, 2022.

requirements, breaches can be established. However, ASIC “Regulatory Guide 255 Providing digital advice to retail clients” does not contemplate subsequent generations of AI where algorithms “learn” from previous decisions and data collection, or where the algorithm is not rules based but rather analyses patterns and connections, making it far more difficult to determine how the decisions were made. It is likely that innovation in this space will be in advance of regulation. Conversely, the possibility exists whereby new designs have the “potential to be perfectly honest fiduciaries, acting in their clients’ best interests without conflicting self-interest or greed unlike their human counterparts”.⁴⁸

Under a future environment where AI is increasingly prevalent, MetLife proposes that regulators set principles-based positions that providers of AI platforms must adhere to, cognisant that regulation may need ongoing refreshment in an ever-changing environment.

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?

Advice that is suitable for rules-based algorithms is best suited to digital advice, that is, most likely advice about specific topics and non-complex matters. However, the interface between risk appetite, pension rules, assets under investment, familial circumstance and taxation treatments can make the provision of personal advice very complex, very quickly, and might be less amenable to rules-based digital advice as it currently stands.

There is also an emerging opportunity for so-called “hybrid” advice - a combination of digital and face-to-face advice. MetLife proposes that general information and basic advice could be an appropriate starting point for digital advice and an appropriate entry point for someone looking to receive advice.

If we examine similar markets overseas, in particular the United Kingdom, we anticipate what the future of digital advice may be in Australia: “Market research shows people approaching retirement with modest wealth can achieve the greatest relative benefit from receiving holistic financial advice. Unfortunately, this group of middle Britain savers are effectively priced out of receiving traditional financial advice. Digital-led hybrid financial advice services ... can improve the lives and wellbeing of millions of UK households. Technology enable scaled solution to efficiently process the complex tax, cashflow and retirement calculation sat lower cost so that affordable solutions are accessible to an unserved community”.⁴⁹

37. Are the risks for consumers different when they receive digital advice and when they receive it from a financial adviser?

There are different levels of risk for different types of advice. In many cases, a consumer won’t know what they don’t know. Take for example, a scenario where an adviser asks relevant questions to quickly ascertain the consumer’s objectives, risk appetite, spread of assets and income and personal circumstances. In theory, a rules-based type of robo-advice can provide a similar set of questions. But current consumer sentiment is that robo-advice lacks the ability to encompass all of an individual and their family’s circumstances, and something that complex is probably best placed with an adviser. While the factual financial information used in digital advice and advice received from a financial adviser would be the same, the nuances of the behavioural and emotional goals and circumstances are difficult to capture and understand via digital advice.

ASIC Regulatory Guide 255 “Providing digital financial product advice to retail clients” provides detailed guidance regarding the provision of digital advice, noting that legislation is technology-neutral. RG 255 was released in 2016 and it is likely that the digital landscape has changed significantly

⁴⁸ HX Chia, Law, Technology and Humans, “[In machines we trust: Are robo-advisers more trustworthy than human financial advisers](#)”, 23 September 2019.

⁴⁹ Altus-Ignition “[Reimagining financial advice - How digital advice is enhancing not replacing the financial adviser](#)”, 2022, p21, quoting Gary Thrower, Director of Strategy and Digital Advice, HUB FSI.

since then. In a rapidly changing environment consumer protections will need to be regularly updated. Regulators should contemplate a need for rolling reviews of regulatory guidance as it relates to digital advice.

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?

MetLife believes that digital advice that is rules-based can and should be regulated in the same way as financial advisers, thereby providing a level playing field. In particular, the checks and balances that apply to advisers should also apply to licensees using a robo-advice platform. The regulator needs to ensure that where a licensee has outsourced the development of a platform, there is a clear line of accountability for outcomes.

39. Are you concerned that the quality of advice might be compromised by Digital Advice?

Yes, as very rarely does regulation keep pace or get ahead of technological innovation.

The first iterations of digital advice are rules-based and capable of interrogation by regulators to ensure all necessary regulatory requirements are met. However, as AI, and iterative learning by algorithms become more commonplace, the ability to determine liability for breaches becomes more opaque. The latest iterations of AI rely on networks that are a collection of algorithms that can be crafted from thousands of sources, and are able to learn continuously. This represents a new challenge for regulators.

There are ways to establish how best networks should “explain” their decision making, but these are underdeveloped.⁵⁰

Currently RG 255 notes the general obligations of a licensee, including:

- Do all things necessary to ensure that the financial services provided are provided efficiently, honestly and fairly
- Have arrangements in place for managing any conflicts of interest
- Comply with the law and any conditions of licence
- Ensure that representatives are adequately trained and competent
- Have a dispute resolution procedure
- Establish and maintain risk management systems.

