



ASIC

Australian Securities & Investments Commission

CONSULTATION PAPER 183

Giving information, general advice and scaled advice

August 2012

About this paper

This consultation paper sets out ASIC's proposed guidance for Australian financial services (AFS) licensees, authorised representatives and advice providers who give information and advice to retail clients, and explains:

- the differences between giving factual information, general advice and personal advice; and
- how to meet the advice obligations in Ch 7 of the *Corporations Act 2001*, including the best interests duty and related obligations, when giving 'scaled' advice (i.e. personal advice that is limited in scope).

Our guidance aims to facilitate access for retail clients to good quality information and advice about all financial products. We are seeking the views of AFS licensees, authorised representatives, advice providers and consumers on our proposals.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This paper was issued on 9 August 2012 and is based on the Corporations Act as at the date of issue.

Disclaimer

The proposals, explanations and examples in this paper do not constitute legal advice. They are also at a preliminary stage only. Our conclusions and views may change as a result of the comments we receive or as other circumstances change.

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The consultation process

You are invited to comment on the proposals in this paper, which are only an indication of the approach we may take and are not our final policy. Among other things, we would like your feedback on the costs and benefits of implementing our proposed guidance, rather than the costs and benefits of the requirements in Div 2 of Pt 7.7A of the Corporations Act. These were extensively consulted on by the Government under a different process.

As well as responding to the specific proposals and questions, we also ask you to describe any alternative approaches you think would achieve our objectives.

We are keen to fully understand and assess the financial and other impacts of our proposals and any alternative approaches. Therefore, we ask you to comment on:

- the likely compliance costs;
- the likely effect on competition; and
- other impacts, costs and benefits.

Where possible, we are seeking both quantitative and qualitative information.

We are also keen to hear from you on any other issues you consider important.

Your comments will help us develop our guidance on giving information and advice. In particular, any information about compliance costs, impacts on competition and other impacts, costs and benefits will be taken into account if we prepare a Regulation Impact Statement: see Section G, 'Regulatory and financial impact'.

Making a submission

We will not treat your submission as confidential unless you specifically request that we treat the whole or part of it (such as any financial information) as confidential.

Comments should be sent by 20 September 2012 to:

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What will happen next?

Stage 1	9 August 2012	ASIC consultation paper released
Stage 2	20 September 2012	Comments due on the consultation paper
	October/November 2012	Drafting of regulatory guide
Stage 3	November/December 2012	Regulatory guide released

A Background to the proposals

Key points

A key objective of the Government's Future of Financial Advice (FOFA) reforms is to facilitate access for retail clients to financial product advice, including 'scaled' advice (i.e. personal advice that is limited in scope). This consultation paper sets out ASIC's proposed new guidance in light of these reforms.

We have previously issued guidance in Regulatory Guide 200 *Advice to super fund members* (RG 200) about giving information and advice to retail clients. The proposed guidance set out in this paper builds on our guidance in RG 200, and is for *all* Australian financial services (AFS) licensees, authorised representatives and advice providers who give information and advice to retail clients.

Our proposals seek to:

- explain the differences between giving factual information, general advice and personal advice; and
- provide guidance on how you can meet the advice obligations in Ch 7 of the *Corporations Act 2001* (Corporations Act) when giving scaled advice, including how to comply with the best interests duty and related obligations, introduced as part of the FOFA reforms.

ASIC guidance and Government FOFA reforms

- 1 In July 2009, we issued Regulatory Guide 200 *Advice to super fund members* (RG 200). RG 200 provides guidance about giving information and advice about superannuation to retail clients.
- 2 Building on the guidance in RG 200, we issued Consultation Paper 164 *Additional guidance about how to scale advice* (CP 164) in July 2011. CP 164 sets out our proposals for further guidance, including a number of examples about how to give 'scaled' advice (i.e. personal advice that is limited in scope). CP 164 was for AFS licensees that give information and advice to retail clients about all financial products, not only about superannuation.
- 3 At the time that CP 164 was released, the Government was in the process of finalising the draft legislation setting out the Future of Financial Advice (FOFA) reforms, including the best interests duty and related obligations. A key objective of the FOFA reforms is to facilitate access for retail clients to financial product advice, including scaled advice.
- 4 CP 164 did not include guidance about giving scaled advice under the best interests duty and related obligations, because the requirements had not yet been finalised. Many of the submissions on CP 164 requested that we wait

until the best interests duty was in a final form before providing further guidance. Taking this feedback on board, we waited until the FOFA legislation was passed before releasing this consultation paper.

Note: In this consultation paper, we ask for your feedback on a number of proposals. When you are responding to our questions, keep in mind that we would like your feedback about the costs and benefits of our guidance, rather than the costs and benefits of the requirements in Div 2 of Pt 7.7A of the Corporations Act. These were extensively consulted on by the Government under a different process.

Improving access to good quality information and advice

- 5 The proposals in this consultation paper aim to improve Australian retail clients' access to good quality information and advice about all financial products by giving guidance to AFS licensees, authorised representatives and advice providers on giving information, general advice and scaled advice.
- 6 Our research has found that many Australian consumers would like more information and advice about investment issues. ASIC's Report 224 *Access to financial advice in Australia* (REP 224), released in December 2010, found that a third of Australians 'are now expressing a preference for piece-by-piece advice rather than holistic or comprehensive advice'.

Note: See REP 224 at paragraphs 53 and 62. A copy of this report can be downloaded at www.asic.gov.au/reports. The original data was taken from *Advice and limited advice report*, Investment Trends, Sydney, December 2009.

- 7 Many AFS licensees are already providing scaled advice that is limited in scope and complies with s945A of the Corporations Act. This was noted in a number of submissions on CP 164.
- 8 While many AFS licensees are already giving scaled advice, they are not uniformly providing good quality advice. In March 2012, we released Report 279 *Shadow shopping study of retirement advice* (REP 279). This report found that, 'while the majority of advice examples we reviewed (58%) were adequate, 39% of the advice examples were poor, and two examples were good quality advice (3%)'.
- 9 The scope of most of the advice we reviewed in the shadow shopping research was limited in some way. When reviewing advice examples, we saw some evidence of the scope of the advice being inappropriate. In several instances, particular topics were excluded from the scope of the advice, to the potential benefit or convenience of the adviser, and to the significant detriment of the client.

Note: In this consultation paper, references to 'client' mean 'retail client' as defined in s761G of the *Corporations Act 2001* (Corporations Act) and Div 2 of Pt 7.1 of Ch 7 of the Corporations Regulations 2001 (Corporations Regulations).

- 10 For example, our research found that some advice providers excluded the consideration of a client's debts from their retirement advice. However, if these debts were significant, retirement advice could not have been properly provided without taking this into consideration. In such a situation, a client might mistakenly think that the advice was comprehensive, and that all of their financial circumstances and needs had been taken into account.
- 11 REP 279 outlined that, even for advice on retirement planning that is very limited in scope, there are some issues that cannot reasonably be excluded from the scope. For example, it would be difficult for an advice provider to recommend significant extra salary sacrificing to superannuation without some understanding of the client's cash flow and other financial commitments.
- 12 Advice providers whose advice examples were rated as 'good' by us had a clearly defined scope, and assisted the client to form realistic and measureable objectives about their retirement and to implement strategies to try to achieve them. We saw evidence of multiple strategies being compared and evaluated, good budgeting and cash flow projections, and realistic discussions about what clients could fund in their retirement. Good written and personal communications ensured that clients were aware of their options, while the Statements of Advice (SOAs) were logical, well structured and easy to understand.
- 13 This consultation paper applies to all advice, not only advice about retirement issues. However, we think that the findings in REP 279 are useful for all advice providers across the industry.

Current ASIC guidance

- 14 RG 200 gives guidance on the differences between factual information, general advice and personal advice, and on how to give scaled advice. It also includes examples of giving factual information, general advice and personal advice to members of superannuation funds. We intend to incorporate this guidance into our proposed new regulatory guide—updated, as relevant, to apply to advice providers for all financial products.
- 15 Other ASIC regulatory guidance also deals with the distinctions between factual information, general advice and personal advice, and on how to give scaled advice. This includes:
- (a) Regulatory Guide 36 *Licensing: Financial product advice and dealing* (RG 36);
 - (b) Regulatory Guide 84 *Super switching advice: Questions and answers* (RG 84); and
 - (c) Regulatory Guide 175 *Licensing: Financial product advisers—Conduct and disclosure* (RG 175).

- 16 A draft update of the relevant guidance in RG 175, taking into account the best interests duty and related obligations, has been released for consultation at the same time as this paper: see the draft new section of RG 175, attached to Consultation Paper 182 *Future of Financial Advice: Best interests duty and related obligations—Update to RG 175* (CP 182).

Note: We will review, in light of the FOFA reforms, our other regulatory guides that include guidance about providing advice. We will also update our proposed guidance in this consultation paper to take into account further FOFA reforms released in the regulations.

Application of our proposed guidance

- 17 This consultation paper sets out our proposed guidance and examples for *all AFS licensees* that give information and advice to clients.
- 18 Our guidance will be published in a new regulatory guide that builds on and expands the guidance and examples in RG 200, and will include examples of scaled advice. RG 200 will be withdrawn when the new regulatory guide is released.
- 19 We have previously given licensed superannuation trustees and their authorised representatives class order relief from the requirements in s945A where personal advice is provided about a member's existing interest in their fund: see Class Order [CO 09/210] *Intra-fund superannuation advice*.
- Note: References in this consultation paper to sections (s), parts (Pts), and chapters (Chs) are to the Corporations Act, unless otherwise specified.
- 20 [CO 09/210] gives relief from s945A, and therefore the class order will cease to apply when s945A is repealed on 1 July 2013.

Overview of our proposed guidance

- 21 Our proposals in this consultation paper seek to:
- (a) explain the distinction between giving factual information, general advice and personal advice. Submissions on CP 164 and our more recent discussions with industry indicate that this is still an area of uncertainty for many sectors (see Sections B and C, as well the examples in the appendix);
 - (b) provide industry-specific examples of giving factual information, general advice and scaled advice that is limited in scope (see the appendix, as well as the shorter examples in the body of this consultation paper);
 - (c) provide guidance about how to give scaled advice that complies with the personal advice obligations in Ch 7, including the best interests duty

and related obligations in the *Corporations Amendment (Further Future of Financial Advice Measures) Act 2012* (FOFA Act No. 2) (see Section D);

- (d) explain the importance of communicating to a client the type of advice that is being provided (see Section E); and
- (e) explain that the Corporations Act is generally neutral about how advice is delivered—that is, the law is generally the same, regardless of whether advice is provided face-to-face, by telephone or email, or on the internet (see Section F).

Other obligations for AFS licensees

- 22 Our proposed guidance in this consultation paper should be read in conjunction with our other guidance for AFS licensees on how you can comply with your obligations under Ch 7. It does not replace our other guidance.
- 23 If you are considering providing factual information and advice to your clients, you may also need to consider:
 - (a) common law obligations, such as the duty of care and fiduciary duties;
 - (b) contractual obligations;
 - (c) compliance with relevant industry standards and codes;
 - (d) regulatory requirements under the Corporations Act, including those in Ch 7 about licensing, disclosure obligations and the requirement to:
 - (i) do all things necessary to ensure that you provide services efficiently, honestly and fairly;
 - (ii) ensure adequate representative training;
 - (iii) manage conflicts of interest; and
 - (iv) maintain dispute resolution systems;
 - (e) regulatory requirements under Div 2 of Pt 7.10 of the Corporations Act and the *Australian Securities and Investments Commission Act 2001* (ASIC Act), which:
 - (i) prohibit, among other things, misleading or deceptive conduct; and
 - (ii) impose implied warranties in contracts for the supply of financial services;
 - (f) where relevant, trustee duties and obligations under the *Superannuation Industry (Supervision) Act 1993* (SIS Act) and at common law; and
 - (g) where relevant, responsible entity duties and obligations under Ch 5C of the Corporations Act for operating managed investment schemes.

Some guiding principles for giving information, general advice and scaled advice

24 Table 1 sets out some guiding principles in relation to the issues discussed in this consultation paper. These principles apply to information and advice about all financial products.

Table 1: Guiding principles for giving information, general advice and scaled advice

Issue	Guiding principles
Giving information (see Section B)	You can provide factual information to a client even if you have information about the client's relevant circumstances (i.e. their objectives, financial situation or needs).
Giving general advice (see Section C)	You can provide general advice to a client even if you have information about the client's relevant circumstances. We will not consider general advice given by you to be personal advice if you clarify this with the client at the time you are giving the advice, and you do not in fact consider the client's objectives, financial situation or needs in giving the advice.
Giving scaled advice (see Section D)	<p>Advice is provided along a continuous spectrum. You can scale all types of advice, including advice about complex issues. The inquiries you make, as an advice provider, will need to reflect the complexity of the matters you are considering.</p> <p>Some points to consider when giving scaled advice are:</p> <ul style="list-style-type: none"> • All advice is capable of being scaled, and can be scaled to different extents. The level of inquiries you need to make will vary depending on the complexity of advice being sought and provided. • The rules that apply to 'scaled advice' and 'comprehensive advice' are identical. It is the level of inquiries you need to make as an advice provider (to meet your legal obligations) that will be different. • Scaled advice can include single topic advice or multi-topic advice. • It should be very clear in your Statement of Advice (SOA) (if you are required to give one) what advice you <i>have</i> provided and what advice you <i>have not</i> provided (as relevant to the subject matter of the advice), the implications of this, and why you have taken this approach. • Scaled advice is not lesser quality advice. • Scaled advice does not mean that the advice provider who gives the advice can have lower training standards. • While processes can be used to help you provide scaled advice, you need to use your expertise and skills as an advice provider to deliver good quality scaled advice.
Communicating the service you are providing (see Section E)	<p>You must ensure that you communicate clearly to clients the type of information or advice you <i>are</i> providing and the type of advice you <i>are not</i> providing and the implications of this.</p> <p>We consider that it is unlikely that scaled advice will be in the best interests of a client if they do not understand any significant limitations or qualifications that apply to it.</p>

Issue	Guiding principles
Delivering the information or advice (see Section F)	<p>The Corporations Act is neutral about technology. This means that you can give factual information and advice by telephone or email, on the internet, face-to-face or in any combination of these or other ways.</p> <p>The way we regulate advice is the same, regardless of the way you deliver the advice or how you scale the advice. This is because, in general, the same rules apply to all advice on the same topic, regardless of how it is delivered. However, different modes of communication may give rise to different challenges about whether a client understands the advice they are being given, and what the limits of the advice are.</p>

B Giving factual information

Key points

You do not need to hold an AFS licence to give factual information to clients.

We propose to give guidance that:

- we will not consider factual information given by you to be advice if you clarify with the client at the outset the type of service you are offering, and that the information is not intended to imply any recommendation or opinion about a financial product;
- you can provide factual information to clients even if you have information about the client's relevant circumstances. We will not consider this to be personal advice merely because you have some personal information about your client;
- it is possible to tailor the factual information you give, using the personal information you have about a client; and
- providing good quality factual information is to be encouraged and can be a very useful service for consumers.

Our proposed guidance

Proposal

B1 We propose to give the guidance set out in paragraphs 25–37 below.

Your feedback

B1Q1 Will this guidance help financial services providers to provide good quality information to their clients and potential clients, including when a provider has personal information about a client?

B1Q2 Is there any further guidance we should give? Please provide as much specific information as possible, as this will assist us to provide further guidance.

B1Q3 Are there any specific examples about which you would like guidance? Please give as much specific detail as possible, including illustrative examples about issues arising in your experience.

B1Q4 Does this guidance raise any consumer protection issues?

Factual information or advice?

- 25 Financial product advice generally involves a qualitative judgement about—or an evaluation, assessment or comparison of—some or all of the features of a financial product: see Regulatory Guide 36 *Licensing: Financial product advice and dealing* (RG 36) at RG 36.18.
- 26 Factual information is objectively ascertainable information, the truth or accuracy of which cannot reasonably be questioned: see RG 36.21. Good quality factual information can often be useful for clients wishing to better understand the financial products or strategies available to them.
- 27 You do not need to hold an AFS licence to give factual information to clients.
- 28 If a communication is a recommendation or a statement of opinion, or a report of either of these things, that is intended to, or can reasonably be regarded as being intended to, influence a client in making a decision about a particular financial product or class of financial product (or an interest in either of these), it is financial product advice: s766B.
- 29 If you give financial product advice, you *do* need to hold an AFS licence, unless an exemption applies.

Example A: Providing factual information about financial products on a website

Scenario

An organisation without an AFS licence includes on its website a list of financial products of a particular class available from third-party product providers, together with some objectively ascertainable factual information about specific product characteristics with the aim of providing useful information for consumers to assist them to make a decision about the class of financial product.

Commentary

Because the information is factual and does not involve a qualitative judgement about, or an evaluation or assessment of, the features of the products, it is not financial product advice.

Factual information is not general or personal advice

- 30 In RG 36, we give guidance that factual information may be likely to be advice if it is presented in a way that is intended to, or can reasonably suggest or imply an intention to, make a recommendation about what a client should do: see RG 36.31.

- 31 Factual information given by you will not be general or personal advice if you clarify at the outset the type of service you are offering, and that the information is not intended to imply any recommendation or opinion about a financial product.
- 32 It is good practice to ensure that a client understands upfront that you are only providing factual information, and not general or personal advice. This will avoid confusion and help the client to understand what service they are getting.
- 33 The appendix contains examples of giving factual information to clients about a range of issues. See also Section E, which sets out guidance about communicating clearly with your client about the service you are providing.

