COTA
For older Australians

Quality of Advice Review

Prepared by
COTA Australia

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About COTA Australia

COTA Australia is the national consumer peak body for older Australians. Its members include State and Territory COTAs (Councils on the Ageing) in each of the eight States and Territories of Australia. COTA Australia and the State and Territory COTAs have around 40,000 individual members and supporters and more than 1,000 seniors' organisation members, which jointly directly represent over 500,000 older Australians.

COTA Australia's focus is on national policy issues from the perspective of older people as citizens and consumers and we seek to promote, improve and protect the circumstances and wellbeing of older people in Australia. Information about, and the views of, our constituents and members are gathered through a wide variety of consultative and engagement mechanisms and processes.

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Introduction

COTA Australia welcomes the opportunity to provide a submission to the Treasury's Quality of Advice Review. We consider this Review both essential and timely, or even overdue, as the roots of the relevant questions date back to the reforms instituted as part of the government's response to the Financial System Inquiry (FSI), which was codified as the *Financial Services Reform Act, 2001*. This Act sought to harmonise the regulatory regime for the financial services industry and establish a single licensing framework for the provision of financial services, including the provision of financial advice.

Many of the recommendations of the FSI were both overdue and common sense, such as new rules for the handling of client property and money. Other recommendations that made their way into the Financial Services Reform Act, such as those involving personal advice for retail clients may not have worked as well as we would have hoped. Overall, we now believe that it is time for a new iteration of the Financial System Inquiry to ensure that the regulatory structure of financial services is fit for purpose in the rapidly evolving circumstances that Australia faces.

We also note that the issues facing the Review are both broad and complex. Consequently, we would urge the Reviewer to consider issuing an Interim Report within the current timeframes, and urge the Government to grant an extension to the Review timeline to enable consideration of responses to the Interim Report by interested parties before issuing a Final Report in 2023.

We also note that without a legislated statement of purpose for superannuation, there is still scope for funds, clients, and advisors to speak at cross purposes. We see the overall aim of superannuation as to provide a stable and secure source of funding people's retirement income. We understand this to be outside the scope of this Review as currently constituted but note the importance of the new Government's commitment to legislate the purpose of superannuation.

Comment on the Terms of Reference

The Terms of Reference of this Review are relatively broad but fall well short of a 'root and branch' investigation of the financial advice landscape as it has developed over the years since the Financial Services Inquiry (FSI). In our discussions with professionals and academics in the field we have consistently heard that the years since the FSI have seen the industry evolve in ways that are sub-optimal for both clients and industry professionals.

The common view we have heard is that there is now a need for a substantial investigation of the financial services industry. We note that while the 2017 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry made useful recommendations regarding the frameworks surrounding the financial services industry, it did so from the point of view of the existing regulatory environment. In contrast, the 1997 Financial Services Inquiry was set up explicitly to develop a framework that would remain appropriate for the next decade.[1]

Regarding the specifics of the TOR, we have concentrated on those aspects of direct interest to older Australians and all those individuals that feel ill prepared to make the decisions required to ensure

[1] https://treasury.gov.au/publication/p1996-fsi-fr. Accessed 31 May 2022

they maximise their retirement income. Our submission will mainly speak to the following parts of the Terms of Reference:

- *2.1 The Review will consider how the regulatory framework could better enable the provision of high quality, accessible and affordable financial advice for retail clients. In particular, it will investigate opportunities to streamline and simplify regulatory compliance obligations to reduce cost and remove duplication, recognising that the costs of compliance by businesses are ultimately borne by consumers and serve as an impediment to consumers' access to quality advice.*

- *3.1.1 The Review will include examination of the legislative framework for financial advice, specifically Key concepts such as 'financial product advice', 'general advice', 'personal advice', as well as how they are used, how they are interpreted by consumers, and whether they could be simplified or more clearly demarcated. The Review should also consider the role and bounds of advice that is scaled, intra-fund or limited in scope.*

- *4.6 As relevant, the Review will have regard tother key regulatory developments, including the Consumer Data Right, the Retirement Income Covenant and the Design and Distribution Obligations as they apply directly to financial advice.*

With respect to TOR 6.5, we recognise the exclusion of taxation laws as they apply to financial advice but have touched on the role of tax deductibility to address cost issues as they apply to the provision of financial advice prior to retirement.