Where a regulatory framework is unable to adapt to changing technologies, risks will emerge regarding accountabilities. A strict liability approach to licensees will have the effect of stifling the use of AI.

Chia, in the paper “In Machines We Trust: Are Robo-Advisers More Trustworthy than Human Financial Advisers” outlines a probable trajectory for robo-advice, moving from provision of rules-based advice to advice potentially based on artificial intelligence and “deep learning”. Chia states: “Unlike humans, a machine has no interest in material wealth, nor does it feel temptation or greed. A machine does not need to pay its mortgage or save for a vacation. A machine can be programmed such that it is rewarded without the use of any financial resources at all. Thus, an artificially intelligent (AI) agent is an excellent candidate to perform a job that requires acting in someone else’s interest when there is no financial incentive to do so.”⁵¹

⁵⁰ HX Chia, Law, Technology and Humans, “[In machines we trust: Are robo-advisers more trustworthy than human financial advisers](#)”, 23 September 2019.

⁵¹ Ibid.

There is the opportunity for a principles-based, not-for-profit model for AI advice provision. This could be developed by an NGO, other collective actors, or Government. It is proposed that the review contemplate what AI may mean for the future provision of financial advice. It is proposed that the review consider how ownership of such a model may best be considered by regulators and Government.

40. Are there any changes to the regulatory framework necessary to facilitate digital advice?

See responses above. These considerations have previously been the subject of reports in the EU and United Kingdom. Both jurisdictions have maintained a technology-neutral approach.

The EU noted general data protection laws. Under General Data Protection regulations, consumers have a “right to an explanation”.⁵² “That’s where a purely automated decision is made that significantly affects a person’s rights, that person is entitled to ‘meaningful information about the logic involved’”.⁵³ The extent to which this is feasible is subject to ongoing debate.

Similarly, in the United Kingdom, a House of Lords report highlighted the “black box” nature of advanced AI applications as a key problem that must be overcome.⁵⁴

Given the rapid development of AI technology and its interface with privacy protections, the Consumer Data Right, and financial services legislation, MetLife proposes that the review consider recommending a standing committee of Government be established to monitor developments and provide reports to consumers and the sector.

41. If technology is part of the solution to making advice more accessible, who should be responsible for the advice provided (for example, an AFS licensee)?

At the present, robo-advice is rules based, and regulators are able to source decision trees in order to determine alleged breaches of compliance law. Under this scenario, it is clear that licensees should be responsible for the advice provided. It is incumbent on the licensee to ensure any platform used is fit-for-purpose. However, it is anticipated that AI will present a new frontier, drawing on multiple sources of data and interrelated fields in order to make decisions. The “rules” that guide the decision-making process in an AI environment are yet to be determined.

MetLife proposes that the aforementioned standing committee of Government be tasked with establishing guidelines for development of guiding principles for any AI platform. Just as driverless cars will need to make morally complex decisions, so too will finance AI.

42. In what ways can digital advice complement human-provided advice and when should it be a substitute?

Digital advice can potentially provide low-cost, accessible advice for many Australians. In the first iterations, this can be general information, and subsequent iterations can provide basic advice. However, the provision of basic advice must align with the client’s risk appetite, and the assessment and documentation of the risk appetite must be the central feature of this form of advice. Where judgment calls are to be made, a client must have access to a professional who can advise on the pros and cons of different options.

In the future, it may be an option for regulators to “cap” the advice that can be sought from an AI platform to a certain percentage of funds to be invested, based on the client’s individual risk appetite. This would also allow for a client to assess the relative effectiveness of different forms of advice.

⁵² Regulation (EU) 2016/677 of the European Parliament and of the Council of 27 April 2016 on the Protection of Natural Persons with Regard to the Processing of Personal Data and on the Free Movement of Such Data, and the Repealing Directive 95/46/EU.

⁵³ HX Chia, Law, Technology and Humans, “[In machines we trust: Are robo-advisers more trustworthy than human financial advisers](#)”, 23 September 2019.

⁵⁴ Select Committee on Artificial Intelligence, [AI in the UK: ready, willing and able?](#), 16 April 2018.

4.3 Conflicted remuneration

48. To what extent has the ban on conflicted remuneration assisted in aligning adviser and consumer interests?

The ban on conflicted remuneration has been less determinative than the requirement that advisers put the best financial interests of their clients first. This requirement is absolute, and provides the basis for all assessment of an advisers conduct. The ban on conflicted remuneration does not reflect the commercial and personal realities of a client's self-interest and risk appetite.