What if you have information about a client's relevant circumstances?

- 34 You can provide factual information even if you have information about a client's relevant circumstances. We will not consider this to be personal advice merely because you have some personal information about the client.

Note: A client's relevant circumstances are the objectives, financial situation and needs of the client that would reasonably be considered relevant to the subject matter of the advice sought by the client.

- 35 It is possible to tailor the factual information you give, using the personal information you have about the client.

Example B: Using personal information to tailor factual information

Scenario

A client tells their adviser that they have recently lost their job, and they are worried about finding a new one. The client is 50 years old and struggling to pay their mortgage. The client asks if they will be able to access their superannuation early to assist with their mortgage repayments.

The adviser provides details of the circumstances in which it may be possible for the client to access their superannuation early, in a case of 'severe financial hardship', and tells the client how they can apply to the Department of Human Services to stop foreclosure of their mortgage. The adviser also explains the implications of the client making such withdrawals from their superannuation (e.g. it will lead to a decrease in their retirement savings and tax may be payable).

Commentary

The adviser has used the client's personal circumstances to tailor the factual information given to the client, without providing financial product advice.

This example illustrates that, if you have information about a client's relevant circumstances, this will not, by itself, mean that the information you give them is personal advice: see also RG 175.31. The type of information given by the adviser is factual because it is objectively ascertainable and offers no recommendation or statement of opinion intended to influence the client.

Using personal information about clients in this way does not mean that advice is being provided. Instead, the adviser is using personal information to tailor the factual information that is provided to the client.

Example C: When providing factual information may constitute general or personal advice

Scenario

A client is speaking with a home loan specialist at a bank after having obtained a home loan with the bank. The home loan specialist wishes to inform the client about the option of purchasing consumer credit insurance (CCI). The home loan specialist begins the discussion by explaining that they are only providing factual information about CCI, not advice about whether CCI would be an appropriate product for the client.

The home loan specialist outlines some of the features of the optional CCI policy. They also provide some additional information about the policy, such as:

- the cost of the policy;
- how claims are paid out; and
- the length of the policy period.

The home loan specialist does not discuss other important features of the CCI policy with the client, such as eligibility requirements (including meeting minimum employment requirements to claim on some components of the policy), the main exclusions that apply to the policy (including pre-existing medical conditions), waiting periods and the duration of claim payments. The home loan specialist does not inform the client more broadly about other products that could provide cover for particular life events (e.g. life insurance and income protection insurance), which the client may already hold, or which may be more suitable for the client. If these matters had been brought to the client's attention, the client's decision about whether or not to purchase the product may have been different.

Commentary

In this example, the home loan specialist has not given the client balanced and complete factual information about CCI. This indicates that it may be a recommendation that is intended to influence the client about the product, because it focuses solely on the benefits of the product. Further, because the home loan specialist has initiated the discussion about CCI with the client and, in doing so, appears to have made a recommendation intended to influence the client's decision about the CCI product, this could constitute giving financial product advice. This applies despite the home loan specialist's statement that only factual information (not financial product advice) is being provided.

- 36 The test for whether you are giving personal advice includes whether you have considered the client's relevant circumstances in giving the information, or whether a reasonable person might have expected you to do so (s766B(3))—not whether you merely possess information about the client's relevant circumstances. You will have considered the client's relevant circumstances if you have taken them into account.
- 37 If you have not considered the client's relevant circumstances in providing factual information, and a reasonable person would not expect you to have considered those circumstances, it will not be personal advice.

C Giving general advice

Key points

If you hold an AFS licence, you can give general advice to clients, provided that you give a general advice warning under s949A(2).

We propose to give guidance that:

- we will not consider general advice given by you to be personal advice if you clarify with the client when you are giving the general advice that you have not considered the client's relevant circumstances (i.e. their objectives, financial situation or needs) in giving the advice; and
- you can provide general advice to a client even if you have information about the client's relevant circumstances.

If you are a financial product issuer, you do not need an AFS licence to give general advice about your products. This is because you can rely on the licensing exemption for product issuers in reg 7.1.33H of the Corporations Regulations (if you comply with the relevant conditions: see paragraph 43).

Our proposed guidance

Proposal

c1 We propose to give the guidance set out in paragraphs 38–53 below.

Your feedback

- C1Q1 Will this guidance help financial services providers to provide good quality general advice to their clients, including when a provider has personal information about the client ?
- C1Q2 If this guidance will not assist financial services providers, would other guidance be helpful?
- C1Q3 Is there any further guidance we should give? Please provide as much specific information as possible, as this will assist us to provide further guidance.
- C1Q4 Does this guidance raise any consumer protection issues?
- C1Q5 Do you currently rely on Class Order [CO 05/1195] *Simplified warning for oral general advice*? Should ASIC allow it to expire on its 'sunset date' (in April 2016)?

Giving general advice under an AFS licence

38 As a general rule, if you are giving general advice to clients, you must hold an AFS licence with an authorisation to give general advice, or be an authorised representative of such a licensee.

- 39 If you are licensed to give general advice, you must warn the client that:
- (a) the advice has been prepared without taking into account their objectives, financial situation or needs;
 - (b) the client should, therefore, consider the appropriateness of the advice, in light of their own objectives, financial situation or needs, before acting on the advice; and
 - (c) if the advice relates to the acquisition, or possible acquisition, of a particular financial product, the client should obtain a Product Disclosure Statement (PDS) relating to the product and consider the PDS before making any decision about whether to acquire the product: s949A(2).
- 40 You do not need to follow the exact wording in s949A(2) to give a general advice warning: s949A(3). You can use your own words. What is required is that clients are *warned* about the items listed in paragraph 39, and that the warning is given to clients at the same time and by the same means as the advice is provided: s949A(3).
- Note: For further guidance about using your own words to give a general advice warning, see RG 175.43–44.
- 41 We have previously given relief to financial services providers to allow them to give a shorter, simpler general advice warning when they provide oral general advice: see Class Order [CO 05/1195] *Simplified warning for oral general advice*. Under this relief, you only need to give a simplified warning once in any telephone conversation or face-to-face meeting when giving clients general advice.
- Note: For more information, see Information Release (IR 05-62) *ASIC announces simpler warnings for oral general advice* (30 November 2005). The expiry date for [CO 05/1195] is 1 April 2016. This means that the class order will cease to apply from this date: see C1Q5 above, which asks for your feedback on this issue.

Licensing exemption for financial product issuers

- 42 If you are a financial product issuer, you do not need an AFS licence or authorisation to give general advice about the products you issue or the class of products you issue: reg 7.1.33H.
- 43 There are some conditions for this licensing exemption. You must:
- (a) advise the client that you are not licensed to give advice about your product;
 - (b) recommend that the person obtain a PDS, if appropriate, and read it before making a decision; and
 - (c) if it is advice about the offer, issue or sale of a financial product, notify the client about the availability or otherwise of a cooling-off regime that applies to the acquisition of the product: reg 7.1.33H(1)(c).

Note 1: For general advice about superannuation, it is unlikely that you will need to notify a member of the availability of a cooling-off regime, because there is typically no acquisition of a product or interest in a product that occurs with giving advice about a member's existing interest in a fund.

Note 2: You should consider whether it is appropriate, in the circumstances, to give a PDS.

General advice is not personal advice

- 44 In RG 175, we give guidance that advice may be regarded as personal advice if it is presented in a way that means a reasonable person might expect you to have considered one or more of the client's objectives, financial situation or needs: see RG 175.30.
- 45 General advice given by you about a financial product will not be personal advice if you clarify with the client at the outset that you are giving general advice, and you do not, in fact, take into account the client's relevant circumstances.
- 46 When you are giving general advice to a client in a personal interaction, in addition to giving a general advice warning, it is good practice to ensure that the client understands upfront that they are getting general advice and not personal advice. You should ensure that the client understands that you have not taken into account their relevant circumstances in giving the general advice. This will avoid confusion and help the client to understand the nature of the advice they are getting.
- 47 The examples of general and personal advice about financial products in the appendix illustrate some of the issues that might arise. See also Section E, which sets out guidance about communicating clearly with your client about the service you are providing.

What if you have information about a client's relevant circumstances?

- 48 You can provide general advice even if you have information about the client's relevant circumstances. We will not consider this to be personal advice merely because you have some personal information about your client.
- 49 If you have information about a client's relevant circumstances, this will not, by itself, mean that the general advice you give them is personal advice: see RG 175.31.
- 50 It is possible to tailor the general advice you give, using the personal information you have about the client.

Example D: Using personal information to tailor general advice**Scenario**

A superannuation fund would like to provide a brochure containing general advice about retirement planning issues to some of its members via a mailout. The general advice would be most relevant to members aged 55 and over.

Commentary

The fund can use personal information that they have about their members' age to target the mailout to members who are 55 and over. Using the personal information about fund members in this way does not mean that the fund is providing personal advice. Instead, the fund is using personal information to target general advice to a particular audience.

- 51 The test for whether you are giving personal advice includes whether you have considered the client's relevant circumstances in giving the advice, or whether a reasonable person might have expected you to do so (s766B(3))—not whether you merely possess information about the client's relevant circumstances. You will have considered the client's relevant circumstances if you have taken them into account.
- 52 While you can use personal information about clients to give general advice that is more targeted, you must always ensure that you do not, in fact, consider the client's relevant circumstances when you prepare and give the general advice. If you do, you will be giving personal advice. You cannot avoid this by giving a general advice warning to the client.
- 53 If you have not considered the client's relevant circumstances in providing general advice, and a reasonable person would not expect you to have considered those circumstances, it will not be personal advice.

Our guidance about general advice in RG 175

- 54 Section B of RG 175 contains guidance about the meaning of 'financial product advice', and guidance about when advice will be general or personal advice. We intend to update Section B of RG 175 (and Appendix 1, which contains illustrative examples) to ensure that it is consistent with our proposed guidance in this consultation paper.

Proposal

- c2 We propose to update Section B and Appendix 1 of RG 175 to ensure that the guidance in the regulatory guide is consistent with the proposed guidance in this consultation paper.

Your feedback

C2Q1 Are there any specific aspects of Section B or Appendix 1 of RG 175 that you would like us to address in this process? Please give as much specific detail as possible, including illustrative examples about issues arising in your experience.

D Giving scaled advice

Key points

All personal advice is ‘scaled’ to some extent—advice is either less or more comprehensive in scope along a continuous spectrum.

We propose to give guidance that:

- the same rules, including the best interests duty and related obligations, apply to all personal advice on a particular topic, regardless of the scope of the advice;
- having appropriate processes in place to guide you when you give scaled advice will help you comply with the law, including the best interests duty and related obligations; and
- you must use your judgement and expertise as an advice provider to ensure that the scaled advice you provide meets your legal obligations, including the best interests duty and related obligations.

Our proposed guidance

Proposal

D1 We propose to give the guidance set out in paragraphs 55–91 below.

Your feedback

- D1Q1 Do you agree with our proposed guidance?
- D1Q2 Will the proposed guidance facilitate advice providers in giving good quality scaled advice to clients?
- D1Q3 In your view, is our guidance consistent with good business practice that meets the requirements of the FOFA reforms?
- D1Q4 Do you need ASIC guidance to assist you in complying with the best interests duty and related obligations when you are giving scaled advice?
- D1Q5 Will our proposed guidance require you to implement new processes or change existing ones when you are giving scaled advice? If so, please describe the changes and the likely costs involved. Please note we are interested in changes you will need to make in response to our guidance, rather than as a result of the changes that are needed to comply with the FOFA reforms.
- D1Q6 Is there any further guidance we should give? Please provide as much specific information as possible, as this will assist us to provide further guidance.

- D1Q7 Are there any specific examples of advice about which you would like guidance? Please give as much specific detail as possible, including illustrative examples about issues arising in your experience.
- D1Q8 Does this guidance raise any consumer protection issues?
- D1Q9 Will our guidance facilitate the Government's objective of increasing access to scaled advice?

Giving personal advice

55 Personal advice, by its nature, is generally relied on by clients who may suffer significant loss if the advice is not of good quality. For this reason, Div 2 of Pt 7.7A imposes specific obligations (the best interests duty and related obligations) on those that provide personal advice:

- (a) to act in the best interests of the client when providing them with personal advice (s961B);
- (b) to provide the client with appropriate advice (s961G);
- (c) to warn the client if the advice is based on incomplete or inaccurate information (s961H); and
- (d) to prioritise the interests of the client (s961J).

Note: In this consultation paper, we refer to these obligations collectively as 'the best interests duty and related obligations'. For further guidance on the best interests duty and related obligations, see our draft updated guidance in CP 182/Draft new section of RG 175.

56 The obligations in Div 2 of Pt 7.7A generally apply to the individual providing the personal advice. We refer to this person as the 'advice provider' (both in this consultation paper and in CP 182). This is in contrast to the obligations in Pt 7.7, which apply to the 'providing entity'—that is, the AFS licensee or authorised representative that provides financial product advice.

Note: If there is no individual that provides the advice for the purposes of Div 2 of Pt 7.7A, which may be the case if advice is provided through a computer program, the legal person (e.g. a corporate licensee or authorised representative) that provides the advice is required to comply with the obligations in Div 2 of Pt 7.7A: s961.

57 In addition, AFS licensees must take reasonable steps to ensure that their representatives comply with s961B, 961G, 961H and 961J: s961L.

58 The best interests duty and related obligations will commence on 1 July 2013. Advice providers have been able to voluntarily make a binding commitment to comply with the best interests duty from 1 July 2012. Some advice providers have publicly indicated that they may take up this option.

How this guidance relates to our guidance in RG 175 about the best interests duty

- 59 We have released for consultation in CP 182 a draft update of the relevant guidance in RG 175 to include our proposed guidance on complying with the best interests duty and related obligations.
- 60 As we state above, it is important to note that the same rules apply to all personal advice on a particular topic: there are *not* two sets of rules—one for ‘comprehensive’ advice, and one for ‘scaled’ advice that is more limited in scope.
- 61 This means that the guidance in RG 175 about complying with the best interests duty and related obligations can be useful for those who are providing, or are considering providing, scaled advice.
- 62 This consultation paper provides specific and practical guidance and examples about complying with the best interests duty and related obligations when you are giving scaled advice. We have set out below the aspects of the best interests duty that are most relevant to consider when you are giving scaled advice.
- 63 This guidance does not discuss in detail our guidance on the best interests duty and related obligations generally. For further information on how to comply with these obligations, see CP 182/Draft new section of RG 175.

Scaled advice that complies with your legal obligations, including the best interests duty

- 64 You can give scaled advice that is limited in scope that meets your legal obligations. This is because what you must do to meet the legal requirements, including the best interests duty, is ‘scaled up’ or ‘scaled down’ depending on the nature of the advice.
- 65 One of the key objectives of the FOFA reforms is to improve access to good quality advice by facilitating scaled advice: see *Future of financial advice—Information pack*, 28 April 2011.
- 66 When you are considering how the best interests duty and related obligations apply in the context of giving scaled advice, remember that:
- (a) all advice is scaled to some extent—advice is either less or more comprehensive in scope along a continuous spectrum (i.e. there are *not* two categories of advice: ‘scaled’ and ‘comprehensive’);
 - (b) the same rules apply to all personal advice on the same topic, regardless of the scope of the advice. Scaled advice does not equate to lesser quality advice for clients or lower training standards for advice providers; and

- (c) it is possible to provide scaled advice that is limited in scope that meets your legal obligations, including the best interests duty and related obligations.

67 You can give scaled advice:

- (a) if your AFS licence authorises you to provide advice that is broader in scope—for example, you have multiple authorisations on your licence for financial products about which you can give advice;
- (b) to existing, new and potential clients. You may need to ask a new client more questions about their relevant circumstances to ensure you have sufficient information on which to base your advice. You need to make sure that personal information you have about existing clients is up to date; and
- (c) to the same client, on multiple occasions, including after having previously given relatively comprehensive advice.

ASIC may consider providing further guidance about scaled advice (e.g. through practical workshops) if needed.

Practical guidance and examples about complying with the best interests duty when you are giving scaled advice

68 Section 961B(1) requires that advice providers act in the best interests of their clients in relation to the advice given. Section 961B(2) provides a ‘safe harbour’ that advice providers may rely on to prove that they have complied with s961B(1). If an advice provider has taken the steps in s961B(2), they are considered to have met their obligation to act in the best interests of their client.

69 Consumers who seek financial advice expect that the advice provided will leave them in a better position, regardless of whether or not the advice is scaled. We expect that the processes for an advice provider to follow in acting in the best interests of their client will result in the client being in a better position, if the client acts on the advice provided. Whether this is the case is assessed objectively, based on the facts existing at the time the advice is provided and by reference to the subject matter of the advice sought by the client. For further detail, see draft RG 175.A27–RG 175.A34.

Note 1: References in this consultation paper to draft RG 175.A27 (for example) refer to a paragraph of CP 182/Draft new section of RG 175 (in this example numbered A27).

Note 2: As we state in CP 182/Draft new section of RG 175, leaving a client in a better position can include providing the client with non-product-specific advice, which might include the advice to do nothing: see draft RG 175.A95(a).

70

We have set out in Table 2 some guidance to assist advice providers to meet the requirements of the best interests duty when giving scaled advice. It includes a summary of some issues that we think are important for advice providers to consider when they are giving a scaled or limited scope of advice to clients. We have also provided some examples from our regulatory experience, including from REP 279.