Retirement Income Covenant

COTA Australia believes the recently legislated Retirement Income Covenant (for which we advocated strongly) will play a critical role in increasing the activities Superannuation Funds undertake to support their members while preparing for, and in, their retirement phase. Such activities are an important context for considering the current financial advice regulations and what changes may be required to enhance Fund capacity to support members to plan to achieve maximum sustainable retirement income. Further, we express continuing concern about the absence of a legislated purpose for superannuation – that being for the provision of income in retirement. Such a legislated purpose would assist in ensuring the provision of financial advice relating to superannuation would align to the legislated purpose for that advice.

In this submission we address the role that industry and government endorsed standardised assumptions and models should play in ensuring clients feel more certain about the robustness of advice. The issue of good data availability also lies at the core of what will make the Covenant useful in the longer term. Consequently, we would urge you to look carefully at the data/assumptions/models issue as it applies to the provision of advice for clients, and decision-making by Trustees.

COTA will watch with much interest as Superannuation Funds and Trustees begin to expand their offerings to superannuation members in their retirement phase. One area to be monitored will be whether the Government needs to consider the introduction of 'default' retirement income products for the disengaged members who choose not to take advice or make decisions about their retirement income preferences.

The need for standardisation in calculations

One of the biggest issues for today's superannuation advice industry is the inconsistency between various tools and calculators when providing information and guidance to members. While it may not be the role of the Review to identify the specifics of what these inputs should be, COTA Australia believes that the Review should consider the appropriateness of standardisation and include recommendations for future work in this area.

The regulation/accreditation of such tools should be considered as part of the Quality of Advice Review to ensure the regulatory framework both mandates the standardisation of such tools/calculators and requires the independent auditing of these tools. Tools in this context should include both programs to assist contact centre staff and advisors, along with customer interfacing tools such as online calculators and other tools.

The work of APRA in developing the Superannuation Heatmaps provides an insightful case study to how such an approach may impact market behaviours. Additionally, the practice of stapling of products to members means that the current distinction between 'My Super' and 'Choice' heatmap will have a limited lifespan. Consideration should be given to the combining of such tools into one easy to understand solution for members.

Personal Advice

The shadow of the so-called "Westpac case" looms large over the financial advice industry.[2] In discussions with both finance professionals and academics, we found two significant consequences:

1. An industry-wide propensity to take the most cautious approach to what could be deemed "personal advice", and
2. A haemorrhage of financial advisors leaving the industry, just as the number of individuals approaching retirement, and thus needing solid and professional financial advice, increases significantly.

A combination of factors including regulation, accreditation, and risk-management processes have kept the cost of providing advice too high for the bulk of people that really should be seeking and receiving financial advice. We estimate the average older Australian will consider paying up to a few

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[2] 22-097MR Westpac penalised $113 million after multiple ASIC legal action. https://asic.gov.au/about-asic/news-centre/find-a-media-release/2022-releases/22-097mr-westpac-penalised-113-million-after-multiple-asic-legal-actions/, accessed 11 May 2022

hundred dollars for retirement income advice, but most will choose not to seek such advice if it remains at its current average cost of a several thousand dollars.

It is not difficult to understand why a prospective retiree with an average balance of for men around $162,280 and for females of around $146,420[3] might baulk at paying the $4,000 average price for financial advice. This represents around 2.7% of their total retirement savings, and for many with smaller balances, considerably more.

