



6 December 2023

Retirement, Advice and Investment Division
Treasury
Langton Crescent
PARKES ACT 2600
Via email: Financialadvice@treasury.gov.au

Delivering Better Financial Outcomes – reducing red tape and other measures

Thank you for the opportunity to respond to the draft legislation for the first tranche of reforms included in the Delivering Better Financial Outcomes (DBFO) package.

Rest is a major profit-to-member industry superannuation fund with nearly two million members – or around one-in-seven working Australians – that manages assets of \$75 billion¹. We recognise the significant role superannuation funds play in providing accessible and affordable financial advice to Australians.

This is especially true for Rest's younger membership, who are often employed part-time or on a casual basis and have lower super balances. 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 wealth or circumstances.

Rest is therefore highly optimistic about the opportunities for Rest to provide more valuable advice to our members presented by the complete DBFO package. We see this as a major opportunity to expand our digital advice capabilities, ultimately helping more members achieve their retirement goals. In fact, more than half of our advice interactions in the 2022/23 financial year were with members under 40, the majority of whom utilised our digital tools. Our experience has shown us just how effective these tools are in delivering simple, convenient, and single-issue advice to members who traditionally have not sought financial advice, particularly young people and women. Without access to digital advice, we would not have seen nearly as many younger members engaging with financial advice. Overall, nearly 90% of our advice interactions with members last financial year were through our digital tools.

Rest is eager to build upon this success and offer even more comprehensive support and advice to our members. We strongly urge the government to promptly implement the complete reform package, allowing our members to benefit from increased flexibility and opportunities to make informed retirement decisions.

¹ As at 30 June 2023

The attached appendix provides comments on the first tranche of DBFO legislation. To discuss any aspect of this submission, please contact Sarah O'Brien, General Manager Regulatory and Technical Services directly on 0400 399 330 or via email on sarah.o'brien@rest.com.au.

Yours sincerely,

Deborah Potts
Chief Member Officer

Appendix – Cutting red tape from financial advice feedback

The first tranche of legislation primarily focuses on advice fee deduction, ongoing service disclosure and consent. Rest does not permit upfront or ongoing advice fees to be deducted from a member's account, nor do we establish ongoing service arrangements with our members. Our intra-fund advice offering is typically sufficient for our members' needs. If additional advice is required, the member will be invoiced for the extra service provided by Rest, which covers only what is outside the scope of our intra-fund offering and is paid directly by the member. Although the first tranche is not expected to have a significant impact on Rest, we support its intent of providing clear legal basis for fee deductions from member's accounts, streamlining processes, and making it easier for consumers to associate advice fees with future services. Furthermore, the proposals are likely to reduce costs which will also benefit consumers.

While Rest is largely supportive of the first tranche of legislation, there are two areas we believe require further consideration:

- **Financial Service Guide (FSG) flexibility**

Rest supports the proposal to allow personal advice providers to deliver an FSG either physically or publicly on their website. However, we acknowledge that this approach only applies to financial services provided as personal advice. Although the future reach of personal advice remains uncertain, Rest expects to continue to assist many members with valuable support through the provision of general advice. If the option of making FSG information available on a website is not universally applicable to all advice situations, it will likely create confusion and reduce the benefits of this reform.

Recommendation 1: Rest recommends that the legislation be revised to make FSG provision via website disclosure applicable to all advice situations, both general and personal, without exception.

- **Proportioning advice fees**

The draft materials confirm that when advice covers multiple matters, the trustee only pays for the portion of the advice that pertains to the member's interest in the fund. While this provides clarity on fee deduction, the industry would benefit from guidance of how an adviser should calculate the portion of the advice fee that is to be deducted from the fund. Without clear guidance, there is a risk that advice fees may be deducted for aspects that are not relevant to the member's interest in the fund, thereby not complying with the sole purpose test. Moreover, inconsistent methods may be adopted across the industry and create additional administration and compliance costs for superannuation funds – which would not be in the member's best financial interests.

Recommendation 2: Rest recommends that guidance be provided to financial advisers, outlining the calculation method for determining the portion of advice fees that must be deducted from a member's superannuation fund in cases where the advice covers multiple matters. Additionally, any necessary file or documentation requirements for demonstrating the accuracy of the calculation should be clearly defined.

Lastly, Rest acknowledges that Tranche 1 does not include the removal of the safe harbor steps from the Best Interest Duty or replacing the Statement of Advice with a more suitable advice record, and we understand these will be contemplated in Tranche 2. Rest supports this decision and looks forward to seeing these components in future announcements, including how they will integrate with other essential elements to allow superannuation funds to expand the provision of retirement advice to their members.

<<<End of document>>>