Note: In addition to the general best interests duty, the FOFA legislation contains a modified set of obligations (modified best interests duty) that apply when an advice provider gives advice about basic banking products only or general insurance products only: s961B. How the best interests duty applies to basic banking and general insurance products is set out in draft RG 175.A45.

Table 2: What advice providers can do to help ensure they meet their legal obligations, including the best interests duty, when giving scaled advice

As an advice provider, you will ...	What this means in summary	For further guidance
Use your judgement and training to decide whether, by limiting the scope of the advice, you can provide personal advice that meets your legal obligations.	<p>In many cases, you can give scaled advice that is limited in scope (e.g. for advice about less complex issues) and comply with your legal obligations, including the best interests duty.</p> <p>However, in some cases, it will be difficult for you to demonstrate that you have complied with your legal obligations (e.g. for clients with more complex relevant circumstances).</p>	See paragraphs 71–75 below.
Adjust the level of your inquiries to reflect the complexity of the advice being provided.	You can adjust the fact-find process, in giving advice, to be either limited or expanded. For example, when a client's relevant circumstances are straightforward, the scale of your inquiries may be quite limited. As the complexity of a client's relevant circumstances increases, it is likely that you will need to expand the scale of your inquiries.	See paragraphs 76–80 below.
Implement systems that will help you decide what advice the client requires—that is, to assess whether scaled advice with a relatively limited scope can be provided to a client in a way that meets your legal obligations.	<p>One approach you can use when deciding if you should provide a client with a limited scope of advice is to perform a 'triage' or filtering process.</p> <p>For example, to meet the best interests duty, we would expect you to ask a series of questions to determine how advice that is limited in scope can be provided to a client in a way that complies with your personal advice obligations, including the best interests duty.</p>	See paragraphs 81–87 below, and draft RG 175.A33.

As an advice provider, you will ...	What this means in summary	For further guidance
Communicate clearly to the client the type of advice service you are offering.	<p>You should explain to a client the limited scope of the advice you are giving in a way that will be clear to the client. This will ensure that clients are not misled about the scope of the advice you are giving.</p> <p>For example, this could involve explaining the scope of your advice to them, and that you will not be considering any other issues. This will help the client understand what advice they are getting and ensure there is no misunderstanding about what they are, and are not, being advised on.</p> <p>It is also good practice to give a simple and accurate explanation about why the scope of the advice has been limited.</p>	See Section E.

Note: A client's relevant circumstances are the objectives, financial situation and needs of the client that would reasonably be considered relevant to the subject matter of the advice sought by the client.

Advice providers can give scaled advice

- 71 Section 961B(2)(b)(i) of the safe harbour for complying with the best interests duty requires an advice provider to identify the subject matter of the advice that has been sought by the client (whether explicitly or implicitly). Either you or your client can suggest limiting the scope of your advice. Under your obligations, it is possible to limit the scope of advice to a single issue.
- 72 However, we expect advice providers to use their judgement to identify the subject matter of the advice sought by the client (explicitly or implicitly): see draft RG 175.A56. In addition, an advice provider should not limit the scope of their advice in a way that is inconsistent with the client's relevant circumstances, or that will result in advice that is not in the client's best interests: see draft RG 175.A58.

Examples about limiting the scope of the advice

- 73 We have set out below a number of examples to illustrate the principles discussed above. Many of these examples are drawn from our experience in preparing REP 279.
- 74 The first of these examples is consistent with feedback from industry that clients often seek advice in response to a life event, and this is how the request for advice is framed. The advice provider should undertake a discussion with the client to determine what advice they require, and use their own judgement and training to help the client identify the subject matter of the advice they wish to obtain.

Example E: Implicit and explicit request for personal advice**Scenario**

A client visits their financial planner and requests advice about retirement planning. The planner asks the client a series of questions to determine what advice the client would like, because a request for 'retirement planning advice' may be an implicit request for advice on a range of topics, including whether the client will have enough income to retire at a certain age, consideration of a transition-to-retirement (TTR) strategy, what pension product the client should purchase, and whether the client should pay down debts before they retire.

Commentary

It is unclear from the client's initial request what advice the client is seeking. For the planner to be able to identify the subject matter of the advice the client is seeking, they need to ask further questions to determine whether the client would like a more comprehensive financial plan for retirement, or whether scaled advice with a more limited scope could meet their needs (e.g. they want an answer to a specific question about retirement).

Example F: Personal advice on a single issue**Scenario**

A client sees an adviser because they want to increase their wealth. The adviser recommends an investment strategy. In doing so, the adviser discusses the risk of the client losing their income and assets, which could affect the client's ability to increase their wealth.

The adviser is not skilled in the area of risk insurance (e.g. life insurance or income protection insurance) and notifies the client of this fact. Because restricting the scope of the advice to exclude consideration of risk insurance products would not be appropriate in this case, the adviser refers the client to a specialist risk adviser. The client agrees to seek the specialist risk advice and make a final decision about whether to implement the investment strategy after considering the specialist advice.

Commentary

Although a need for advice has been identified, the adviser chooses not to provide advice in the area of risk insurance, but instead to limit the scope of the advice given, and refer the client to a specialist adviser to seek further risk advice before proceeding to act on the advice and make an investment decision.

Example G: Declining to give scaled advice**Scenario**

An adviser working for ABC Superannuation Ltd is dealing with a client who is a member of the superannuation fund operated by XYZ Superannuation Ltd. The client asks for advice about whether to switch to the superannuation

fund operated by ABC Superannuation Ltd. The client says they want to pay lower fees and generate better returns.

The adviser tells the client that it is also important to compare the insurance provided by each fund, but that the adviser is not able to provide such advice. The client says they are not going to bother seeking advice from someone else about insurance.

Commentary

The advice provider must either provide the insurance advice if they can, or decline to give the advice. Alternatively, the adviser could provide factual information to the client about the costs and returns of each financial product, and the availability and cost of insurance in each product.

75

When you are deciding on the scope of advice to provide to your client, you need to ensure that you do not reduce the scope of advice to exclude important issues. For example, to provide a client with scaled advice that meets your legal obligations, including the best interests duty, you should not restrict the scope of your advice by omitting important issues that are relevant to the subject matter of the advice because they are too difficult to resolve quickly. This point is illustrated in the example above because it would not be appropriate for the adviser to exclude consideration of insurance in that scenario. It is also illustrated by the following example.

Example H: Inappropriately reducing the scope of personal advice to exclude an important issue

Scenario

A client goes to an adviser for advice about how to boost their retirement savings. The client has an interest in a defined benefit superannuation fund, but the adviser limits the scope of the advice so that it excludes advice about whether the client can increase their superannuation through their defined benefit fund.

Commentary

This advice would not be in the client's best interests, and would not be appropriate advice. To meet their legal obligations, the advice provider should either expand the scope of the advice to consider the client's interest in the defined benefit fund, or decline to give the advice.

Example I: Inappropriately setting the subject matter of personal advice

Scenario

A client visits an advice provider, and says that they would like some advice about when they can retire. Instead of providing this advice, the advice provider gives the client advice that involves a portfolio rebalance. This advice does not relate to the subject matter of advice sought (either implicitly or explicitly) by the client.

Commentary

When limiting the scope of advice, an advice provider should ensure that the advice relates to the subject matter that was requested by the client, whether explicitly or implicitly. Advice providers should not change the scope of the advice to suit the topics or subject matter that the advice provider gives advice on, rather than in response to the advice the client has sought.

Example J: Inappropriate retirement advice**Scenario**

A client requests advice from an advice provider about how to secure living standards in retirement. The advice provider excludes consideration of the client's debts or Centrelink benefits in providing them with advice.

Commentary

This response would not be in the best interests of the client. If the client's debts were significant, retirement advice could not have been properly provided without taking these factors into consideration.

This example illustrates that an advice provider should not reduce the scope of the advice in a way that is not in the best interests of the client.

Advice providers can adjust the level of inquiries to reflect the complexity of the advice sought

- 76 Section 961B(2)(b)(ii) of the safe harbour for the best interests duty requires an advice provider to identify the client's relevant circumstances in relation to the subject matter of the advice being sought—that is, to undertake a 'fact find'. To satisfy this element of the safe harbour, an advice provider must identify the objectives, financial situation and needs of the client that would reasonably be considered relevant to the advice being sought on that subject matter (client's relevant circumstances).
- 77 In addition, s961B(2)(c) of the safe harbour requires an advice provider to make reasonable inquiries to obtain complete and accurate information if it is reasonably apparent that information obtained about the client's relevant circumstances is incomplete or inaccurate.
- 78 It is possible to adjust the level of the level of inquiries to reflect the complexity of the advice sought. This is recognised in a note to s961B(2), which states:
- The matters that must be proved under subsection (2) relate to the subject matter of the advice sought by the client and the circumstances of the client relevant to that subject matter (the client's relevant circumstances). That subject matter and the client's relevant circumstances may be broad or narrow, and so the subsection anticipates that a client may seek scaled advice and that the inquiries made by the provider will be tailored to the advice sought.

- 79 This means that the fact-find process in giving advice can either be limited or expanded. For example, when a client's circumstances relevant to the subject matter of the advice are straightforward, the scale of the advice provider's inquiries may be quite limited. As the complexity of a client's circumstances relevant to the subject matter of the advice increases, the advice provider will need to expand the scale of their inquiries.
- 80 Table 3 sets out some factors that are relevant to how the requirement to identify the subject matter of the advice, and the client's relevant circumstances, can be scaled.

Table 3: Factors relevant to the scalability of the requirement in the best interests duty to identify the subject matter of the advice and the client's relevant circumstances

Relevant factor	Effect on fact-find process
Complexity of the advice given	Less extensive inquiries are likely to be necessary when the advice is for a relatively simple purpose. More extensive inquiries are likely to be necessary when the advice involves complex financial products or strategies.
Capacity of the client to understand the advice they are receiving	More inquiries about the client's requirements and objectives are likely to be necessary when it is evident to you that: <ul style="list-style-type: none"> • the client has a limited capacity to understand the subject matter of the advice; • the client has expressed conflicting objectives; • the client is confused about their objectives (or has difficulty in articulating them); or • there is an apparent mismatch between the client's objectives and the advice or product being considered by the client.
Potential impact of inappropriate advice on the client	More extensive client inquiries are likely to be necessary when the potential negative impact on the client is likely to be relatively serious if the advice is inappropriate (and the client acts on the advice).

You are more likely to meet the requirements of the best interests duty when giving scaled advice if you have adequate processes in place

- 81 As an advice provider, you must ensure that the advice you give your client meets the best interests duty and related obligations. We think you are more likely to be able to demonstrate that you have met these obligations if you have adequate processes in place.
- 82 These processes will assist you to decide in which situations you can provide good quality scaled advice that complies with your legal obligations.
- 83 One approach advice providers can use when deciding what scope of advice is in the client's best interests is to perform a 'triage' or filtering process to determine what advice can be delivered to the client in a way that meets the best interests duty. This triage process could form part of the fact-find

process to determine the client's relevant circumstances and the subject matter of the advice sought.

- 84 For example, to meet the best interests duty, we would expect the advice provider to ask a series of questions to determine the scope of advice by reference to what is in the best interests of the client. We think that advice providers can implement systems that will assist them in making this decision (i.e. about the scope of advice that is in the client's best interests).

Note: This is consistent with our proposed guidance in CP 182/Draft new section of RG 175 about how advice processes can assist advice providers to meet their obligations under the best interests duty, more generally, and is also consistent with the Revised Explanatory Memorandum to the Corporations Amendment (Further Future of Financial Advice Measures) Bill 2011: paragraph 1.23.

- 85 These advice processes could include steps such as:
- (a) identifying less complex advice topics about which you can give good quality scaled advice that is in the client's best interests;
 - (b) identifying more complex advice topics for which you may offer more comprehensive advice (or refer clients to another advice provider who can provide this advice);
 - (c) creating a checklist of questions to assist you in deciding whether a particular client is suited to receiving scaled advice. For example, for some advice topics, scaled advice is more likely to meet the best interests duty and related obligations for clients with less complex, relatively straightforward relevant circumstances; and
 - (d) creating a checklist of questions to ask a client when giving scaled advice on a particular topic to ensure that all the necessary information is gathered during the fact-find stage.

- 86 In our experience, advice providers who are currently providing good quality scaled advice have invested significant resources into developing processes and systems to ensure that the scaled advice they provide is of good quality and meets the current legal requirements.

Example K: Using a triage or filtering process when deciding whether to give scaled advice

Scenario

An advice provider offers advice on a transition-to-retirement (TTR) strategy that is designed for clients with relatively straightforward relevant circumstances who are seeking advice about whether TTR is suitable for them.

To determine whether the advice service can be provided to a particular client in a way that meets the advice provider's legal obligations, the provider asks a series of questions before proceeding to give the scaled advice. These include questions about whether the client's health is

problematic, and whether the client receives government benefits, fringe benefits or pays child support, as well as other questions.

If the client answers ‘yes’ to any of these questions, they are offered a more comprehensive advice service. In addition, the advice provider discusses debt reduction as an alternative strategy to TTR, and refers the client to a more comprehensive advice service if the client indicates that they would like to consider this approach as an alternative to a TTR strategy.

Commentary

The advice provider uses a series of questions to determine whether a particular client is suited to receiving scaled advice on TTR, or whether a more comprehensive advice service would be in the client’s best interests.

See also Example 9 in the appendix, which provides a scenario about giving factual information, general advice and scaled advice to a client on TTR.

- 87 In CP 182/Draft new section of RG 175, we have proposed guidance about what factors we will consider in assessing whether an advice provider has acted in accordance with the best interests duty in providing advice. One factor is that we expect there to be processes that an advice provider will follow in acting in the best interests of their client: see draft RG 175.A33.
- 88 We also say, in CP 182/Draft new section of RG 175, that we are more likely to take the view that processes for complying with the best interests duty are not effective and that the best interests duty in s961B(1) is not being complied with if a one-size-fits-all approach is adopted in providing advice—that is, the processes do not allow the client’s relevant circumstances to be taken into account, or result in advice that does not reflect the client’s relevant circumstances: see draft RG 175.A35.

What does s961B(2)(g) require when you are giving scaled advice?

- 89 Section 961B(2)(g) of the safe harbour for the best interests duty—the ‘catch all’—provides that an adviser needs to take, ‘any other step that at the time the advice is provided would reasonably be regarded as being in the best interests of the client, given the client’s relevant circumstances’.
- 90 This provision does not prevent you from giving scaled advice. As stated above, it is possible to provide scaled advice in a way that is consistent with the best interests duty, and the law generally, and this includes s961B(2)(g). What you will need to do to meet your obligations under this provision will depend on the complexity of the personal advice you are giving.
- 91 For further guidance about s961B(2)(g), see draft RG 175.A110.

E Communicating the service you are providing

Key points

We propose to give guidance that:

- you must ensure that you communicate clearly to clients the type of information or advice you *are* providing and the type of advice you *are not* providing; and
- we consider that it is unlikely that scaled advice will be in the client's best interests if the client does not understand any significant limitations or qualifications that apply to the advice.

Our proposed guidance

Proposal

E1 We propose to give the guidance set out in paragraphs 92–96 below.

Your feedback

- E1Q1 In your view, is our guidance consistent with current good business practice, and the new obligations under the FOFA reforms?
- E1Q2 Will this guidance facilitate communication with consumers and clients about the information and advice they are getting?
- E1Q3 Is there any further guidance we should give? Please provide as much specific information as possible, as this will assist us to provide further guidance.
- E1Q4 Are there any specific examples about which you would like further guidance?
- E1Q5 Does this guidance raise any consumer protection issues?

Communicating clearly to clients the scope of the personal advice you are giving

- 92 If you are providing information, general advice or personal advice to a client, you must communicate clearly to your client the type of service you are giving.
- 93 A key issue that arose in submissions on CP 164, and in our findings in REP 279, was a lack of clear communication to clients about the service that they were receiving.

- 94 It is critical that a client understands the scope of the advice—for example, whether an advice provider is providing a full financial plan or just focusing on one or two areas. REP 279 found that sometimes the limited scope of the personal advice was not explained at all to the client—that is, when the advice was quite limited, the client thought they were getting much more comprehensive advice.
- 95 Advice providers must explain clearly to clients the type of personal advice service that *is* and *is not* being provided, and the implications of this. Any limits to the scope of the advice must be explained in such a way that a reasonable person would understand the limitations of the advice, including in the SOA.

Example L: Multiple authorisations

Scenario

XYZ Advice Services is authorised to provide personal advice on a wide range of financial products. XYZ also provides a limited personal advice service, which focuses on a single advice topic for clients with relatively straightforward personal circumstances.

Adam, aged 35, calls XYZ and says he needs some help to decide whether to change his investment options. He is currently in the balanced option, but is worried about the share market and would like some advice about switching to an option that has more of his savings allocated to cash investments.

After the XYZ adviser asks some questions for clarification, the adviser and Adam agree that Adam would like advice on whether he is in the right investment option for superannuation.

Commentary

Although XYZ Advice Services can advise on other financial products (e.g. insurance and managed investments), the XYZ adviser communicates clearly to Adam that he will only be receiving advice that day on investment options for superannuation.

Example M: Explaining the scope of advice in an SOA

Scenario

An advice provider is providing personal advice to a client, and the advice does not cover income protection insurance. The advice provider sets out in the SOA how the advice is limited in scope: 'My advice to you will not cover income protection insurance requirements as you have advised me that your employer provides generous income protection insurance for all staff and you are happy with this and do not want any advice from me on this topic at this time'.

Commentary

This is an example of ensuring that the scope of the advice is clearly communicated to the client.