At present, some trusted information, rather than advice can be sourced from the Commonwealth Government's Financial Information Service. But many assume these services are only available to existing customers of Services Australia. Its staff, that is Commonwealth public servants working as Financial Information Service Officers (FISOs), can provide broad financial guidance using information that includes consideration of the personal circumstances of their clients, but without making suggestions or giving opinions on what they should do.[4] Interestingly, what they can do includes: "how you can increase your overall retirement income", which to our mind comes very close to meeting, or arguably in fact meets, the definition of personal advice.[5]

We understand that FISOs make extensive use of actuarial models and spreadsheets to provide likely options for their clients but without – crucially – recommending a particular way forward. Nevertheless, this is one example where the ordinary understanding of general advice is pushed further than many other financial advisors would be comfortable to do given the regulatory penalties if they were deemed to have provided personal advice.

The increased regulatory scrutiny on advisors, contributing to the higher costs of advice (or advice not being profitable enough to continue), along with fewer people taking up advice, has contributed to many financial advisors leaving the industry at the time when the objective need for retirement income advice is growing.

From our conversations with both financial experts and academics COTA Australia observes that the apparently inconsistent application of the current definition of what constitutes "personal advice" is a frequently raised issue. This inconsistency, and the regulatory penalties for getting it wrong, fuel the overly cautious positioning of advice providers, and accordingly the regulatory costs embedded in the price charged for that advice. Accordingly, some online tools, calculators and tools to guide contact centre staff, are deemed as needing to comply with 'personal advice', while others are deemed to be 'general advice'. This leads to limitation, by some providers of such products, of the features they are prepared to include.

From our discussions with industry professionals and academics, we understand that the gap between current average prices for advice ($4,000), and the inflexion price point where it's

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[3] Clare, R. (March 2022) Developments in account balances Superannuation account balances for various demographic groups, Developments in account balances Superannuation account balances for various demographic groups showing balances as at June 2019. Available at: https://www.superannuation.asn.au/ArticleDocuments/270/2022_Superannuation_Account_Balances_Research.pdf.aspx?Embed=Y

[4] Financial Information Service Officers. https://www.servicesaustralia.gov.au/financial-information-service-officers. Accessed 11 May 2022.

[5] https://www.servicesaustralia.gov.au/what-financial-information-service?context=21836. Accessed 31 May 2022

estimated there would be mass uptake of financial advice ($400) is too large to bridge under current strictures and arrangements.

COTA Australia believes that innovative use of technology may be one key to significantly bring down the cost of information and guidance to a price point that makes them more accessible to people planning their retirement. For example, if Consumer Data Rights were extended into Superannuation, basic retirement planning information might include inputs of their banking and spending habits to date, along with any debts they might have, as inputs to projecting their likely retirement income and needs.

If the regulations were amended to allow the collection of a Fund member's relationship status and whether they owned a home, then information about retirement incomes could include an analysis of the interaction between superannuation balances and the member's likelihood to receive a full or part age pension. To generate a complete picture of the individual's eligibility for the age pension, it would also be necessary to enable the collection of information about the partner of the individual, as this is used to assess age pension eligibility for those who are members of a couple. It then follows that the provision of advice to an individual under the current arrangements, should also be able to be made to a couple.

Further, we understand that the consideration of aged care costs and their relation to retirement income is excluded from the issues for which Superannuation funds can charge members. COTA Australia believes that this is a matter that should be remedied so that retirement income advice can be provided in full consideration of a member's future needs.

Definition of Personal Advice

COTA Australia believes that the definition of "personal advice" in the Corporations Act is flawed in that it includes extensive consideration of what the person providing the advice knows about the client - that is needs, objectives and financial situation [the inputs] – without even mentioning the purpose of the advice – that is, provide a professional opinion as to what the client should do in their particular circumstances [the outputs]. This is made clear when one considers the definitions of "advice" from the Oxford English Dictionary, and the definition of "personal advice" contained in the Corporations Act, as shown below.

"Advice" [Oxford English Dictionary]: An opinion or a suggestion about what somebody should do in a particular situation.	**What is "personal advice"? [CA s.766B(3)(b)(3)]** For the purposes of this Chapter, ***personal advice*** is financial product advice that is given or directed to a person (including by electronic means) in circumstances where: (a) the provider of the advice has considered one or more of the person's objectives, financial situation and needs (otherwise than for the purposes of compliance with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* or with regulations, or AML/CTF Rules, under that Act); or (b) a reasonable person might expect the provider to have considered one or more of those matters. (4) For the purposes of this Chapter, ***general advice*** is financial product advice that is not personal advice.

