



Class Order Relief Marks return to the Dark Ages for Advice

Sydney, 9 July, 2009 - The Association of Financial Advisers (AFA) has today slammed Federal Government support for ASIC's class order relief which will give legislative relief to superannuation trustees to provide limited personal advice to their fund members.

Advice frameworks

AFA CEO, Richard Klipin, says the move represents a return to the dark ages when people providing financial advice did not have to have a reasonable basis for that advice.

"One of the foundation stones of Section 945 of the Corporations Act is to know your client, know your product and provide appropriate advice," Mr Klipin says. "This protects consumers and sets standards for advisers."

Mr Klipin says it is not financial advice when the trustee does not have to know the member, does not have to understand the member's needs and objectives, does not have to provide advice which takes into account the member's entire financial situation, does not have to complete a risk profile on the member and when all the trustee has to offer in terms of investment is its own superannuation fund.

"That's not advice, that's product selling by another name - and if any of AFA's members tried it they would be facing criminal sanctions."

Pandering to vested interests

AFA National President, Jim Taggart rejects Minister Tanner's statement that the Government is delivering on its commitment to remove regulatory barriers and make it easier for millions of Australians to obtain inexpensive advice about their superannuation, arguing that policy appears to be driven by ideology and vested interests, not by sound, rigorous research. "While

advisers still need to comply with Section 945 and meet all obligations under the law, super trustees are exempt," he says. "The law needs to apply equally to all otherwise surely it is discriminatory ?"

Dumbing down advice

Mr Klipin says he is concerned that consumers will think that the limited information they receive on their superannuation fund from their trustee is all they need - and this puts their financial future at risk.

"Superannuation trustees, in particular the industry funds, have been trying for some time now to "dumb down" advice," he says. "But the truth is that there is a great deal of complexity in major financial decisions facing the Australian community and many people need much, much more than simplistic advice on their superannuation investment."

In attempting to democratize access to advice, Mr Klipin believes ASIC and the Government will ultimately achieve the exact opposite.

"Advice on the majority of superannuation investments will come mainly from superannuation trustees who have a vested interest - and that's not a democracy," he says. "Policy driven by ideology usually ends in tears, with significant unintended consequences"

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