MetLife proposes that the clients best financial interest duty be retained as the key operational principle.

49. Has the ban contributed towards improving the quality of advice?

FSC research shows that "the ban on conflicted remuneration has significantly improved the quality of advice by aligning the interests of advisers with retail clients and therefore improving consumer outcomes".⁵⁵ That is true for people who are able to access advice. But no advice is poor advice. Heightened ASIC activity, greater media coverage, the impact of the Royal Commission, introduction of FASEA requirements and the associated ethics and exam emphasis, with little opportunity for recognition of experience or equivalent learning, has meant many advisers have chosen to leave the sector. Since the introduction of all these measures, adviser numbers have dropped significantly since 2021 from 20,638 to 17,670.⁵⁶

The LIF has in some respects improved quality of advice but reduced access to advice for many. Any further regulatory action risks exacerbating the loss of advisers in the sector. A more accommodating regulatory landscape will not, of itself, increase the number of advisers.

MetLife proposes the establishment of an industry-led taskforce to further examine barriers to sector entry, issues around retention of advisers and incentives for licensees to train new advisers.

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 service?

The aggregated ability to provide advice has been reduced as advisers have left the sector, in part because reforms such as reduced commissions have reduced profitability. Specialist risk advisers have left the industry in record numbers, as they have no parallel advisory arrangements. Where commissions are not able to be set at reasonable levels, the profitability of a business declines. Additionally, the reality is that wealthier client fees have cross-subsidised work required for less wealthy clients. Ultimately, less advisers means less availability of advice to 'mums and dads' at a time when there is \$3tr under management, and large sections of the community are approaching retirement.

MetLife proposes that the availability of current remuneration arrangements be retained. MetLife further proposes that the current 60/20/20 formulation be reviewed separately to the Quality of Advice review. The rationale for a separate review of an appropriate formulation is that if the review recommends (and Government proceeds with) substantial simplifications of the compliance regime, a review of the formulation is best done after the impact of simplification can best be assessed. An independent work value assessment should inform a subsequent consideration of the existing formula.

⁵⁵ See FSC submission to Quality of Advice Review consultation.

⁵⁶ Professional Planner, "[Adviser numbers drop below 18k](#)", 13 January 2022.

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 your feedback.

MetLife proposes that the exemption for life insurance from the existing ban on conflicted remuneration be retained. This position has had bipartisan support since the Future of Financial Advice reforms were introduced in 2013.

The implications for consumers of the 'best financial interests' duty for advisers are that it is crystal clear who an adviser must put first. With regard life insurance, while conflicted remuneration may have been an issue in the past, the best financial interests test has obviated the need for some existing regulation, and certainly any further regulation. Key features of the current landscape include:

- The best financial interests duty is front and centre of all advice decisions.
- There is, in practice, a minimal difference in pricing of like products between providers - there is less than a 15% price difference between providers for the key products meaning the motivation for any adviser to recommend one product over another is minimal.
- Other parts of the sector, such as mortgage brokers, have been allowed to retain commissions.
- A commission payment is cheaper for the consumer, often at a point in life when cash flow is straitened.
- Wherever a product is legal, it should be up to the consumer how they pay for it – whether it is via PayPal, credit card, hire-purchase, cash, cheque or some other arrangement.
- Commissions are a prospective source of revenue for advisers, which should lead directly to more advisers providing more advice to more people, more affordably.
- The first cohort of workers who have had superannuation all their working life is now about to start retirement planning/retiring. There is a strong policy imperative to ensure Australians have access to affordable and professional advice. It is arguably also an ethical imperative given that employees have had a proportion of their wage paid into super throughout their working life.

52. Are there alternatives to removing the exemptions to adjust adviser incentives, reduce conflicts of interest and promote better consumer outcomes?

The client best financial interests test needs to be highlighted, and where breaches are upheld, it is presumed ASIC will publish those outcomes, thereby sending a strong signal to consumers and advisers of the strength of the regulatory regime.

LIF introduced a formula for remuneration consistent with the hybrid model identified by ASIC as best placed to deliver quality advice for consumers.

There is minimal variation in the pricing of like for like products across insurers, and as this is combined with the standardised remuneration formula, there is very little potential for conflicted remuneration.