It is our contention that the definition is flawed in that, while it highlights the concept of “personal” it then fails to even mention the concept of “advice”. On that basis, COTA Australia submits that the definitions should be reconceptualised to highlight both the extent of personal consideration given, and the purpose for which that information is provided.

COTA supports the legislative intent of protecting consumers by requiring greater consumer protections for advice that is based on detailed information about the customer, but submits the current definitions are no longer fit for purpose and contribute to the common misunderstanding of what advice is.

We submit that the current binary model of either general or personal advice should evolve to include a third category that specifically includes and authorises the collection of personal information to be used to provide modelling/scenarios/options but does not recommend any product. We believe such an approach will remove the inconsistent application of the current distinction between general vs personal advice that exists today. This approach may be implemented along the lines of:

CATEGORY	**Definition**	**Regulation/ Accreditation**	**Cost to consumer**
INFORMATION	Factual generic information that is not based on any personal information about the client	HIGH/LOW	FREE
GUIDANCE	Information that is based on personal information about the client. ***<u>Scenario/Modelling without product recommendations would be permitted.</u>***	HIGH/MEDIUM	LOW
ADVICE	Expert opinion or suggestion about what the client should do in a particular situation, based on personal information about the client. It ***<u>would permit specific product recommendations</u>***	HIGH/HIGH	HIGH

In the above taxonomy, the term ‘Regulation’ is used to mean the scope of legislative control placed on the operation. In contrast, the term “Accreditation” refers to the certification of credentials, tools, assumptions and algorithms of the provider and their software. This suggested taxonomy is expanded further below.

Information

COTA Australia believes that without a suggestion to action and without personal details, it is wrong to define something as any kind of "advice". Consequently, we recommend that this segment be described as "information". Such information should be able to be provided freely through Funds, Government sources and third-party providers using consumer data rights information.

Guidance

COTA Australia supports the use of personal data and digital tools to educate the consumer without providing a recommendation. We submit it would be better to clearly define this category as a middle way between what is currently termed "general advice" and "personal advice". We believe a better term would be "guidance". Providers of such "guidance", whether Government or private, should work based on standardised assumptions and data, provided and certified by Government. It may also be necessary to ensure regulators have the power to investigate and evaluate the tools utilised to ensure they conform with the Government provided standard set of assumptions and data. Providers of 'guidance', that do not stray into the realm of 'advice' (i.e., is not related to the recommendation of a specific product) should be subject to lesser requirements for regulation and accreditation.

As is currently done with FISO modelling, use of generic modelling options (not specific product recommendations) should be considered acceptable under the Guidance category. Consideration of what inputs can be collected to inform Guidance should be regulated, and include consideration of the breadth of data available under consumer data rights. Of critical importance to the success of Guidance is the inclusion of a regulated and consistent or standardised use of inputs and calculations.

COTA hopes that the use of such digital 'guidance' tools, coupled with lower regulation and accreditation burdens should keep the price of 'Guidance' within the means of most people approaching retirement.

Advice

This category, which uses personal information to provide specific strategy or product investment recommendations, should be termed "advice". This category is likely to be most dangerous in terms of the behaviours seen in the Westpac Case, and thus providers engaging in such "advice" should be subject to the strictest regulation, accreditation requirements, and random inspections.

Reaching the Disengaged

COTA Australia has found in our conversations with both older Australians and with superannuation specialists that, as per common perception, the vast majority of people, in the last two decades before their prospective retirement from full time work, are totally disengaged from the financial planning required to ensure that their retirement income is maximised. We have also found that just because someone is classed as 'engaged' does not mean that they are financially literate.

Consequently, we see the task of reaching this demographic as a two-phase operation. First, they must be engaged in their future, and second, become sufficiently literate to make wise decisions about it. An alternative to the second phase is to enable them to access financially literate advice.