How this guidance relates to your obligations under the best interests duty

- 96 It is unlikely that personal advice will be in the best interests of the client if they do not understand any limitations or qualifications that apply to the advice.

- 97 Advice providers should have processes in place to ensure that clients clearly understand any such limitations. Ensuring clarity in this way will also assist the advice provider to avoid engaging in misleading and deceptive conduct.

F Delivering the information or advice

Key points

We propose to give guidance that:

- we want to facilitate increased access to factual information and advice for clients using a variety of delivery methods and channels, including by telephone, email, internet and face-to-face, or in any combination of these or other ways; and
- there are a number of options for delivering factual information and advice.

Our proposed guidance

Proposal

F1 We propose to give the guidance set out in paragraphs 98–102 below.

Your feedback

- F1Q1 Do you agree with this guidance?
- F1Q2 If you are a financial services provider who currently provides information and advice to clients, will this guidance help you in providing information and advice to your clients?
- F1Q3 If this guidance will not assist you, what other guidance would be helpful?
- F1Q4 Are there any specific examples about which you would like further guidance?
- F1Q5 Does this guidance raise any consumer protection issues?

Using different ways to give information or advice

- 98 The Corporations Act is neutral about technology. This means that you can give factual information and advice by telephone or email, on the internet, face-to-face, or in any combination of these or other ways.
- 99 The way we regulate advice is the same, regardless of the way that you deliver the advice or how you scale the advice. This is because, in general, the same rules apply to all advice, regardless of how it is delivered. However, different modes of communication may give rise to different challenges about whether a client understands the advice they are being given, and what the limitations of the advice are.

- 100 For example, in an online context, advice providers should have processes in place to ensure that personal advice is delivered in a way that meets the personal advice obligations, including the best interests duty. This could include:
- (a) the nature of advice they are being given (e.g. whether the advice is general advice, or personal advice that takes into account the client's relevant circumstances);
 - (b) explaining clearly to the client at the outset the limitations of the advice (i.e. if the advice is personal advice, explain what the advice does and does not cover in language that the client can understand); and
 - (c) using a triage or filtering process to determine whether scaled advice can be delivered online to a particular client in a way that meets the advice provider's personal advice obligations.
- 101 It is up to you to determine how you want to give factual information and advice to your client. Factors to consider include:
- (a) whether you are operating a high-volume business, which might lend itself to giving factual information or advice by telephone or email, or on the internet; and
 - (b) the complexity of the factual information or advice you are offering—for example, giving factual information or advice on simple topics might be better suited to the telephone, email or internet, while more complex advice might be better suited to a face-to-face meeting.
- 102 The examples in the appendix illustrate some different delivery methods and channels that you can use when giving factual information and advice to clients about financial products.

G Regulatory and financial impact

103 In developing the proposals in this paper, we have carefully considered their regulatory and financial impact. On the information currently available to us we think they will strike an appropriate balance between:

- (a) increasing access to information and advice for clients; and
- (b) maintaining adequate consumer protections.

104 Before settling on a final policy, we will comply with the Australian Government's regulatory impact analysis (RIA) requirements by:

- (a) considering all feasible options, including examining the likely impacts of the range of alternative options which could meet our policy objectives;
- (b) if regulatory options are under consideration, notifying the Office of Best Practice Regulation (OBPR); and
- (c) if our proposed option has more than minor or machinery impact on business or the not-for-profit sector, preparing a Regulation Impact Statement (RIS).

105 All RISs are submitted to the OBPR for approval before we make any final decision. Without an approved RIS, ASIC is unable to give relief or make any other form of regulation, including issuing a regulatory guide that contains regulation.

106 To ensure that we are in a position to properly complete any required RIS, please give us as much information as you can about our proposals or any alternative approaches, including:

- (a) the likely compliance costs;
- (b) the likely effect on competition; and
- (c) other impacts, costs and benefits.

See 'The consultation process', p. 5.

Appendix: Proposed examples of scaled advice

We propose to provide examples of scaled advice as set out in this appendix: see Table 4.

Table 4: Proposed examples

Who the client contacts	Information or advice being sought by the client	
Financial planner	How to invest an inheritance	Example 1
	The adequacy of their retirement savings	Example 2
	A retirement savings health check	Example 3
Superannuation fund	Whether to change investment options	Example 4
	The insurance available within their superannuation fund	Example 5
	Making extra contributions to their superannuation fund	Example 6
	Whether to pay a windfall into superannuation or use it to pay off some of their mortgage	Example 7
	The effect of accessing funds through superannuation or a mortgage redraw on the age pension	Example 8
	Whether to adopt a transition-to-retirement strategy	Example 9
	How long their account-based pension product will last	Example 10
	How to nominate a beneficiary	Example 11
Insurer	What level of motor vehicle insurance to purchase	Example 12
Bank	Basic deposit products	Example 13
Stockbroker	What shares to invest in	Example 14

Example 1: How to invest an inheritance

William contacts Emma, his financial planner, for information and advice about investing an inheritance.

Factual information

In this example, Emma doesn't need to be licensed because no financial product advice is being given.

William	Hi Emma, this is William Boyd. I haven't spoken to you since last year's tax return, but I was wondering if you'd have a few minutes to give me some information. I have recently received a cash inheritance and would like some information about possible options for investing it. I don't want to invest it in property, though, because I plan to use the money to buy another house in a few years time.	
Emma	There are many investment options and structures available for you to invest your inheritance, and making the right decision can be difficult. I would be happy to provide you with some factual information about these options, but if you would like advice after that I can set up an appointment for you.	<i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Emma clearly tells William upfront that she will not be giving any financial advice.</i>
William	That's fine, thanks.	
Emma	One option available to you is to pay off debts such as a mortgage, personal loan, car loan or credit card debts. Paying off a loan will save you interest, although you may incur exit fees and it may have taxation consequences for you if the loan is for investment purposes. There are a lot of investments you can choose from—too many to cover now, but I will explain some of the more common options for your situation. First-home saver accounts can be used when you are saving to buy or build your first home.	
William	I have already bought and sold a property.	
Emma	Right, in that case, term deposits are similar, in that they provide a fixed interest rate for a specified term, but are not limited to first-home savers. The term can range from one month to a few years. It is normally possible to withdraw the money prior to the end of the agreed term; however, early termination fees may apply. Another option, shares, makes you a part-owner of a business. You can purchase shares in companies of different industries, such as mining, financials, real estate and healthcare, so risk can be spread across different sectors.	<i>You can give factual information to a person, even though you know some personal information about them. In this example, Emma has personal information about William, but this doesn't stop Emma from giving William factual information.</i>

Emma	<p>You can also invest in assets indirectly through managed funds. Managed funds pool your money together with others and an investment manager invests the money on your behalf. You are usually paid an income periodically and the value of the investment will rise and fall with the underlying assets. These generally include cash, fixed interest, property or shares. Depending on the underlying assets chosen, a managed fund may be conservative or risky. Managed funds allow access to investments you might not be able to access as a retail investor. The convenience of managed funds usually comes at a price: higher fees, in some cases less liquidity and reliance on others to manage your money.</p> <p>William, if you want more information on the options I have discussed please visit our website. You may also like to visit ASIC's website for consumers and investors, MoneySmart, at www.moneysmart.gov.au, which has a lot of valuable information.</p>	<p><i>Emma is giving factual information only, because:</i></p> <ul style="list-style-type: none"> • the information can be objectively determined as being accurate; and • the communication doesn't contain a recommendation or statement of opinion that is intended to influence William.
William	Thanks. I will have a look at the websites and I will call you if I have any further questions.	

General advice

In this example, Emma needs to operate under an AFS licence because she is providing general advice: see s911A.

William	Hi Emma, this is William Boyd. You gave me some information last week about possible options for investing an inheritance. I have recently received a cash inheritance and would like to know how I should invest it. I don't want to invest it in property, though, because I plan to use the money to buy another house in a few years time.	
Emma	Hi William. I would be happy to provide you with some general advice about the different options available to you that we discussed last week. If you want personal advice, you can make an appointment with me and we can sit down and go through your financial and personal circumstances.	<i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Emma clearly tells William upfront that she will not be giving any personal advice.</i>
William	I'm not sure I need any formal advice at this stage. I just want to know my options. Is this something you can help me with?	
Emma	<p>Okay, I'll take you through the investments we generally recommend to our clients. Generally, for clients who receive an inheritance, I would recommend that they first pay off loans such as personal loans, car loans or credit cards. Reduction of this debt will free up cash flow. Before paying off any debt you should consider whether early termination or legal fees apply.</p> <p>In situations where investors require access to funds, are saving for a short-term goal or are conservative investors, I would advise to invest in a term deposit. A term deposit is a relatively safe investment type and provides a fixed interest rate for a specified term. The term can range from one month to a few years, so a specified term can be entered into depending on your requirements. It is normally possible to withdraw the money prior to the end of the term, but early termination fees may apply.</p>	<i>At this point Emma would provide a Financial Services Guide, if William did not already have one.</i>

Emma	<p>The options that I have just discussed are more suited to low-risk investors. However, for investors who are willing to accept higher risk for the potential of greater long-term returns, I would recommend shares or managed fund investments.</p> <p>Shares can be suitable for investors who have a long-term investment timeframe, a high risk tolerance, a need for capital growth, a high surplus income or a high net asset position. An investor can purchase shares in companies of different industries, such as mining, financials, real estate and healthcare, so risk can be spread across different sectors easily.</p> <p>Some investors prefer to have their investments professionally managed, or they have small asset bases but want diversification, or they desire an investment that is convenient to manage. In these instances, I would recommend that investors invest in a managed fund. As we discussed last week, a managed fund pools your money together with that of other investors and an investment manager invests the money on your behalf. You are usually paid a periodical income distribution and the value of your investment will rise and fall with the value of the underlying assets.</p> <p>As you can see, there are a lot of options for you.</p>
William	<p>Thanks, that is a lot to consider. I think I would like to make an appointment to come in and get some personal advice about what I should do.</p>
Emma	<p>Great, we can set that up now. To help me understand what your investment aims are, I will send you some documents with some questions that you can fill out and return to me before our meeting.</p>

Personal advice

Emma	<p>Hi William, just a quick call to confirm a few more things. Thank you for completing the documents I sent you. I have already reviewed your situation and just need to clarify a few details with you before I can form my recommendations.</p>
William	<p>No worries.</p>
Emma	<p>According to the documents you completed:</p> <ul style="list-style-type: none"> • your grandmother died in September last year and you have inherited \$150,000 from the sale of her home. This is currently held in your cash account at Big Bank; • you are 27 years old, single, with no dependants; • you recently started a job as an engineer after graduating and earn \$50,000 per year, plus super; • you have previously owned your own home, but sold it last year; • you live at home with your parents, but would like to own your own home again in the next two years; • you estimate your living expenses to be approximately \$20,000 per year;

Emma	<ul style="list-style-type: none"> • you have \$2000 in a savings account, separate to your inheritance that you would like to retain. You have no other assets apart from the savings account and the car; • you do not need cash flow generated from the investment for living expenses. Surplus cash flow can be reinvested; • you would like to use some of your inheritance to cover travel costs to Europe in 12 months. This has a cost of \$30,000; and • you would also like to preserve some of the inheritance, about 10%, so that if you decide to do further study in the future, there are funds available to you. <p>Does this sound right?</p>	<p><i>Although William has written in his answers what he wants advice on, it is important for Emma to clarify this with him.</i></p>
William	Yes, that's right.	
Emma	<p>Okay. I just need to run you through an exercise to measure your tolerance to risk and return expectations.</p> <p>[Emma then completes a risk profile exercise resulting in a 'Growth' outcome]</p> <p>You stated in your answers that you are seeking advice about your inheritance. Where I identify other areas that I think you should address, do you want me to provide recommendations on those areas?</p>	<p><i>It may be necessary to collect some information, to understand the client's situation, that you later do not use. In this example, Emma does not know at this point what strategies or products she will ultimately recommend so it may be appropriate to assess William's psychological risk profile, even though it is not used later.</i></p> <p><i>You should verify and agree to the scope of advice with the client. In this example, the client has written the scope of advice; it is important for the adviser to verify this so that there is no misunderstanding.</i></p>
William	No, I just want advice on how to invest my inheritance.	
Emma	<p>That is fine William, but I must warn you that failing to provide advice on aspects relevant to your personal situation could have risks. For example, in the event of long-term illness, having insufficient insurance will impact your lifestyle.</p> <p>[At a subsequent face-to-face meeting Emma discusses the following with William]</p>	<p><i>Although the advice has been scaled and areas have been left out, a clear warning and explanation should be provided to the client.</i></p>

<p>Emma</p>	<p>Okay, I have prepared my recommendations for you. I have limited my advice to only the investment of your inheritance money. I haven't reviewed your whole financial situation, but if you would like advice in any other areas, I may be able to help you.</p> <p>I recommend that you use \$40,000 to pay off your car loan. The interest repayments on your car loan are not tax deductible; therefore, you are not deriving any benefit from it. If you pay out your car loan you will save approximately \$17,514 in interest payments over the life of the loan and have an extra \$685 per month which can be invested.</p> <p>You have advised that you would like to preserve some of the capital received from your inheritance for future study and some for a house deposit. Therefore, I recommend that you invest \$80,000 in an ABC 12-month term deposit:</p> <ul style="list-style-type: none"> • \$15,000 to cover your study costs; and • \$65,000 to use as a deposit for your house purchase in two years time. You can roll over this amount for a second 12-month term if required. <p>A term deposit will provide you with modest returns, enabling the capital to grow over time. It is important for you to grow your capital to keep pace with rising education costs. I have recommended a 12-month term due to your uncertainty about the timing of your study, and to allow flexibility if you decide to purchase your house sooner. The ABC Bank 12-month interest rate is 6.3% per year, providing you with an annual pre-tax return of \$5040 for an \$80,000 deposit. It is possible to achieve higher returns with a longer duration; however, early termination fees will generally apply if withdrawn before the end of the term.</p> <p>You have also advised that you would like to use your inheritance for a European holiday in 12 months time at a cost of \$30,000. I recommend that you invest \$30,000 from your inheritance in an ABC Bank term deposit, with a maturity of six months, at an interest rate of 6.00%. At the end of the six-month period, you will be able to access the \$30,000 to pay for your travel costs, plus receive interest of approximately \$900. As agreed, this advice has been limited to the investment of your inheritance money. However, during this exercise I have noted that you have a surplus income of approximately \$13,000 per year after tax and living expenses. If you pay off your car loan, you will also have an extra \$685 per month. If you would like me to provide you with advice in relation to this money, or any other aspect of your financial situation, I can do so.</p> <p>Do you have any questions about this plan?</p>	<p><i>If William's personal circumstances were more complex (e.g. if he had a spouse and/or financial dependants, or an existing terminal illness), the advice provided here should reflect that.</i></p> <p><i>The advice in this example contains a lot of information and data. Emma should check that William understands the advice and, if it appears that William is confused about the advice he is receiving, Emma should explain the advice further, as necessary.</i></p>
<p>William</p>	<p>No. The plan sounds great—it's exactly what I want and what I feel comfortable with.</p>	
<p>Emma</p>	<p>Great. I will send you some information about the term deposits that I mentioned.</p>	<p><i>No Statement of Advice is required because the advice relates to deposit products that fall within an exemption in reg 7.7.10(a).</i></p>

Example 2: The adequacy of retirement savings

Mirna, 65, contacts her adviser to find out if she can afford to retire with her present level of superannuation savings, and what payments she will be entitled to from Centrelink.

Personal advice: Investigation of circumstances and objectives

The adviser investigates Mirna's circumstances, asking her:

- if she is married;
- her age;
- if anyone else is financially dependent on her;
- if she has any known health issues;
- if she is currently employed and, if so, her estimated total income from employment in the past year;
- if she currently makes any extra contributions to her super;
- how much her employer is currently contributing to super;
- if she owns her home;
- what her assets (including superannuation and other investments) and liabilities are;
- how much she needs to meet her current annual cost of living requirements;
- what income in retirement she hopes to receive;
- if she has any large capital expenditure plans;
- if she has any life insurance; and
- if she has a current will.

The adviser also assesses Mirna's attitude towards investment risk.

As a result of these questions, the discussions during their meeting and some further research, the adviser determines that Mirna:

- is 65 and single;
- has no financial dependants and is in good health;
- receives a working salary of \$50,000 a year before tax, not including employer super contributions of 9%;
- has a superannuation balance of \$150,000, currently invested in the High Growth option. She has a default level of life insurance within her super of \$12,000, which costs \$52 per year. The insured amount decreases slightly each year, reducing to nil at age 75;
- does not make extra super contributions;
- owns her home, having repaid her mortgage six years ago;

The adviser has discussed investment risk with Mirna, but we have not repeated this conversation verbatim.

- has recently spent \$20,000 on home renovations, leaving her with cash savings of \$30,000. These savings have built up since repaying her mortgage. Mirna wishes to retain her cash savings in her bank account because she plans to use these funds for a holiday and wants to have easy access to them;
- is unsure how much she has been spending to meet her cost of living requirements, but she hopes to have a retirement income of about \$33,000 a year;
- has a current after-tax income of approximately \$42,000 a year. Based on Mirna's accumulation of cash savings since repaying her mortgage six years ago, it seems that she has been managing on around \$33,000 a year;
- plans to take an extended holiday in the first year of retirement, which she estimates will cost \$10,000;
- has a conservative approach to investments and does not want to lose money in retirement; and
- has a current will, leaving her estate equally to her two adult children. Mirna has advised her superannuation fund that her benefits should be paid to her estate when she dies.

