

Rest Super Submission: Consultation – Improving access to affordable and quality financial advice - draft legislation

May 2025

Rest welcomes the opportunity to make a submission in response to the exposure draft legislation and other materials supporting the Delivering Better Financial Outcomes (DBFO) advice reforms, arising from the Final Report of the Quality of Advice Review.

Rest is one of Australia's largest superannuation funds, with around two million members – or around one-in-seven working Australians – and around \$93 billion in assets under management¹. We represent around one million members under the age of 30, and many of our members work in part-time or casual jobs and tend to have lower balances by the time they reach retirement. We put our members needs at the centre of everything we do, and we are deeply committed to maximising the retirement outcomes of our members.

Rest is passionate about the provision of affordable and accessible advice to our members, and the role that superannuation funds play in providing valuable advice in a cost-effective way. Without the support of Rest, and the advice provided through our existing model, many of our members would not be able to access personal financial advice. We have seen firsthand how the right advice at the right time can make a significant impact on the personal circumstances of our members, especially those with lower balances. Rest firmly believes that all Australians should be able to access financial advice – regardless of their income or circumstances.

We welcome the measures in the second tranche of the DBFO reforms, which have the objectives of clarifying the scope of advice that can be delivered by superannuation funds, allowing superannuation funds to communicate targeted prompts to fund members and reforming the record of advice for clients. Rest believes that the Tranche 2 package provides an opportunity for superannuation funds to cost-effectively increase the scope and reach of their financial advice, while maintaining consumer protections.

We encourage Government to continue to work with stakeholders to progress the remaining items from the proposed DBFO reforms, including the proposal for a new class of adviser, and the modernisation of the best interests duty.

¹ As at 31 December 2024

Advice through Superannuation

Rest supports the proposed regulations listing the advice that superannuation funds can offer under a collectively charged advice model and the circumstances they can consider. Specifying and expanding these areas in regulations will provide trustees greater clarity when providing collectively charged advice, thereby promoting a more consistent application across the industry.

The ability to deliver more comprehensive retirement advice at the household level will enable Rest to provide members with a deeper understanding of how they can achieve their best retirement outcomes. However, there are some points for clarification to ensure optimal member benefit from the collectively charged advice model:

- We recommend the regulations include in the ‘allowed circumstances’ list that other superannuation funds held by the member, outside of the fund providing the advice, may also be considered. This aligns with the fact that a spouse’s superannuation outside the fund can be considered. An example of where this may be relevant include when the member’s primary superannuation balance is with Rest, but they maintain a small balance at an alternative fund for insurance or other purposes, the benefit of which is more complete visibility of superannuation assets, and better tailored advice to the member’s circumstances.
- The cash-flow management example within the ‘disallowed topics’ list should be revised to read ‘*cash-flow management outside of retirement income solutions*’ to clarify that funds can provide advice about meeting a member’s retirement income needs.

For clarity, Rest views the collectively charged advice lists as distinct from any future guidance or lists that may be created to support the new class of advisers (NCAs).

Rest welcomes the clarification that superannuation funds can assist members with implementing provided advice they have provided. We view this an opportunity to enhance the value of advice by supporting members in the execution process.

Recommendation 1

Include in the ‘allowed circumstances’ that other superannuation funds held by the member, outside of the fund providing the advice, may be considered by the fund when assessing the superannuation benefits held by the member.

Recommendation 2

Modify the ‘disallowed topics list’ item on cash flow management to ‘*cash-flow management outside of retirement income solutions*’ to clarify that funds can provide advice on meeting a member’s retirement income cash needs.

Targeted Superannuation Prompts

Rest supports the concept of engaging members through targeted superannuation prompts, which would not be considered personal advice. These prompts have the potential to encourage greater member action and informed decision-making regarding their superannuation and retirement outcomes.

Below are specific comments on aspects of the proposed regime. This element of the Tranche 2 reforms is complex, and funds will need to implement new processes for the proposed assessment framework and management of opt-outs. Given this complexity, it may be prudent for Treasury to consider a review of the implementation of the targeted superannuation prompts regime at a reasonable time after the commencement to consider whether the intended benefits are being realised.

Assessment framework

Rest is concerned with the prescription and complexity involved in developing and implementing the proposed framework that would be required to use targeted superannuation prompts.

Other requirements proposed for the targeted superannuation prompts regime combined with existing regulatory obligations that apply to superannuation funds provide effective consumer protections. These include prohibitions to promote specific products, rules for selecting recipients of prompts, the application of the *Spam Act 2003*, prohibitions on providing information that is irrelevant or unhelpful, as well as obligations under the Retirement Income Covenant and Design and Distribution obligations.