However, as noted earlier, this is becoming more difficult due to the reduced number of financial advisors engaging in this work.

The desirability of retirement income "Push" advice at milestone ages.

Anecdotally, from conversations with financial experts, academics, and with older Australians more broadly, disengagement with their financial future is a common attitude within the Australian adult population. This is reflected in both the high preponderance of superannuation accounts left with their default settings, and the poor take up of financial advice.

COTA Australia has long advocated for "push" 'Information' (and 'Guidance') to be delivered to superannuation account holders at significant ages, late enough to care about superannuation yet early enough to gain substantial benefits from acting. We believe these ages to be 45 years, and then every five years until the individual enters the superannuation withdrawal phase. At a minimum, such push messaging should:

- Be simple and in a standardised format that is assessed to drive engagement and action by the disengaged fund member who receives it,
- Be required to be sent to all non-SMSF superannuation account holders – including both MySuper and Choice products,
- Be based on government-endorsed standard assumptions, models, and projections to ensure consistency between all superannuation funds who provide them (we would also suggest inclusion of a trusted logo such as MoneySmart or the Australian Tax Office to promote confidence in the information provided),
- Use the personal information available to their superannuation fund, including the collection of additional data should they choose to collect it (such as marital status and home ownership).
- State clearly what the individual's retirement income would be on a weekly/fortnightly basis given their current superannuation settings (including the pension, based on current rules and information provided to the superannuation fund), and
- Provide information about how to seek guidance or advice and make informed changes to maximise their possible retirement income.

International experience (UK)

The UKs Financial Advised Market Review (FAMR) launched in 2015 for similar basic reasons as your review, namely, to explore ways in which Government, industry and regulators could take individual and collective steps to stimulate the development of a market which delivers ***affordable and accessible financial advice and guidance to everyone, at all stages of the lives*** (our emphasis). Its 2016 final report contained a number of recommendations grouped in three broad areas: Accessibility, Affordability, and 'Liabilities and Consumer Redress'.

Affordability. The FAMR found that not everybody needs or wants expensive, detailed, and tailored advice. It made clear that people would often like "more support in understanding the options that are available to them". COTA Australia believes that this is the FISOs most valuable work, and broadly what we termed "Guidance" above. (FAMR Recommendations 2 and 17).

Accessibility. Like in Australia, the FAMR found that there was a lack of consumer engagement and demand that was holding back the development and growth of the advice market. We discussed the issue of reaching the disengaged earlier in this document. It is worth noting that disengagement has the consequence that it makes the advice market less vibrant and leads to individual advisors leaving the industry for greener and more profitable pastures.

The FAMR also found a reluctance to seek advice due to a lack of trust in advisers. This, of course, is reflected in Australia due to issues such as perceptions of conflicted remuneration and high-profile examples of misconduct such as the Westpac Case.

Liabilities and consumer access to (effective) redress. The FAMR noted that it is crucial that consumers receiving financial advice have confidence in the regulatory system and have access to redress if they are wrongly advised. We will not comment further on this as it is explicitly outside the terms of reference for your Review.

Wake-up Packs

The UK's current approach to reaching the disengaged are known as "Wake Up Packs". These are sent out to all individuals who have a pension plan, on their 50th birthday. The packs contain details of:

- ***Tax free cash***: likely balances if they take out the maximum 25% tax free cash, and if they take no tax-free cash.
- ***Income Withdrawal amount***: the fund will detail how much it's assuming will be withdrawn as an annuity. This uses figures from the FCA (Financial Conduct Authority).
- ***Fund Value***: the balance remaining after 5 years and 10 years, and the age at which the account will run out of money. It assumes that the account continues to grow at 2.5% above inflation during this time.
- ***Charges***: the annual account charges as well as how much this will reduce the growth in the account. It will also specify how much will be paid in charges in the first year.[6]

COTA Australia believes that, while the UK approach has been criticised as too lengthy and confusing, there is significant value in the principle of providing all superannuation account holders with specific information about their likely weekly/fortnightly income post retirement, and what can be done to both increase it and maximise it. While the requirements in the UK are for the Wake-Up Pack to arrive within two weeks of the account holder's 50th birthday, we believe that this is a message that needs reinforcement at regular intervals. We also believe that by starting earlier (at age 45) and continuing to deliver the message every five years until retirement, the account holder can be shown the value of the financial decisions they have made because of earlier wake-up packs.