If Mirna had a mortgage or other debt, this should not be ignored when providing retirement planning advice.

Often clients do not know how much they spend; however, this factor cannot be ignored when it is essential to the client's objective of finding out 'can I afford to retire?'.

Scope of personal advice provided

The adviser agrees to provide advice limited to:

- the adequacy of Mirna's superannuation savings to provide a retirement income;
- what her retirement income is likely to be, based on her current savings and Centrelink entitlements; and
- how long her money will last in retirement.

The adviser notes Mirna is in the High Growth investment option, and decides to provide her with advice on changing this investment option, based on their risk profile discussions and Mirna's change of personal circumstances—retiring and commencing a pension from her superannuation.

By asking questions and talking about Mirna's personal circumstances, the adviser agrees with Mirna that the scope of the advice will be strategic only and will not include other aspects such as insurance, taxation or estate planning affairs because:

- it would be difficult for Mirna to obtain any additional insurance at her age and the premium would be expensive;
- Mirna wants to retain her existing life insurance because the cost is minimal and she sees it as a little bit of extra money that her estate could use to pay for her funeral. The adviser has warned Mirna that the cover gradually reduces to nil between now and reaching age 75;

The adviser is scaling the advice 'up' and 'down' by using their expertise, skill and knowledge to work out which topics are in Mirna's best interests, given her personal circumstances.

If Mirna's personal circumstances were more complex (e.g. if she had a spouse and/or financial dependants, or an existing terminal illness), the advice provided here should reflect that.

The risk and potential downside to not having additional insurance is not essential to Mirna's personal situation.

- based on current rules as a senior Australian, Mirna will not have a tax liability once she is fully retired and her income is made up of a small amount of bank interest, tax-free superannuation pension income and the aged pension; and
- Mirna has a will and has made a nomination of beneficiaries on her superannuation fund.

The adviser tells Mirna that she will not have a tax liability based on current rules and her personal circumstances. Therefore, she does not need taxation advice.

Personal scaled advice

The adviser recommends that Mirna change her current High Growth investment option to the Conservative option, based on the risk profile questions and assessment conducted by the adviser, which indicate that:

- Mirna does not want to lose money in retirement;
- Mirna is commencing a new phase in the lifecycle of her superannuation, from building her super to paying a pension and being reliant on this source of income in retirement; and

it is appropriate for Mirna to take a more conservative approach to her investment choice at retirement. If Mirna's superannuation had significant exposure to growth assets, she might need to draw down on assets with depressed values to meet pension payments. This is not desirable because Mirna does not have the ability to rebuild this wealth again (assuming returning to work is not an option).

Based on 6.5% annual returns from a 'conservative' pension fund, the adviser estimates that Mirna's income at retirement will be just under \$26,000. This is made up of superannuation and Centrelink payments. The adviser predicts Mirna's superannuation will run out at age 90, based on this level of drawdown.

There is a \$7,000 gap between Mirna's desired annual retirement income goal and her projected annual retirement income. The adviser estimates if she increases her pension drawdown for a total annual income of \$33,000 (including Centrelink benefits), her superannuation will run out by age 79, leaving her reliant on the aged pension after that.

The adviser then presents a number of steps Mirna can take to try to make her super last for longer into retirement, while also closing the gap between her desired income and what she can realistically achieve. He advises that potential strategies are to:

- reduce her income goal;
- choose a lower fee income stream product;
- reduce her spending in the first year of retirement;
- switch to a less conservative investment option; or
- delay retirement and make additional superannuation contributions.

Mirna does not feel that delaying retirement is an option for her; therefore, this option is discounted. However, in her discussions with the adviser she understands that she needs to balance her cost of living needs with longevity of capital.

The adviser has identified that it is in Mirna's best interests to receive advice on this topic.

This case study is based on ASIC's MoneySmart retirement income calculator. For the assumptions, go to www.moneysmart.gov.au/to-ols-and-resources/calculators-and-tools/retirement-planner.

If a client cannot meet their objectives, realistic alternatives need to be discussed.

Mirna and her adviser agree that Mirna will reduce her income goal to \$29,000 a year. The adviser predicts Mirna's superannuation will run out at age 86.

Mirna is now comfortable that she can afford to retire. Mirna wants some time to digest the advice and advise her employer of her retirement plans. She will also monitor her spending more closely over the coming weeks as she makes the arrangements to retire to ensure she is comfortable with her revised income goal of \$29,000 per year.

In their discussions, the adviser and Mirna expect that in retirement she will spend less on things like train fares, work clothes and buying lunch. Also, her aged pension concession card will provide savings on her current expenses, such as rates, utilities and medical expenses.

Statement of Advice

STATEMENT OF ADVICE

XYZ Advice Ltd

1 July 2012

Ms Mirna Betros
1 Sydney Road
Sydney NSW 2000

Dear Mirna

Can you afford to retire now?

Thank you for meeting with me to discuss your financial needs. You have asked for my advice regarding the adequacy of your retirement savings. In particular, you have the following questions:

- If you retire now, what is your retirement income likely to be based on your current retirement savings and Centrelink age pension benefits?
- How long will your money last in retirement?

Information about you

- You are aged 65, single, have no financial dependants and are in good health.
- Your employment salary is \$50,000 per year before tax plus employer superannuation contributions of 9%. You do not make any extra contributions to superannuation.
- Your superannuation balance is currently \$150,000 invested in the Growth option. You have \$12,000 of life insurance within your super at a cost of \$52 per year. The insured amount decreases each year, reducing to nil at age 75.
- You own your home having repaid your mortgage 6 years ago.
- You recently spent \$20,000 on home renovations, leaving you with cash savings of \$30,000. You wish to retain access to these savings in your bank account.
- You estimate you need a retirement income of \$33,000 per year. This compares to your current after tax income of approximately \$42,000 per year. Based on your accumulated savings since repaying your mortgage 6 years ago, it seems that you have been managing on around \$33,000 per year.
- You plan to take an extended holiday in the first year of retirement and estimate you will need \$10,000; you will use your cash savings for this expenditure. You have no other capital expenditure plans.
- You are a conservative investor and do not want to lose money in retirement.
- You have a current will and have made a nomination of beneficiaries on your superannuation benefits.

My advice

We agreed my advice will cover the following topics:

- The adequacy of your superannuation savings to provide a retirement income, including what your retirement income is likely to be, and how long your superannuation will last.
- Investment choice recommendation for your superannuation savings.

My advice will be strategic only and will not include other aspects such as insurance, taxation or estate planning affairs for the following reasons:

- Obtaining additional insurance at your age will be difficult and expensive.
- You wish to retain your existing life insurance because the cost is minimal and you see it as a little bit of extra money that your estate could use to pay funeral expenses. You are aware that the cover will gradually reduce to nil between now and reaching age 75.
- Based on current rules as a senior Australian, you will not have a tax liability once you are fully retired.
- You have a current will and have made a nomination of beneficiaries on your superannuation benefits.

Adequacy of retirement savings

Based on 6.5% annual returns from a 'conservative' pension fund, I estimate that your income at retirement will be just under \$26,000. This is made up of the minimum superannuation pension drawdown and Centrelink payments. On this level of income I estimate your superannuation will run out at age 90.

There is a shortfall of \$7,000 between this amount and your desired retirement income goal. If you increased your superannuation pension drawdown for a total annual income of \$33,000 (including Centrelink benefits), I estimate your superannuation will run out at age 79.

The options available to you are:

- delay retirement and make additional superannuation contributions.
- reduce your desired retirement income goal;
- reduce your spending in the first year of retirement; or
- switch to a less conservative investment option.

You told me that delaying retirement is not an option. However, you understand the need to balance your cost of living needs with longevity of capital. Following our discussions on the options available to you we agreed that you will:

- reduce your income goal to \$29,000 per year. On this level of income I estimate your superannuation will run out at age 86; and
- change your investment option.

Investment choice

I recommend you change your investment option from the Growth to Conservative investment option for the following reasons:

- Your responses to the risk profile questions and our subsequent discussions identified you are a conservative investor who does not want to lose money in retirement. The Conservative option has a 30% exposure to shares and property and 70% to fixed interest and cash. In the Conservative option the chance of a loss is still possible and predicted to occur in 1 year over a 20-year period. This is considerably less, however, than your current Growth option where the chance of loss is predicted to occur every 4–5 years over a 20-year period.

- You are commencing a new phase in the lifecycle of your superannuation from building your super to paying a pension and being reliant on this source of income in retirement.
- It is appropriate to take a more conservative approach to investment choice at retirement. A pensioner whose superannuation has significant exposure to growth assets may have to draw down on assets with depressed values to meet pension payments. This is not desirable because a pensioner does not have the ability to rebuild this wealth again (assuming returning to work is not an option).

Remuneration and conflicts of interest

The fee for our meeting and for preparing this Statement of Advice is \$XX (including GST). No conflicts of interest arise as a result of the recommendations in this Statement of Advice.

Acting on this advice

To act on this advice you need to decide when you officially retire and:

- notify your employer;
- contact Centrelink and register for your age pension benefits; and
- contact your superannuation fund for assistance with the relevant paperwork.

Should you have any questions, please call me on (02) 9999 9999.

Yours sincerely

Tim Smith
Authorised Representative
XYZ Advice Limited
ABN 12 345 678 910, AFS licence 123456

Example 3: A retirement savings health check

Bruno and Rosa contact an adviser to find out if they are on track with their finances in the lead-up to their retirement. They are not interested in product advice.

They want to know if they are on track financially to meet their retirement goals or whether they need to be saving more. They would like to retire in five years and they estimate they need \$55,000 a year to meet their expenses.

Personal advice: Investigation of circumstances and objectives

The adviser investigates their circumstances, asking:

- their age and marital status;
- if they have any financial dependants;
- if they have any known health issues;
- if they are employed, and, if so, their current income;
- how much their employer is currently contributing to their superannuation;
- if they currently make any extra contributions to their superannuation;
- what their assets (including home, superannuation and other investments) and liabilities are;
- how much they need to meet their current annual cost of living requirements;
- what income in retirement they hope to receive;
- if they have any large capital expenditure plans; and
- if they have a current will.

As a result of these questions and the discussions during their meeting, the adviser confirms that:

- Bruno, aged 59, and Rosa, aged 57, are married;
- they have no financial dependants and are in good health;
- Bruno earns \$110,000 a year, plus 9% superannuation guarantee contributions;
- Rosa earns \$58,000 a year, plus 9% superannuation guarantee contributions;
- Bruno attended a retirement planning seminar provided by his superannuation fund about a year ago. Following this seminar, Bruno and Rosa started salary sacrificing into their superannuation. Bruno is salary sacrificing \$10,000 a year and Rosa is salary sacrificing \$5,000 a year.
- Bruno's superannuation balance is \$506,000, with the age-based default level of \$18,000 life insurance at a cost of \$52 a year.

- Rosa's superannuation balance is \$117,000, with the age-based default level of \$22,000 life insurance at a cost of \$52 a year;
- Bruno and Rosa own their home, having repaid their mortgage five years ago.
- Bruno and Rosa own the following investment assets:
 - cash savings of \$135,000; and
 - a share portfolio of \$35,000;
- they are unsure about their current cost of living needs;
- they would like to retire in five years and estimate they will need \$55,000 a year for their retirement income;
- based on their accumulated cash savings since repaying their mortgage five years ago, it seems that they have been spending around \$70,000 per year; they plan to take an overseas holiday in 18 months time which will cost \$30,000. When they retire they estimate they will spend \$50,000 on home renovations and \$20,000 on a new car; and
- they have a current will and a valid nomination of beneficiaries with their superannuation fund.

The adviser points out that their current income (after tax and salary sacrifice contributions) is approximately \$116,000 a year, which is more than double their estimated retirement income needs.

In the course of discussions it becomes clear that although there is a gap between Bruno and Rosa's current after-tax income, accumulated savings and desired retirement income this can be explained by their spending in recent years on holidays, a car upgrade and assisting their children with university fees.

In preparation for this meeting, Bruno and Rosa reviewed their superannuation statements from the past few years. Following the recent retirement planning seminar they attended, they adjusted their investment choice to a more conservative approach as they do not want to lose money in retirement.

Often clients do not know how much they spend. However, this factor cannot be ignored when it is essential to the client objective 'are we on track to meet our retirement goals'.

Scope of personal advice provided

The adviser agrees to provide advice limited to:

- whether Bruno and Rosa are on track to meet their goal of retiring in five years with an income of \$55,000 per year; and
- how long their money will last in retirement.

The adviser discusses with Bruno and Rosa that the scope of the advice will be strategic only, and will not include other aspects such as their existing financial products, investment choice, insurance, taxation or estate planning affairs because Bruno and Rosa:

- have made their own investment choice and are comfortable with this aspect of their superannuation;

The adviser is scaling the advice by using his expertise, skill and knowledge to establish it is not necessary to provide more advice, given their personal circumstances.

A conservative approach is appropriate to their situation and the clients do not need to take on additional risk to meet their goals. In this example, the adviser can provide strategic advice, but not product advice, and comply with the law, including the best interests duty.

- are comfortable having minimal insurance at this stage in their life and do not want additional cover;
- have current wills and have made a nomination of beneficiaries on their superannuation accounts; and
- as senior Australians (based on current rules) will not have a tax liability once they are fully retired, as their income will be made up of a small amount of bank interest, share dividend income, tax-free superannuation pension income and the aged pension.

The adviser warns that failing to provide advice on these aspects could have risks. For example, in the event of long-term illness, having insufficient insurance will impede their current retirement goals.

The risk and potential downside to having additional insurance is not essential to their personal situation.

The clients' estate planning needs are not complex. It is good practice to establish these facts; however, it appears they do not need complex advice in this area.

The adviser tells them they will not have a tax liability based on current rules and their personal circumstances.

Although the advice has been scaled and areas have been left out, a clear warning and explanation must be provided to the client.

Personal scaled advice

The adviser explains to Bruno and Rosa that they are on track to meet their retirement goals—they just need to keep doing what they are doing.

Based on 6.3% annual returns from a 'moderate' superannuation fund, the adviser estimates that their income at retirement in five years will be approximately \$55,000 a year. Once they each reach the age when they can apply for the aged pension, they will likely qualify for a part aged pension entitlement. Their planned capital expenditure can be met from their cash savings.

The adviser estimates their superannuation will run out when Bruno reaches age 90 and Rosa reaches age 88, based on this level of drawdown. At this point they would be fully reliant on a Centrelink aged pension.

The adviser tells the clients they could further improve their retirement position by implementing a transition-to-retirement strategy. At the clients' request, the adviser provides an overview of how this strategy works and how it becomes more beneficial for those aged 60 and over.

The adviser provides Bruno and Rosa with some educational material on this strategy and they agree to meet again in nine months, as Bruno approaches age 60.

Bruno and Rosa will continue with their current arrangements. However, the adviser suggests they contact him again:

- if their personal circumstances change—for example, things like prolonged illness or redundancy would affect their income and therefore their retirement plans;
- as Bruno approaches age 60, on how a transition-to-retirement strategy could enhance their retirement capital;

This case study is based on ASIC's MoneySmart retirement income calculator. For the assumptions, go to www.moneysmart.gov.au/tools-and-resources/calculators-and-tools/retirement-planner.

The adviser provides an estimate of the longevity of their capital.

Even though the clients are on track to meet their desired goals the adviser highlights a strategy that is in the clients' best interests to consider. The clients do not wish to proceed now, but agree to do so as Bruno reaches age 60.

The adviser highlights the circumstances for when they should seek advice again in the future that is in their best interests to do so.

- if they wish to review their situation again at any time in the future to ensure they remain on track with their retirement plans; and
- 12 months before they retire to ensure they prepare for retirement and explore their income stream options and investment choices, as they transition from accumulating super to living off it.

Bruno and Rosa are pleased to know they are on track and pay the agreed fee to the adviser for this advice.

Bruno and Rosa now know they are on track to meet their retirement goals and they have been made aware of a strategy that may further improve their retirement financial position.

Statement of advice

STATEMENT OF ADVICE

XYZ Financial Planning Ltd

1 July 2012

Mr Bruno and Mrs Rosa Esposito
1 Sydney Road
Sydney NSW 2000

Dear Bruno and Rosa

Are you on track to meet your retirement goals?

Thank you for meeting with me to discuss your retirement planning. You have asked for my advice on whether you are on track to meet your retirement goals. In particular, you would like to know:

- Can you afford to retire in 5 years time with an income of \$55,000 per year based on your current circumstances?
- If not, what can you do to achieve this?
- How long will your money last in retirement?

Information about you

- Bruno, you are aged 59 and married to Rosa, aged 57.
- You have no financial dependants and are both in good health.
- Bruno earns \$110,000 per year plus 9% superannuation guarantee contributions.
- Rosa earns \$58,000 per year plus 9% superannuation guarantee contributions.
- You are both salary sacrificing into your superannuation accounts. Bruno is salary sacrificing \$10,000 per year and Rosa is salary sacrificing \$5,000 per year.
- Bruno's superannuation balance is \$506,000, with the age-based default level of \$18,000 life insurance at a cost of \$52 per year.
- Rosa's superannuation balance is \$117,000, with the age-based default level of \$22,000 life insurance at a cost of \$52 per year.
- You jointly own your home after repaying your mortgage 5 years ago.
- You jointly own the following investment assets:
 - cash savings of \$135,000; and
 - a share portfolio of \$35,000
- You would like to retire in 5 years time and estimate you will need \$55,000 per year for your retirement income.