The further obligation to develop a specific framework related to targeted superannuation prompts is excessively prescriptive and poses challenges and anticipated costs that call into question the ability to manage these prompts cost effectively. While the proposed framework would only need to be developed once for each prompt, this would mean developing many over time, given differences in member circumstances, cohorts and content, imposing an unnecessarily high burden to take up the initiative.

We therefore recommend the requirement to develop an assessment framework be removed, and that consideration be given instead to principles to be included in the Explanatory Memorandum and potentially Regulator guidance that prompts are to be targeted to member groups, relevant and appropriate.

Statements and warnings

Rest supports measures to minimise the risk of members misinterpreting targeted superannuation prompts as personal advice. However, we have some concerns that excessive statements and warnings at or near the beginning of the communication may discourage members from engaging with targeted superannuation prompt content, thereby diminishing the effectiveness of the prompt.

For optimal member engagement, we recommend that disclaimer practices apply without the necessity of displaying the prescribed statements and warnings at or near the beginning of the superannuation-related advice, but that they should be prominent in the communication.

Opt-out requirements

Rest understands the need to differentiate between a targeted superannuation prompt and marketing but have concerns about the proposed creation of a separate opt-out register and process that creates a members opt-out period of 5 years. This may cause confusion among our members and pose challenges in administering two distinct opt-out schemes.

We recommend the Explanatory Memorandum make it clear that funds have the option to incorporate the opt-out requirements within the existing opt-out framework for marketing material. This approach would provide members with a clear option to opt-out of either marketing communications only or both marketing and targeted superannuation prompts. In instances where a member opts out of receiving a targeted superannuation prompt, an opt-out period could still apply in the law.

Given the pace that members' circumstances can change, we believe an opt-out period of 2 years rather than 5 years would be appropriate. After this period, superannuation funds could contact the member to confirm if they wished to continue opting out of receiving targeted superannuation prompts.

Factual information and general advice

Superannuation funds have an important role to educate members of their funds with factual information and general advice, for example, about how superannuation works, available services and market activity. This information is important in both engaging members with superannuation generally, and giving confidence, and is distinct from any personal advice, or content that would be included in targeted superannuation prompts.

Clarification is required regarding whether factual information and general advice campaigns directed at specific demographics, such as highlighting the benefits of an account-based pension to 60-year-olds, will remain possible once the proposed targeted superannuation prompt amendments take effect. It is our understanding that provided these engagements do not include a recommendation or statement of opinion that is not tailored to individual members and provide a broad overview, they would still be considered general advice and not personal advice, subject to the exemptions that will apply to targeted superannuation prompts.

Rest recommends that the draft legislation be amended to expressly recognise that superannuation funds can continue to communicate with groups of members using factual information and/or general advice and that the targeted superannuation prompt regime would not apply in these situations.

Recommendation 3

The requirement to develop an assessment framework be removed, and principles to be included in the Explanatory Memorandum and potentially Regulator guidance that prompts are to be targeted to member groups, relevant and appropriate.

Recommendation 4

The disclaimer requirements be amended to apply without the necessity of displaying the prescribed statements and warnings at or near the beginning of the superannuation-related advice, but that they should be prominent in the communication.

Recommendation 5

Include in the EM guidance that trustees are able to incorporate opt-out management within the existing opt-out framework for marketing material, with a 2-year opt-out period.

Recommendation 6

The draft legislation be amended to expressly recognise that superannuation funds can continue to communicate with groups of members using factual information and/or general advice and that the targeted superannuation prompt regime would not apply in these situations.

Client Advice Records ('CARs')

Rest acknowledges the client-centred approach of the CAR policy and values the flexibility it offers providers in responding to members' needs. The technology-neutral drafting of the CAR requirements, which permits non-written formats, creates opportunities for Rest to adjust how we provide advice records to our members based on the specifics of each situation, such as the complexity of the advice.

We note that on a side-by-side comparison, the content requirements for a CAR are not significantly different from a Statement of Advice (SOA), and we suggest that Government consider a future review following implementation of the full DBFO reforms for further streamlining.

Rest supports the proposed consolidation of record-keeping obligations into the primary law which ensures all stakeholders have a clear, uniform understanding of their record-keeping responsibilities.

Conclusion

Rest values the opportunity to provide this submission. We would welcome the opportunity to further discuss any matters outlined in this submission