Finally, we note that the UK is looking at moving away from Wake-Up Packs and towards government-hosted pension (superannuation) dashboards where the details of all their accounts are listed, and tools are available to game scenarios based on different potential decisions. COTA Australia believes that such an approach would work well in Australia, perhaps hosted in a new, improved, and easier-to-use MyGov site, and with a common set of assumptions and models. In our

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[6] https://cardens.co.uk/what-are-wake-up-packs/ accessed 13 May 2022

view, the best situation would be to have push-notifications at five-year intervals from age 45 that direct the account holder to their superannuation dashboards on a government hosted and accredited website. We understand that some Superannuation Funds already host such sites for their members. However, we feel these currently suffer from a lack of transparency and certification for their assumptions and algorithms.[7] Consequently, COTA would argue that if they were deemed to be too complex to be auditable and regulated, an alternative would be for the national provision of such a service hosted by a government organisation already entrusted with similarly sensitive services.

We caution against moving immediately to 'online only' solutions that we suspect will have lower engagement by the disengaged than receiving a letter in the mail. Nevertheless, such decisions can and should be tested as part of the design and implementation of any such policy.

Developing less expensive advice options

As noted earlier, our discussions with financial experts, academics, and older Australians have made it clear that the cost of seeking expert financial advice is too high for many people, particularly those on low and middle incomes, with simple superannuation arrangements. As noted earlier, the role of cost in the take-up of financial advice cannot be underestimated. It is difficult for a person on low or medium income to justify spending an average of $4,000 when superannuation balances are not large, and the level of complexity is low. This message was echoed by the UK's 2016 FAMR, as was also noted earlier.

COTA Australia believes that there are a number of alternative means to address the cost of expert financial advice that should be considered by the review and debated amongst stakeholders. It is likely that a tapestry of policy options will be needed to meet the individual preferences of all Australians.

Improving digital advice options

COTA Australia supports the more extensive use of digital tools, particularly Artificial Intelligence, to produce advice that is suitable for the simplest end of the market. Such tools could be a key feature in a superannuation dashboard hosted on a government website. Such an approach would ensure that common assumptions and common tools can deliver the best possible result for the largest number of account holders.

Intra-fund Advice

COTA Australia supports the premise of intra-Fund advice to ensure that people have access to low-cost advice. We understand intra-fund advice to be financial advice that is provided to individual members of a Superannuation Fund based on the payment of an administrative levy by all Fund members.

[7] https://asic.gov.au/regulatory-resources/superannuation-funds/superannuation-guidance-relief-and-legislative-instruments/product-dashboard/. Accessed 31 May 2022

We believe that intra-fund advice should be able to include age pension projections, discuss finances regarding both couples and individuals, and provide information related to aged care costs (noting further comments below) paid for from a member's superannuation fees.

We do however note the weaknesses of intra-fund advice including:

- the lack of common, accredited assumptions and calculators that intra-fund advisors should use – as discussed above. This leads to questions about independence and whether the advice is intended for the best benefit of the member, or the Fund.
- the cost of advice is spread across all members of that Fund, even those that choose not to use the service. This raises the question of whether it becomes 'fees charged for no advice' – a practice that was of great concern during the Misconduct in the Banking, Superannuation and Financial Services Industry.
- it can only provide account holders with choices among the products offered by their specific Fund. This can only be a limited set of options and may result in suboptimal results for the account holder.

Nevertheless, COTA Australia believes that some access to low-cost advice is better than none.

Tax deductibility or Government subsidised vouchers

These two options have the additional benefit that they would assist in keeping the provision of advice profitable enough to keep advisors in the profession and thus ensure that expert advice is available to a greater number of account holders.