- Your current income (after tax and salary sacrifice contributions) is approximately \$116,000 per year, more than double your estimated retirement income needs. However during our discussions it became clear that the gap between your current after tax income, accumulated savings and desired retirement income was explained by your spending in recent years on holidays, a car upgrade and assisting your children with university fees.
- Based on your accumulated cash savings since repaying your mortgage 5 years ago, it seems that you have been spending around \$70,000 per year.
- Your capital expenditure plans include an overseas holiday in 18 months time which will cost \$30,000. When you retire you estimate you will spend \$50,000 on home renovations and \$20,000 on a new car.
- You have current wills and have each made a nomination of beneficiaries on your superannuation benefits.

My advice

We agreed my advice will cover the following topics:

- whether you are on track to meet your goal of retiring in 5 years with an income of \$55,000 per year; and
- how long your money will last in retirement.

My advice will be strategic only. It will not include other aspects such as your existing financial products, investment choice, insurance, taxation or estate planning affairs for the following reasons:

- You recently attended a retirement planning seminar hosted by your superannuation fund and changed your investment choice to a more conservative approach because you want to minimise investment volatility as you approach retirement. You have told me you do not wish to receive advice on this topic and you are comfortable with this aspect of your superannuation.
- You have told me you understand you have minimal life insurance and are comfortable with this decision at this stage in your life. You do not want additional insurance cover. During our meeting I explained that failing to seek advice on insurance is a risk for your personal situation. In the event of long-term illness having insufficient insurance may affect your current retirement goals.
- You have current wills and have made a nomination of beneficiaries on your superannuation accounts.
- Based on current rules, as senior Australians you will not have a tax liability once you are fully retired because your income will be made up of a small amount of bank interest, share dividend income, tax free superannuation pension income and the age pension.

Adequacy of retirement savings

Bruno and Rosa, as explained during our meeting you are on track to meet your retirement goals – you just need to keep doing what you are already doing.

Based on 6.3% annual returns from a 'moderate' superannuation fund and your current levels of salary sacrifice I estimate you will achieve your retirement income goal of \$55,000 per year when you plan to retire in 5 years time. Also, once you each reach age pension age, you will likely qualify for a part age pension entitlement. Based on this level of income, I estimate your superannuation savings will run out when Bruno reaches age 90 and Rosa reaches age 88. At this point you will be fully reliant on a Centrelink age pension.

I have allowed for your planned capital expenditure in 18 months time and at retirement to be met from your cash savings.

As discussed during our meeting, you could further improve your retirement position by implementing a transition-to-retirement strategy. I have provided you with a brochure on this strategy.

Acting on this advice

For now you should continue with your current arrangements. However, I suggest you contact me again in the future for advice:

- if your personal circumstances change—for example, things like prolonged illness or a redundancy would affect your income and therefore your retirement plans;
- as Bruno approaches age 60 to receive advice on how a transition-to-retirement strategy could enhance your retirement capital;
- if you wish to review your situation again at any time in the future to ensure you remain on track with your retirement plans; and
- 12 months before you retire to allow sufficient time to prepare for the important lifecycle stage where you transition from accumulating your superannuation to relying on it to provide you with an income in retirement. At this point in time I can provide you with personal advice on the most appropriate income stream option(s) and investment choices.

Remuneration and conflicts of interest

The fee for our meeting and for preparing this Statement of Advice is \$XX (including GST). No conflicts of interest arise as a result of the recommendations in this Statement of Advice.

Should you have any questions, please call me on (02) 9999 9999.

Yours sincerely

Tim Smith
Authorised Representative
XYZ Financial Planning Limited
ABN 12 345 678 910, AFS licence 123456

Example 4: Changing investment options—Call centre conversation

Jim contacts his superannuation fund for information and advice about changing investment options.

Factual information

In this example, the operator doesn't need to be licensed because no financial product advice is being given.

Jim	Hi. I am Jim Walker, a member of ABC Superannuation Fund. I am calling because I haven't really given much thought to my investment options until now but think it is a good time to consider these in light of what's happened as a result of the global financial crisis and what has been happening in the market since then. I'm only 32. Please can you tell me whether I am in the right option?	
Operator	Hi, Jim. I'll take you through our investment options then. Just so you know upfront, the information I'm about to give you is factual information only about the investment options in our fund. I'm unable to give you any financial advice about what you should do.	<i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, the operator clearly tells Jim upfront that they will not be giving any financial product advice.</i>
Jim	That's fine.	
Operator	The ABC Superannuation Fund has four different types of investment options you can invest in. Our investment options are Cash, Balanced, Growth and High Growth. Our Cash fund invests 100% in cash deposits with Australian deposit-taking institutions. Historically, this option has earned the lowest average returns, only slightly better than inflation. Our Balanced fund invests 60% to 70% in shares and property with the rest in fixed interest and cash. This option aims for moderate average returns. However, the investments have had negative returns in a few years depending on market performance. Our Growth fund invests 70% to 80% in shares or property with the rest in fixed interest and cash. Historically, these higher-risk investments have earned high returns over the long term, although you can't assume that will continue. The investments are more likely to, and have had, negative returns in several years depending on market performance.	<p><i>This operator is giving factual information only because:</i></p> <ul style="list-style-type: none"> • the information can be objectively determined as being accurate; and • the communication doesn't contain a recommendation or statement of opinion that is intended to influence Jim. <p><i>You can give factual information to a caller even though you know some personal information about them. In this example, ABC Superannuation Fund has personal information about Jim as a member of their fund, but this doesn't stop the operator from giving Jim factual information.</i></p>

Operator	<p>Our High Growth fund invests 80% to 90% in shares or property with the rest in fixed interest and cash. Historically, these higher risk investments have earned the highest returns over the long term. However, in a number of years, the investments have had, and can be expected to have, negative returns depending on market performance. The negative returns can be significant and it can take many years for any later returns to make up for any losses.</p> <p>You need to be aware that past performance is not necessarily a guide to future performance. The returns I've just discussed with you can definitely change, and you should continue to monitor your super's performance.</p> <p>If you're interested in more information about our funds and investment options, I suggest you have a look at our website. Alternatively, I can send you out some information that might help you.</p>	<p><i>A 'past performance warning' is appropriate in the context of information about performance returns.</i></p> <p><i>You can provide information in a variety of ways. This example started with a phone call and ends with Jim looking at the fund's website.</i></p>
Jim	Thanks, that's given me a good overview. I'll jump on the internet now and have a look at your website.	
Operator	Great. How about I call you in about a week to see if you have any questions?	<i>There's no correct way to end a call. It's up to you to work out if, and how, you want to follow up with members.</i>
Jim	Thanks. I'd appreciate that.	

General advice

In this example, ABC Superannuation Fund is not licensed because they are relying on the exemption for product issuers to give general advice without an AFS licence where that advice is about their own superannuation fund on certain conditions.

Jim	Hi. I am Jim Walker, a member of ABC Superannuation Fund. I am calling because I haven't really given much thought to my investment options until now but think it is a good time to consider these in light of what's happened as a result of the global financial crisis and what has been happening in the market since then. I'm only 32. I don't know which investment option might suit me.	
Operator	<p>I'll take you through our investment options then Jim.</p> <p>Just so you know upfront, I can tell you what we generally recommend for our members, but this information does not consider your personal financial circumstances. If you are after personal advice, we can refer you to a financial adviser.</p> <p>I also need to mention that ABC Superannuation Fund is not licensed to give you advice about the fund, so we recommend that you get a Product Disclosure Statement and read it before making a decision. We can send you one in the mail, or you can find it on our website.</p> <p>Superannuation is a long-term investment. The amount of super you have when you retire will depend on how long you've had super for, how much you or your employer has contributed to your super, what investment options you've selected and how those investment options perform.</p>	<p><i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Jim is clearly told upfront that he will not be given personal advice.</i></p> <p><i>ABC Superannuation Fund needs to provide this warning because they are not licensed to provide general advice about their fund.</i></p>

<p>Operator</p>	<p>The ABC Superannuation Fund has four different types of investment options you can invest in.</p> <p>Our investment options are Cash, Balanced, Growth and High Growth.</p> <p>Our Cash fund invests 100% in cash deposits with Australian deposit-taking institutions. Historically, this option has earned the lowest average returns, only slightly better than inflation.</p> <p>Our Balanced fund invests 60% to 70% in shares and property with the rest in fixed interest and cash. This option aims for moderate average returns. However, the investments have had negative returns in a few years depending on market performance.</p> <p>Our Growth fund invests 70% to 80% in shares or property with the rest in fixed interest and cash. Historically, these higher risk investments have earned high returns over the long term, although you can't assume that will continue. The investments are more likely to, and have had, negative returns in several years depending on market performance.</p> <p>Our High Growth fund invests 80% to 90% in shares or property with the rest in fixed interest and cash. Historically, these higher risk investments have earned the highest returns over the long term. However, in a number of years, the investments have had, and can be expected to have, negative returns depending on market performance. The negative returns can be significant and it can take many years for any later returns to make up for any losses.</p> <p>You need to be aware that past performance is not necessarily a guide to future performance. The returns I've just discussed with you can definitely change and you should continue to monitor your super's performance.</p> <p>We typically recommend that people between 18 and 30 invest in our High Growth option and people between 30 and 45 invest in our Growth option. The value of these options will go up and down more than other options but they have the potential to produce higher returns over the long term.</p> <p>As our members get to 7 to 10 years from retirement, we generally recommend that they move some or all of their super to more conservative investment options, like a mix of our Cash and Balanced funds, to help protect accumulated superannuation.</p> <p>Please note that this advice is general and it may not be right for you.</p>	<p><i>A 'past performance warning' is appropriate in the context of information about performance returns.</i></p>
<p>Jim</p>	<p>Thanks, that has been really helpful. I might do some more research and come back to you if I want to change the investment option I'm in.</p>	
<p>Operator</p>	<p>Sure, Jim. I'm glad I was able to help you. If you have any further questions or there's anything else I can help you with, please let me know.</p>	

Personal advice

As this example involves personal advice, the ABC Superannuation Fund needs to have an AFS licence authorising them to provide personal financial product advice: see s911A.

Jim	<p>Hi. I am Jim Walker, a member of ABC Superannuation Fund. I am calling because I haven't really given much thought to my investment options until now but think it is a good time to consider these in light of what's happened as a result of the global financial crisis and what has been happening in the market since then. I'm only 32. I don't know which investment option is best for me.</p>	<p><i>The client has explicitly requested advice on this particular subject matter. Where the Operator checks that the client is not implicitly seeking any other advice, they will not be in breach of their obligation to act in the client's best interests by limiting the scope of the advice.</i></p>
Operator	<p>I can take you through our investment options then Jim. We could give you some personal recommendations about our investment options that you might like to consider.</p> <p>[At this point, the operator will perform the appropriate identity checks to confirm that he is speaking with the account holder. The operator will also confirm that the member has a copy of the current version of the Financial Services Guide, if required.]</p> <p>Once I have your information in front of me, I'll be able to give you some specific advice on what I think you should do.</p> <p>You need to be aware though that I can only give you advice about your interest in the ABC Superannuation Fund. I will be looking at what should currently be your choice of investment options in ABC Superannuation Fund and I will not be considering anything else, so if you have another super fund or want to seek advice about other financial products, you should seek other advice.</p>	<p><i>The operator has identified the subject matter of the advice sought by Jim and tested whether there is any implication that anything else not expressly asked for is sought. The operator makes it clear that the scope of the advice is limited to what should be Jim's current choice of investment option in the ABC Superannuation Fund. The operator has put Jim on notice that he might want to consider getting advice that looks at his overall financial position.</i></p>
Jim	<p>That's fine. I am only interested in getting advice about what investment option in the ABC Superannuation Fund I should choose now, not anything else.</p>	
Operator	<p>Thanks Jim. I now have your information in front of me. You're:</p> <ul style="list-style-type: none"> • 32 • have a current super balance in ABC Superannuation Fund of \$42,000, and • are currently invested in our balanced option. <p>On this basis, I have a few additional questions to ask you, Jim, to help me do some calculations to show you the impact of different options :</p> <ul style="list-style-type: none"> • What is your current before-tax income? • Is your employer paying the standard superannuation guarantee amount into super for you? 	<p><i>In order to demonstrate compliance under s961(2)(c), the operator must make further inquiries in situations where further information would be considered relevant to the client's circumstances.</i></p>

Operator	<ul style="list-style-type: none"> Are you contributing anything yourself on top of that into your super? 	
Jim	<p>I'm on \$50,000 a year and I get my standard super. I'm not doing anything else to contribute at the moment and, at this stage, don't really want to make any extra contributions.</p> <p>I'm pretty happy with the range of my annual returns, but I'd be happy to consider something a bit more aggressive.</p>	
Operator	<p>Based on your age and the fact that you're willing to consider a more aggressive option, the balanced option might be a little too conservative for you.</p> <p>Let me give you two examples where we look at projections of how much super you'll theoretically have by retirement if you leave your super in particular options until you retire.</p> <p>According to our calculator, if we include your superannuation guarantee contribution and if you leave your super in the Balanced option earning an estimated long-term average of 8% per year, you'll have approximately \$408,500 available by age 65.</p> <p>I'll now repeat the same exercise, but will switch you to the Growth option earning an estimated long-term average of 8.5% per year. According to our calculator, you'll have \$459,700 at age 65.</p> <p>All these results are stated in today's dollars.</p>	<p><i>The projections in this example have been estimated using ASIC's current superannuation calculator, available at www.moneysmart.gov.au/supercalc, and adopting the assumptions underlying that calculator.</i></p>
Jim	That is quite a difference.	
Operator	<p>This is just an example of how moving between the two investment options may affect your long-term super savings, although I should note that it's generally not appropriate to maintain the same investment option throughout your working life, so you need to bear this in mind.</p> <p>Of course, you also need to be aware that past performance is not necessarily indicative of future performance. The returns I've just discussed with you can definitely change and should only be considered as one of a range of possible outcomes.</p>	<p><i>If you're using projections you should always highlight the limitations of projections (i.e. that projections are only guides and can change over time).</i></p>
Jim	Yes, I understand. I am willing to accept some extra risk.	
Operator	<p>However, you do need to understand that moving from your old portfolio to the new recommended portfolio involves taking on more growth assets like shares, compared to defensive assets like fixed interest. This means the investment risk in your portfolio will increase, and there is a real chance your decision will mean you can achieve higher annual returns in good times, but also lose money in tougher times. You need to be personally comfortable with this. If there are losses in the next couple of years, it may take time to recover them depending on how quickly the market recovers.</p> <p>You need to review any choice you make every few years because, often, as I mentioned before, it's not appropriate to maintain the same investment option throughout your working life.</p>	<p><i>Switching investment options carries some risks. You should always be upfront about risks.</i></p>

Operator	<p>And of course, as I said, investment returns can definitely change over time.</p> <p>My advice is based on the information you have provided to me. If you have provided me with incomplete or inaccurate information, you risk making a decision that may not be appropriate for your circumstances. For example, if your contribution rates are different then, of course, the calculations will change.</p> <p>If you need more information before you can make a decision, you should consider getting more detailed personal advice on this issue.</p> <p>I'm now going to forward you a short Statement of Advice outlining what we've discussed and my recommendations.</p>
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Statement of Advice to Jim on changing investment options

STATEMENT OF ADVICE

ABC Superannuation Fund

1 July 2012

Jim Walker
1 Sydney Road
Sydney NSW 2000

Dear Jim,

Changing investment options

You spoke with one of our representatives today about whether to change the investment option you have with the ABC Superannuation Fund.

Information about you

- You are aged 32.
- You have a current super balance in ABC Superannuation Fund of \$42,000.
- You are currently invested in the Balanced option.
- You earn a gross amount of \$50,000 p.a.
- Your employer is contributing the standard superannuation guarantee amount.

You do not currently make any extra contributions to your superannuation and don't want to make any extra contributions at this stage.

Our advice

Based on your age, your investment timeframe until retirement, your preparedness to accept a more aggressive asset allocation and the fact that a change in portfolio is more likely than not to result in a potentially significant improvement in the value of your portfolio at retirement, we recommend you place your superannuation into the Growth option.

Why I have made this recommendation

Despite the current state of the market, superannuation is a long-term investment for you and we recommend that you invest according to the appropriate timeframe. In your case, this would be based on your current age and time remaining until retirement, and your willingness to take on the potential ups and downs which come with the desire to go into an option that aims for higher returns.

One way to potentially increase your final superannuation balance is to invest your super in a higher growth option. As an example of the effects of moving between the two portfolios, if you leave your super in the ABC Superannuation Fund Balanced option, based on an assumed earning rate of 8% p.a. and including your 12% superannuation guarantee contribution, according to our calculations, you will have approximately \$408,500 available at the age of 65.

If you switch your superannuation to the ABC Superannuation Fund Growth option, based on an assumed earning rate of 8.5% p.a. and including your 12% superannuation guarantee contribution, then according to our calculations, you will have approximately \$459,700 at the age of 65. This exercise shows that a difference as small as 0.5% per year on your returns can have a significant impact on your final super balance.

This example is only intended to provide a model to show a possible effect of changing investment options and does not take into account your retirement needs.

Risks of acting on this advice

It is important to understand that moving from your old portfolio to the new recommended portfolio involves taking on more growth assets like shares, compared to defensive assets like fixed interest. This means the investment risk in your portfolio will increase. Also, as we discussed over the phone, investment returns can definitely change over time and you need to be aware of this.