As per the response to (50) above, MetLife proposes that the availability of current remuneration arrangements be retained. MetLife further proposes that the current 60/20/20 formulation be reviewed separately, and subsequent, to the Quality of Advice review. The rationale for a separate review of an appropriate formulation is that if the review recommends (and Government proceeds with) substantial simplifications of the compliance regime, a review of the formulation is best done after the impact of simplification can best be assessed. An independent work value assessment should inform a subsequent consideration of the existing formula.

53. Has the capping of life insurance commissions led to a reduction on the level of insurance coverage or contributed to underinsurance? If so, please provide data to support this claim.

A 2020 Rice Warner report found there was a significant, and growing, underinsurance gap in Australia. The report estimated a \$470bn shortfall for death cover adequacy, and a \$3.4tr shortage at income replacement level. The TPD shortfall was estimated in excess of \$10tr, and the income protection shortfall at \$611bn (85% benchmark of salary).⁵⁷

More recent research by the FSC for the Quality of Advice Review submission confirms the underinsurance gap has increased as a result of the impacts from LIF. See separate FSC submission which MetLife supports.

Conversely, the need for insurance is growing in line with greater community indebtedness. By way of example, the average home mortgage doubled between 2010 and 2019, but wages grew by only 37%.⁵⁸ Notably, projected interest rate rises in the near term will exacerbate this problem.

The ratio of household debt to household disposable income sits at around 185% compared to 68% in 1990.⁵⁹

54. Is underinsurance a present or emerging issue for any retail general insurance products? If so, please provide data to support this claim.

N.A.

55. What other countervailing factors should the Review have regard to when deciding whether a particular exemption from the ban on conflicted remuneration should be retained?

Life insurance is a product for which risk and pricing is assessed over an extended period. The more people that have life insurance the better risk can be assessed over time, and the greater the downward pressure on premiums and premium volatility. Many Australians are not aware of the best ways to protect their assets and revenue streams in the event of personal misfortune. Often, a client discussion with an adviser is the first time that they would have considered how to best protect their interests through insurance. These considerations are a subset of the broader issue of financial literacy in Australia.

A paper prepared by Professor Alison Preston of the University of Western Australia drew on data collected for the Household Income, Labour and Data Dynamics (HILDA) report, in which five basic questions were asked.⁶⁰ Professor Preston noted: “There is widespread financial illiteracy within Australia, particularly amongst young people. There are also large and significant gender gaps with women, on average, less financially literate than men. Within Australia 63% of men and 48% of women

⁵⁷ Rice Warner, “[New research shows a larger underinsurance gap](#)”, 19 November 2020.

⁵⁸ Ibid.

⁵⁹ ABS, “[Household income and wealth, Australia](#)”.

⁶⁰ The University of Western Sydney, Professor Alison Preston, “[Financial literacy in Australia: Insights from HILDA Data](#)”, March 2020. The HILDA report asked five basic questions:

Q1: Interest Rate: “Suppose you put \$100 into a no-fee savings account with a guaranteed interest rate of 2% per year. You don’t make any further payments into this account and you don’t withdraw any money. How much would be in the account at the end of the first year, once the interest payment is made?”

Q2: Inflation: “Imagine now that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, would you be able to buy more than today, exactly the same as today, or less than today with the money in this account?”

Q3: Diversification: “Buying shares in a single company usually provides a safer return than buying shares in a number of different companies.” [True, False]

Q4: Risk: “An investment with a high return is likely to be high risk.” [True, False]

Q5: Money Illusion: “Suppose that by the year 2020 your income has doubled, but the prices of all of the things you buy have also doubled. In 2020, will you be able to buy more than today, exactly the same as today, or less than today with your income?”

demonstrate an understanding of at least three basic financial literacy concepts. If understanding three basic financial literacy concepts can be considered financially literate, then these statistics suggests that around 8.5 million (or 45%) adults in Australia are financially illiterate.

“Such widespread financial illiteracy is of increasing concern within the context of highly complex financial markets, high levels of personal and household indebtedness and easy access to credit opportunities (particularly from non-traditional sources as Wallet Wizard and Nimble). As a minimum individuals need to understand the concept of compound interest”.

Her paper further noted: “Empirical research shows that financial literacy is an important determinant of, and correlates with, a range of outcomes including wealth accumulation and planning for retirement, superannuation savings, and women’s economic empowerment and domestic violence”.

MetLife proposes that the review considers how growing superannuation accumulated wealth for Australians interfaces with current levels of financial literacy. The ability of Australians to make informed decisions about their financial assets rests with their levels of financial literacy and their access to, and acceptance of, additional sources of advice. As it stands, there is a growing gap between the asset bases held by ordinary Australians, and the level of knowledge required by individuals to successfully manage those assets.