In order to encourage the use of the private advice market, Government might consider:

- the tax deductibility of advice (to help reduce costs),
- provide explicit subsidies via vouchers that enable individuals on low or middle income to access expert financial advice that would be otherwise out of their price range. Such vouchers could be funded, at least partially, through a levy on Superannuation Funds.

Government-provided Financial Advice

COTA notes that the low take-up of advice by consumers is also affected by fears of partiality and conflicted remuneration. An independent government-funded financial information, guidance, and advice service would remedy such concerns.

Such a service could be means-tested, rely on common and transparent assumptions, use digital tools extensively to provide guidance, and provide vouchers to specialised commercial advisors for cases in unusual circumstances and with complex needs. COTA Australia believes such a service could either be an expansion of the Financial Information Service to provide in person and telephone services beyond Service Australia clients and should incorporate the tools and calculators from the MoneySmart website.

One additional benefit of independent, government-provided advice would make it more feasible for all superannuation funds to adopt the assumptions and models used by the government provider, enhancing both commonality and transparency among superannuation funds.

Aged Care

COTA Australia has been very concerned for some years about quite a few aged care providers providing advice relating to access to Aged Care that includes suggestions about how to both pay for it and how to structure their financial affairs. This is often conflicted advice in which the provide has specific interest. We note that, while the provision of advice on how to structure financial affairs to either pay for aged care or maximise remaining income would normally fall within the current definition of 'personal financial advice', advice on aged care financing is exempt under the Corporations Act.' This has been deeply concerning to COTA Australia for a long time and is a matter that requires investigation by the Review. We believe it is necessary that advice regarding aged care financial matters should be regulated to ensure the same set of protections as other personal advice such as advisors having to act in the best interests of the consumers.

Further, we understand that current regulations prohibit advice regarding aged care financing from being provided from a superannuation member's funds. We support suggestions this should be altered to enable superannuation funds to provide a greater diversity of information in line with their retirement income covenant obligations.

Finally, we note that the peculiar circumstances of aged care issues can be quite different to other financial products, and we recommend that financial advisors should be required to undertake specifically accredited training regarding aged care before being authorised to provide advice pertaining to aged care.

Recommendations

Based on the above, COTA Australia recommends that:

1. The current definition of ‘general advice’ and ‘personal advice’ be modified to a three-tier definition of ‘information’, ‘guidance’ and ‘advice’ as argued in this submission.
2. Current regulation be reduced to allow the inclusion of non-superannuation information such as relationship status, home ownership and other asset details (and asset details of a partner) to provide information on the eligibility of the pension and aged care within the provision of ‘Guidance’ and that this may be paid for from a fund member’s superannuation fees.
3. A legal requirement be introduced that requires ‘Push notifications’ (or ‘wake up packs’) be sent to all superannuation account holders on their 45th birthday and then every five years after that until they enter the withdrawal phase of superannuation. Such push notifications should be standardised and highlight their expected retirement income, either weekly or fortnightly (including eligibility of age pension).
4. Consideration be given to the establishment of an independent government financial information, guidance, and advice service. Such a service would include a superannuation dashboard with information and digital tools to enable account holders to game different actions and strategies.
5. Consideration be given to the role of government-subsidised advice, either via tax deductibility for the provision of financial advice as it applies to retirement income, or the provision of means-tested vouchers for private financial advice for individuals with complex circumstances and arrangements.
6. The review should consider the need for provision of advice on aged care financial matters to be regulated like other personal advice and not be exempt, so as to better implement consumer protections in place for all other personal financial advice.
7. Licensed financial advisors to receive specific training in aged care financing before being qualified to provide aged care financial advice.

Final Remarks

COTA Australia welcomes this Review but notes that two decades after the Financial Services Inquiry the time may now again be appropriate for an in-depth structural review into financial services in the modern environment.

The emerging maturity of the superannuation system in Australia means that the number of individuals in need of robust guidance and advice is growing while the number of financial advisors is shrinking. We urge this Review to consider potential responses to this threat to the retirement income of millions of Australians.

Finally, we look forward to assisting the Review and its staff with any further information that may be deemed helpful.