What this advice does, and does not, cover

Please note that the above recommendation is based on the information you have provided to me and only relates to whether to change the investment option you are currently invested in through the ABC Superannuation Fund. This advice does not take into account all of your personal circumstances—for example, other superannuation you may have outside your ABC Superannuation Fund. If you have provided me with incomplete or inaccurate information, you risk making a decision that may not be appropriate for your circumstances. If you have another superannuation fund or want to seek advice about other financial products, you should seek other advice.

Remuneration and conflicts of interest

If you follow this advice, ABC Superannuation Fund will receive an annual management fee of \$XX (including GST) which is the management fee for the Growth option. This is the same as the management fee that ABC Superannuation Fund currently receives for your investment in the Balanced option. As your account balance increases over time, the management fee will increase accordingly.

Acting on this advice

To act on the advice, just complete the enclosed form and return it to us in the envelope provided.

Should you have any questions, please phone our call centre on (02) 9999 9999.

Yours sincerely

ABC Superannuation Fund

[Address]

Phone number: (02) 9999 9999

ABC Superannuation Fund Limited, ABN 12 345 567890, AFS licence no. 123456, is the trustee and licensee responsible for the ABC Superannuation Fund.

Example 5: Insurance—Call centre conversation

Ruchi contacts her superannuation fund for information and advice about her insurance within the fund.

Factual information

In this example, DEF Superannuation Fund does not need an AFS licence because no financial product advice is being given.

Operator	Good afternoon, you've called the DEF Superannuation Fund. How can I help you?	
Ruchi	Hi, my name is Ruchi. I'm calling because my husband and I just bought a new house and I want to know whether I need to increase the insurance cover I already have in my super. I'm concerned that if something happens to me, he might not have enough money to pay off our mortgage. My member number is 98765SR. Can you help me?	
Operator	<p>Thanks very much for your call, Ruchi.</p> <p>Just so you know upfront, I'm happy to give you some factual information about your insurance within the DEF Superannuation Fund, but I can't give you personal financial product advice about what you should do. If you would like to receive personal advice, I can refer you to a financial adviser.</p>	<p><i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Ruchi is clearly told upfront that she will not be given any personal advice.</i></p>
Ruchi	That's fine.	
Operator	<p>DEF Superannuation Fund provides you with life insurance and total and permanent disability—or 'TPD'—insurance. The fund does not offer income protection or trauma insurance.</p> <p>Life insurance pays a lump sum after the death of the person insured. This is important, particularly if you have dependants, because it provides your family with funds to help maintain their lifestyle in the event of your death. After your death, whether from illness or accident, a lump sum may be paid. Your family and other dependants may use this money to service or pay out any outstanding debts and pay for day-to-day living expenses.</p> <p>TPD insurance provides a lump sum payment if you're totally and permanently disabled. Depending on your policy and the relevant legislation, you may be paid a TPD benefit if you can't work. TPD insurance can be used to help cover rehabilitation costs, repayment of debts, the cost of living for you and your dependants or to replace income you would have earned if you could continue to work. Payments are not usually made until the disability has been evident for six months, and the insurer and the trustee deem that you are unlikely to work again.</p> <p>If a claim was made, the amount that would be payable would be the balance of your superannuation account plus the level of cover for life cover or the level of cover for TPD cover.</p>	

Operator	For example, if the current life and TPD cover on your superannuation account was \$100,000, the amount payable would be the balance of your superannuation account plus \$100,000 for life cover or \$100,000 for TPD cover.	
Ruchi	So, what happens if I have a serious accident at work and I can't work anymore?	
Operator	The TPD cover may be payable if your circumstances meet the eligibility criteria in your policy. In that case, you will be paid the balance of your account, plus the level of cover you have for TPD, either through a lump sum or through pension payments.	<i>This example contains factual information only. The answer to the query doesn't contain a recommendation or statement of opinion that is intended to influence.</i>
Ruchi	If I decide to increase my cover, how do I do this?	
Operator	<p>To increase your cover, you would need to give us further medical information. We have an insurance calculator on our website that can give you an idea of how much additional life and TPD insurance cover you might need and the cost of that additional cover.</p> <p>You can also see the latest version of the superannuation Product Disclosure Statement on our website, or we can send one out to you. This has information on increasing the insurance level in your existing superannuation product.</p> <p>We would be happy to help you further after you have looked at the information.</p>	<i>This example highlights that you can provide information in different ways (i.e. over the phone, on the internet or by post). It's up to you to decide how you want to deliver information.</i>
Ruchi	Thank you for that. I'll look at your website and call you if I have any other questions.	

General advice

In this example, DEF Superannuation Fund is licensed to provide general financial product advice.

Operator	Good afternoon, you've called DEF Superannuation Fund. How can I help you?	
Ruchi	Hi, my name is Ruchi. I'm calling because my husband and I just bought a new house and I want to know whether I need to increase the insurance cover I already have in my super. I'm concerned that if something happens to me, he might not have enough money to pay off our mortgage. My member number is 98765SR. Can you help me?	
Operator	<p>Thanks very much for your call, Ruchi.</p> <p>Just so you know upfront, I can only give you general advice. I will not be considering your individual circumstances so I can't give you any personal advice.</p>	<p><i>The operator is clear about what service they're offering. This is good practice so that Ruchi knows and understands that she will not be given personal advice.</i></p> <p><i>General advice must contain a general advice warning where it is given by an AFS licensee, but we have given relief to facilitate the use of short oral warnings like this.</i></p>
Ruchi	That's fine.	

Operator	<p>DEF Superannuation Fund provides you with life insurance and total and permanent disability—or 'TPD'—insurance. The fund does not offer income protection or trauma insurance.</p> <p>Life insurance pays a lump sum after the death of the person insured. This is important, particularly if you have dependants, because it provides your family with funds to help maintain their lifestyle in the event of your death. After your death, whether from illness or accident, a lump sum may be available. Your family and other dependants may use this money to service or pay out any outstanding debts and pay for day-to-day living expenses.</p> <p>TPD insurance provides a lump sum payment if you're totally and permanently disabled. Depending on your policy and the relevant legislation, you may be paid a TPD benefit if you can't work. TPD insurance can be used to help cover rehabilitation costs, repayment of debts, the cost of living for you and your dependants or to replace income you would have earned if you could continue to work. Payments are not usually made until the disability has been evident for six months, and the insurer and the trustee deem that you are unlikely to work again based on the definition in your particular policy.</p> <p>If a claim was made, the amount that would be payable would be the balance of your superannuation account plus the level of cover for life cover or the level of cover for TPD cover.</p> <p>For example, if the current life and TPD cover on your superannuation account was \$100,000, the amount payable would be the balance of your superannuation account plus \$100,000 for life cover or \$100,000 for TPD cover.</p>	<i>The operator is upfront about what the fund offers and does not offer.</i>
Ruchi	So, what happens if I have a serious accident at work and I can't work anymore?	
Operator	The TPD cover may be payable if your circumstances meet the eligibility criteria in your policy. In that case, you will be paid the balance of your account, plus the level of cover you have for TPD, either through a lump sum or through pension payments.	
Ruchi	How do I know if I have enough cover?	
Operator	<p>To ensure that you have enough life and TPD cover, we recommend that you consider all your debts and expenses, not just your mortgage. You may also want to think about whether you need to replace the income you would have earned if you continued working.</p> <p>For example, other debts you should think about include any credit card debt, car loans or personal loans. Your expenses may include mortgage repayments, living expenses, future education expenses for your children, funeral expenses, and other major future expenses like rehabilitation costs if you become disabled. Also, think about whether you need an additional lump sum of money invested to earn an income for you or your dependants in the event you are no longer working.</p> <p>At a minimum, you will need to ensure that your cover meets your debts and expenses. If you think you need it, you can organise to get additional cover.</p>	

Ruchi	Thank you for that. I'll have to work out whether I need any additional insurance cover.
Operator	<p>Okay, Ruchi. Some other things we recommend people also consider include the policy wording and other options that may be available within the cover.</p> <p>You can see our latest version of the superannuation Product Disclosure Statement on our website, or we can send one out to you. It has information on increasing your insurance level in your existing superannuation product.</p> <p>You can also use the insurance calculator on our website to help you work out the level of cover you might need. After you've looked at the Product Disclosure Statement, you can apply for a quote online or you can contact the call centre.</p> <p>Please note that you will have to decide whether this advice meets your needs, as I haven't considered your personal circumstances.</p>

Personal advice

DEF Superannuation Fund must provide personal advice that is compliant with s961B.

Operator	Good afternoon, you've called DEF Superannuation Fund. How can I help you?
Ruchi	Hi, my name is Ruchi. I'm calling because my husband and I just bought a new house and I want to know whether I need to increase the insurance cover I already have in my super. I'm concerned that if something happens to me, he might not have enough money to pay off our mortgage. My member details are 98765SR. Can you help me?
Operator	<p>Thanks very much for your call, Ruchi.</p> <p>[At this point, the operator will perform the appropriate identity checks to confirm that they are speaking with the account holder. The operator will also confirm that the member has a copy of the current version of the Financial Services Guide, if required.]</p> <p>I'll just get your information up in front of me. Then I'll be able to give you some specific advice on what you could do about your insurance cover.</p>
Operator	<p>You need to be aware though that I can only give you advice about your account with DEF Superannuation Fund.</p> <p>If you did have insurance in another super fund or insurance outside DEF Superannuation Fund, I would need to recommend that you get financial advice that looks at your overall financial position.</p>
Ruchi	That's fine, I don't have insurance with another fund.

The operator makes it clear in this example that Ruchi is getting advice only on her insurance within the DEF fund. The operator has recommended that Ruchi consider getting advice that looks at her overall financial position.

Operator	<p>Well, the DEF Superannuation Fund provides you with both life and total and permanent disability—or 'TPD'—insurance cover as part of your superannuation interest. The fund does not offer income protection or trauma insurance so I won't be covering that. You may need to consider obtaining further advice about income protection or trauma insurance cover from another adviser at a later date.</p> <p>Life and TPD insurance are benefits that form part of your superannuation interest in the DEF Superannuation Fund. I will explain the main features to you under the terms and conditions of the life and TPD insurance policies. Life insurance pays a lump sum after death of the person insured. This is important, particularly if you have dependants, because it provides your family with funds to help maintain their lifestyle in the event of your death. After your death, whether from illness or accident, a lump sum is available, and your family and other dependants can use this money to service or pay out any outstanding debts, pay for day-to-day living expenses or to replace the household income you would have continued to earn.</p> <p>TPD insurance provides a lump sum payment if you're totally and permanently disabled. Depending on your policy and the relevant legislation, you may be paid a TPD benefit if you can't work. TPD insurance can be used to help cover rehabilitation costs, repayment of debts, the cost of living for you and your dependants or to replace income you would have earned if you could continue to work. Payments are not usually made until the disability has been evident for six months, and the insurer deems that you are unlikely to work again based on the definition in your particular policy.</p>
Ruchi	How much cover do I have under my super?
Operator	The current life and TPD cover on your superannuation account is \$130,000. The \$130,000 is not a combined total—the amount payable would be the balance of your superannuation account plus \$130,000 for life cover or \$130,000 TPD cover.
Ruchi	So, what happens if I have a serious accident at work and I am unable to work anymore?
Operator	The TPD cover may be payable if your circumstances meet the eligibility criteria in your policy. In this case, you will be paid the balance of your account, plus \$130,000 as TPD cover, either through a lump sum or through pension payments.
Ruchi	If I decide to increase my cover, how do I do this?
Operator	<p>To increase your cover, you would need to give us further medical information.</p> <p>If you would like, I can step you through the process now by asking a number of questions to help us determine your insurance needs.</p>
Ruchi	Please, that would be helpful.

In order to provide the advice, the operator must establish the objectives, financial situation and needs of the client that would reasonably be considered relevant to the advice sought on that subject matter (the client's relevant circumstances)

Operator	<p>As part of this process, I am using your existing details from our system, which says your age is 40 and your current cover with your account is \$130,000 life and TPD cover, as I previously explained. You also have a balance of \$80,000 in your account.</p> <p>Now, can you tell me what debts you have currently that you would need cleared in the event of death or a TPD event?</p>
Ruchi	We have a \$200,000 mortgage outstanding, plus \$5,000 on our credit cards.
Operator	Would you want to clear the entire mortgage? Keep in mind your husband is likely still working.
Ruchi	Yes, if I passed away or was disabled, I don't think he would want to have to deal with that.
Operator	Do you have any potential lump sum amounts you would like to cover in the event of death or disablement—for example, funeral expenses for death or medical expenses for disablement? Also, will there be school fees or other lump sum expenses that would need to be covered for any dependants?
Ruchi	We have a daughter who is in her last two years of school—that's about \$10,000 a year. And I suppose we would need to cover a funeral. Because we have private health cover and my husband is still working, we would probably be able to handle medical expenses.
Operator	<p>Standard funeral expenses are about \$10,000.</p> <p>Now, we move on to income. We suggest you look at this from the perspective of how much your husband would need to run the household if you passed away, or how much you would need to continue covering family expenses if you were disabled. First, can you tell me what your current income is?</p> <p>Then, after considering your family living expenses versus your income, what proportion of your income would you need to replace in both those circumstances?</p>
Ruchi	Well, my income is \$50,000 a year. I can save a fair bit of that when it's combined with my husband's income. If he cut his expenses to a minimum, we could probably make do on three-quarters of that income.
Operator	So, 75% of \$50,000 a year is \$37,500 or \$3,125 per month.
Ruchi	That sounds okay.

This example reflects some of the inquiries that you may make in providing personal advice under s961B(2)(b)(ii).

Operator	<p>Now, we need to think about how long this income stream would need to last—remember, debts and school fees are already covered. This will really affect the amount you decide to insure for. I'll give you two examples as an illustration.</p> <p>If you were disabled tomorrow and needed an income of \$37,500 all the way to age 65, that's 25 years. If we assume that the lump sum of money would earn 6% income and inflation is 3%, then you would need approximately \$663,000 in TPD cover. If we make the same assumptions, except that you only need it to last for 5 years, then you would need \$174,000 TPD cover.</p>
Ruchi	Which is better?
Operator	<p>Well, that will depend on your personal situation. If you think that you, or your husband if you passed away, could adjust your lifestyle to handle a death or TPD event, then you might look at saving money on premiums by choosing a lower duration. But this would mean the income stopped at that point. If you think it might be difficult to adjust, then you might need an income stream that goes all the way to retirement.</p>
Ruchi	I think age 65 is excessive, but 10 years to me would give us a reasonable buffer to adjust either way.
Operator	Okay. Finally, we need to consider existing assets and insurance that would be available to help support your needs.
Ruchi	We have about \$20,000 in cash. And we would be likely to sell our second car, which would give us another \$15,000. Like I mentioned earlier, I don't have any other insurance other than this account.
Operator	<p>Okay, I'll quickly collate the information you have given me.</p> <p>I think you need \$235,000 to cover lump sums, plus \$325,000 to cover income less \$35,000 for liquid assets. This comes to \$525,000. Since you already have \$130,000 plus a balance of \$80,000, which would be paid out, this would mean an increase of \$315,000 life and TPD cover in your account. In addition, the premiums payable will increase as your level of cover has increased.</p> <p>We have discussed in detail the appropriate levels of insurance you require.</p> <p>When considering insurance through your super, you should also check that your nominated beneficiaries are up to date—insurance paid through super is not covered under your will, unless you specify your estate as your beneficiary.</p> <p>Another factor to consider is that DEF Superannuation Fund has a policy of boosting superannuation death benefits by an amount that used to be commonly referred to as an anti-detriment payment. If you are comparing benefits between funds, please take this into consideration.</p>

Operator	<p>Lastly, the increases in the insurance levels we have discussed will be dependent upon you providing the specified medical information and final acceptance by our underwriter.</p> <p>I will put all this together into a Statement of Advice with an accompanying quote and Product Disclosure Statement with application forms. I'll forward this to you and check back in a week after you've had a chance to look at the material.</p>
Ruchi	Thanks for your help. I'll read all that and make a decision.

Statement of Advice to Ruchi on increasing the level of insurance within her super fund

DEF Superannuation Trustees Limited ABN 10 101 010 101

AFS licence no: 101010

STATEMENT OF ADVICE

1 July 2012

Mrs Ruchi Sidhu
1 Sydney Road
Sydney NSW 2000

Dear Mrs Sidhu

Insurance

You spoke with one of our representatives today about whether to increase the level of insurance you have within your DEF Superannuation Fund account. This advice is limited to your interest in the DEF Superannuation Fund and insurance within it.

This advice considers your personal information only and, other than your marital and family status, it excludes your husband's circumstances. You have advised us that you do not hold any form of insurance other than your current insurance within the DEF Superannuation Fund.

Information about you

We have calculated your insurance needs based on the following information you have provided:

- You have existing insurance for life and TPD in the amount of \$130,000.
- The balance of your superannuation account is currently \$80,000.
- You have debts in the order of \$205,000, including your mortgage and credit cards, which you would like paid out on your death or permanent disablement.
- You have a daughter who has two years left in high school. You wish to provide an income of \$20,000 in order to fund her education in the event of your death or permanent disablement.
- You would like the provision of \$10,000 in the event of your death for funeral expenses.
- You have private health cover and your husband is working, therefore you do not want medical expenses to be considered in the calculation of your cover.

- You currently earn an income of \$50,000 p.a. and consider 75% of this amount (\$37,500 or \$3,125 per month) for 10 years adequate to supplement your husband's income in the event of your disablement. Calculated on the assumption that the lump sum of money earns 6% income and inflation is 3%, the total amount comes to \$325,000.
- You and your husband have \$20,000 saved, and your second car (valued at \$15,000) would most likely be sold in the event of your death or disablement.

Our advice

Based on the information you have provided, the required cover for life and TPD amounts to \$525,000. As you are already covered for \$130,000 with a superannuation account balance of \$80,000 (which would be paid out), an increase of \$315,000 is required for life and TPD cover.

We recommend you apply to take out the following levels of insurance cover within the DEF Superannuation Fund:

- Life: \$315,000 of cover. The increase to your premium will be \$X per week, to be paid from your superannuation account.
- TPD: \$315,000 of cover. The increase to your premium will be \$X per week, to be paid from your superannuation account.
- These premiums will be an expense deducted from the balance of your account and, as such, will affect your long-term retirement savings balance. The above two premiums combined are currently less than the value of your superannuation guarantee contributions.
- Assuming acceptance of your increased levels of insurance by our underwriter, we also recommend you update your nominated beneficiaries for your superannuation account since life insurance paid through superannuation cannot be directed by your will (unless you specify your estate as beneficiary).

How does life insurance work?

Life insurance pays a lump sum upon death of the person insured. Upon your death, whether from illness or accident, a lump sum is available, and your family and other dependants can use this money to service or pay out any outstanding debts and pay for day-to-day living expenses.

How does TPD insurance work?

TPD insurance provides a lump sum payment if you're totally and permanently disabled. Depending on your policy and the relevant legislation, you are covered if you can't work again. TPD insurance can be used to help cover rehabilitation costs, repayment of debts and the cost of living for you and your dependants. Payments are not usually made until the disability has been evident for six months, and the insurer deems that you are unlikely to work again based on the definition in your particular policy.

Remuneration and conflicts of interest

If you act on this advice and the premium is \$X as per the quotation attached to this Statement of Advice, DEF Superannuation Fund will receive the amount of \$XX (including GST) with respect to the level of insurance.

Acting on this advice

I have enclosed an accompanying quote, Product Disclosure Statement and application form that asks for medical information about you. Subject to the medical information received by you, the premiums quoted may increase and also affect the advice in this Statement of Advice.

To act on the advice, just complete the enclosed application form and post it to DEF Superannuation.

Reviewing your insurance cover

We also recommend to our members that insurance should be reviewed every five years (in July 2017) as your personal circumstances may change. For example:

- financial dependants may become independent;
- your level of debt may change;
- your superannuation value should increase; and
- generally, insurance premiums become more expensive as we age and our need for insurance will likely decrease.

What this advice does, and does not, cover

You currently have life and total and permanent disability insurance with DEF Superannuation Fund. This Statement of Advice has provided advice about whether to increase your cover of these two types of insurance. We have not considered other types of insurance in this Statement of Advice, such as:

- *income protection insurance* (this pays a monthly income if you cannot work because of illness or injury); or
- *trauma insurance* (this pays a lump sum if you suffer from a serious medical condition, such as cancer or heart disease).

If you have any questions, please phone our call centre on (02) 9999 9999.

Yours sincerely

DEF Superannuation Fund
[Address]

Telephone: (02) 9999 9999

DEF Superannuation Fund Limited, ABN 10 101 010 101, AFS licence 101010 is the trustee and licensee responsible for the DEF Superannuation Fund.

Example 6: Making extra contributions—Email to superannuation fund

Jane contacts her superannuation fund for information and advice about making extra contributions to her superannuation.

Factual information

Note the use of email in this example. It is entirely up to you to work out how you want to communicate with your members.

In this example, XYZ Superannuation Trustees Limited does not need a licence because no financial product advice is being given.

Email from Jane	<p>Hi,</p> <p>I'm a member of your super fund (member number 23456Y) and I'm thinking about making some extra contributions to my super.</p> <p>Can you tell me what's the best way for me to do this?</p> <p>Kind regards,</p> <p>Jane Smith</p>
Email from fund	<p>1 July 2012</p> <p>Hi Jane,</p> <p>Thank you for your query.</p> <p>We can give you some factual information about how to make extra contributions to your super this financial year, but not advice about whether or not you should make additional contributions to your fund. This would involve providing you with personal advice, which I am not authorised to give. If you would like personal advice about this issue, I can set up a meeting for you with someone from our financial advice team.</p> <p>Information about making extra contributions to your superannuation</p> <p>Below I have set out a number of options for making extra contributions to your superannuation. If after reading through these options you have any questions, please feel free to give us a further email or call us.</p> <p>You may be able to:</p> <ul style="list-style-type: none"> • take advantage of the Government's co-contribution scheme if your total income* in 2012–13 is less than \$46,920; • salary sacrifice (i.e. contribute money from your pre-tax employment income); • receive a full tax deduction for personal superannuation contributions if you receive less than 10% of your total income* from employment; • make after-tax contributions (i.e. contribute to superannuation with money that you have already paid tax on); or • if you have a spouse on a low total income*, make a contribution to their superannuation so you can get a tax rebate for making a contribution to their superannuation. <p>* Total income in this email is defined as your assessable income, reportable fringe benefits and reportable employer super contributions.</p>

It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Jane is clearly told upfront that she will not be given any personal financial product advice.

The information in this section is factual. It can be objectively ascertained as being accurate through a number of different sources (e.g. the Australian Taxation Office's website, or ASIC's MoneySmart website) and it doesn't contain a recommendation or statement of opinion that is intended to influence Jane.

**Email
from
fund****Making a co-contribution**

In the 2012–13 financial year, if your total income is less than \$31,920, and you contribute \$500 to your super as a personal after-tax contribution, you may be eligible to receive \$500 more in extra super as a co-contribution from the Government. If your total income is between \$31,920 and \$46,920, you may still be eligible to receive an extra super contribution from the Government, but the amount is reduced on a sliding scale until your total income reaches \$46,920.

To be eligible for a co-contribution for contributions made in 2012–13, there are further criteria to be met based on age, sources of total income and residency status. Co-contributions are not available on contributions where the contributor has claimed a tax deduction on the contribution.

Salary sacrificing

If you 'salary sacrifice', you choose to give up some of your pre-tax income and instead contribute that income to your super. Your contributions are effectively taxed at 15% compared to the marginal rate of tax you would have paid on your employment income. You will need to check with your employer if you are able to salary sacrifice.

Tax deductions for personal contributions

If you receive less than 10% of your total income from employment in 2012–13, your personal contributions made in 2012–13 may be fully tax deductible.

You are able to make after-tax contributions to your super. But you need to be aware that the extra amounts you can contribute depend on things like your age and employment.

Making a contribution on behalf of your spouse

If you have a spouse who has a total income of less than \$10,800 in 2012–13, you could make a contribution to their superannuation and receive a tax rebate of 18% on any contribution you make to their super. You would receive the maximum \$540 rebate if you made the \$3,000 contribution to their superannuation. A reduced rebate would be available if your spouse has total income of between \$10,800 and \$13,800 in 2012–13.

Caps on what you can contribute to your superannuation

You need to keep in mind that there are caps on the amount of contributions you can make to superannuation in any one year. For example, the contributions cap on all tax deductible contributions in 2012–13 is \$25,000, and if you are over 50, the cap is \$50,000. Tax deductible contributions include salary sacrifice, compulsory 9% superannuation guarantee employer contributions, personal contributions for which a tax deduction has been claimed and some other less common contributions. For after-tax contributions, the cap in 2012–13 is \$150,000; however, depending on your circumstances, this amount may vary.

If you make contributions over the set limits, there may be significant adverse taxation consequences.

The information in this section is quite detailed. It is up to you to determine what information you give or don't give to your clients.

Email from fund	<p>Other important things to keep in mind</p> <p>One important thing to remember is that you are able to make after-tax contributions to your super, but you need to be aware that the extra amounts you can contribute depend on things like your age and employment.</p> <p>Another important factor to keep in mind about putting money into super is that you will probably not be able to access it until you retire.</p> <p>The financial benefits of each option will depend on your personal circumstances. If you wish to consider any of these options in the context of your personal financial circumstances, you will need to talk to a licensed financial adviser.</p> <p>Thanks again for your query.</p> <p>Michael</p>
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General advice

In this example, XYZ Superannuation Trustees Limited has an AFS licence authorising it to provide general financial product advice.

Email from Jane	<p>Hi,</p> <p>I'm a member of your super fund (member number 23456Y) and I'm thinking about making some extra contributions to my super.</p> <p>Can you tell me what's the best way for me to do this?</p> <p>Kind regards,</p> <p>Jane Smith</p>
Email from fund	<p>1 July 2012</p> <p>Hi Jane,</p> <p>Thank you for your query.</p> <p>We can give you some information and tell you what we generally recommend for our members, but this won't be personal to you as we do not look at your personal circumstances. If you need personal advice about what option is right for you, we can refer you to a financial adviser.</p> <p>Information about making extra contributions to your superannuation</p> <p>Below I have set out information about different ways people can make extra contributions to their superannuation. I have also set out some general advice about what we generally recommend for our members; however, as I stated above, these are general recommendations that do not take into account your personal circumstances.</p> <p>There are a number of ways you can make extra contributions to your super in 2012–13.</p>

It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Jane is clearly told upfront that she will not be given personal financial product advice.

**Email
from
fund**

You may be able to:

- take advantage of the Government's co-contribution scheme if your total income* in 2012–13 is less than \$46,920;
- salary sacrifice (i.e. contribute money from your pre-tax employment income); receive a full tax deduction for personal superannuation contributions if you receive less than 10% of your total income* from employment;
- make after-tax contributions (i.e. contribute to superannuation with money that you have already paid tax on); or
- if you have a spouse on a low total income*, make a contribution to their superannuation so you can get a tax rebate for making a contribution to their superannuation.

* Total income in this email is defined as your assessable income, reportable fringe benefits and reportable employer super contributions.

Making a co-contribution

In the 2012–13 financial year, if your total income is less than \$31,920, and you contribute \$500 to your super as a personal after-tax contribution, you may be eligible to receive \$1,000 more in extra super as a co-contribution from the Government. If your total income is between \$31,920 and \$46,920, you may still be eligible to receive an extra super contribution from the Government, but the amount is reduced on a sliding scale until your total income reaches \$46,920.

To be eligible for a co-contribution for contributions made in 2012–13, there are further criteria to be met based on age, sources of total income and residency status. Co-contributions are not available on contributions where the contributor has claimed a tax deduction on the contribution.

Salary sacrificing

If you 'salary sacrifice', you choose to give up some of your pre-tax income and instead contribute that income to your super. Your contributions are effectively taxed at 15% compared to the marginal rate of tax you would have paid on your employment income. You will need to check with your employer if you are able to salary sacrifice.

For members who can salary sacrifice, you need to think about whether you could comfortably meet your commitments if you were to salary sacrifice. This is because salary sacrificing requires you to give up some of your income and put it into your super instead. Depending on your income and your tax rate, salary sacrificing can be tax effective and help you build your super faster.

Tax deductions for personal contributions

If you receive less than 10% of your total income from employment in 2012–13, your personal contributions made in 2012–13 may be fully tax deductible.

The information in this section is quite detailed. It's up to you to determine what information you give or don't give to your clients.

Michael is saying that salary sacrificing can be beneficial, but has not gone as far as saying that salary sacrificing is right for Jane.

**Email
from
fund****Making a contribution on behalf of your spouse**

If you have a spouse who has a total income of less than \$10,800 in 2012–13, you could make a contribution to their superannuation and receive a tax rebate of 18% on any contribution you make to their super. You would receive the maximum \$540 rebate if you made the \$3,000 contribution to their superannuation. A reduced rebate would be available if your spouse has total income of between \$10,800 and \$13,800 in 2012–13.

If you have a spouse earning a low income and you would qualify for the spouse contribution tax offset, you need to consider whether making the contribution to their superannuation gives you a higher tax rebate than if you were to salary sacrifice into your own superannuation.

Alternatives to contributing to superannuation

In considering whether to use any portion of your net pay to make after-tax contributions, you need to think about your lifestyle expenses and other commitments like a mortgage or personal loans. For example, if you have credit card debts or a large amount to pay off your mortgage on your home, you should consider whether these debts should be paid off before putting money into super, which you probably won't be able to access until you retire.

Caps on what you can contribute to your superannuation

You need to keep in mind that there are caps on the amount of contributions you can make to superannuation in any one year. For example, the contributions cap on all tax deductible contributions in 2012–13 is \$25,000, and if you are over 50, the cap is \$50,000. Tax deductible contributions include salary sacrifice, compulsory 9% superannuation guarantee employer contributions, personal contributions for which a tax deduction has been claimed and some other less common contributions. For after-tax contributions, the cap in 2012–13 is \$150,000; however, depending on your circumstances, this amount may vary.

If you make contributions over the set limits, there may be significant adverse taxation consequences.

Other important things to keep in mind

You are able to make after-tax contributions to your super. But you need to be aware that the extra amounts you can contribute depend on things like your age and employment.

Also, as we say above, it is important to remember that you cannot access your superannuation until you retire.

Michael is saying that this strategy can be beneficial, but has not gone as far as saying that salary sacrificing is right for Jane. Jane needs to consider whether it would be a good option in her circumstances.

Email from fund	<p>This advice has been prepared without taking into account your objectives, financial situation or needs. You should, therefore, consider the appropriateness of the advice in light of your own objectives, financial situation or needs before acting on the advice.</p> <p>Thanks again for your query.</p> <p>Michael</p>	<p><i>General advice by an AFS licensee must be accompanied by a general advice warning.</i></p> <p><i>If Jane emailed Michael back and asked which option he recommended for her, Michael could say that he is unable to provide personal financial product advice because XYZ Superannuation Trustees Limited does not have an AFS licence authorising it to do so: see s911A.</i></p>
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Personal advice

Because this example involves personal advice, XYZ Superannuation Trustees Limited needs to have an AFS licence authorising it to provide personal financial product advice: see s911A.

Email from Jane	<p>Hi,</p> <p>I'm a member of your super fund (member number 23456Y) and I'm thinking about making some extra contributions to my super.</p> <p>Can you tell me what's the best way for me to do this?</p> <p>Kind regards,</p> <p>Jane Smith</p>
Email from fund	<p>1 July 2012</p> <p>Hi Jane,</p> <p>Thank you for your query.</p> <p>It's great you're thinking about contributing more to your superannuation. We really encourage our members to do this. In order to help with your specific query, I have a few questions I'd like you to answer:</p> <ul style="list-style-type: none"> • Do you want my advice to focus on additional contributions within the XYZ Superannuation Fund? • Are you married? • Can you confirm your age? (Our records indicate you are 33.) • Are you currently employed? If so, what is your estimated total income* from employment in 2012–13? • What is your estimated total income* from all sources for 2012–13? • Do you currently make any extra contributions to your super, or have you made any extra contributions since 1 July 2010? • How much is your employer(s) currently contributing to super? • Do you hold, or have you held, an Australian temporary resident visa? • From your personal budget after living expenses, paying loans and other savings plans, how much could you set aside to put towards superannuation contributions?

<p>Email from fund</p>	<ul style="list-style-type: none"> • Do you have any debts such as personal loans, credit cards or other debts such as your home loan? <p>* Total income in this email is defined as your assessable income, reportable fringe benefits and reportable employer super contributions.</p> <p>I can only give you advice on your additional contributions within the XYZ Superannuation Fund. However, making a fully informed decision about any extra superannuation contributions requires looking at many other important things that I cannot consider as part of this advice. Please confirm that you are comfortable with this.</p> <p>After you put money into super, it must generally stay there until you retire. You should weigh up the benefits of extra super against other priorities—for example, paying off your credit card debts or other debts such as your home loan. If this raises any concerns for you, or if you require additional assistance with weighing up these issues, then you should consider getting financial advice that looks at your overall financial position.</p> <p>Please note that our advice carries a fee, which is \$XX.</p> <p>I will also send you our Financial Services Guide, together with a Statement of Advice, which will document my recommendations to you.</p> <p>Regards,</p> <p>Michael</p>	<p><i>Michael makes it clear to Jane that the advice is limited to her additional contributions within the XYZ Superannuation Fund. Michael has told Jane that she might want to consider getting advice that looks at her overall financial position.</i></p> <p><i>Superannuation funds can charge for their services—they just need to be upfront about their fees and disclose them in the Statement of Advice.</i></p>
<p>Email from Jane</p>	<p>Hi Michael,</p> <p>In response to your questions:</p> <ul style="list-style-type: none"> • I'm single. • I'm 33. • I want advice about increasing contributions in this super fund. • I've just retrained and I've been working as a nurse since February. • I will earn \$44,000 before tax in 2012–13 from my employment as a nurse. • My employer will contribute \$3,960 in superannuation guarantee contributions in 2012–13. • I am a permanent Australian resident. I have never held a temporary resident visa. • I don't have a budget at the moment, but I'd be happy to put in up to \$600 per year. • I don't have a personal loan or home loan. My credit card balance is low so I am not that concerned about it. <p>I am happy to go ahead based on your fee.</p> <p>Thanks,</p> <p>Jane</p>	

Email from fund	<p>1 July 2012</p> <p>Hi Jane,</p> <p>Thank you for your responses to my questions.</p> <p>Based on your responses, I've prepared a Statement of Advice for you, which contains my recommendations.</p> <p>I've attached the Statement of Advice to this email.</p> <p>I've also attached our Financial Services Guide for your information.</p> <p>Regards,</p> <p>Michael</p> <p><attachment: Statement of Advice to Jane on making extra contributions to her super></p> <p><attachment: Financial Services Guide></p>	<p><i>Note that the Financial Services Guide is not set out in full for the purposes of this example.</i></p>
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Statement of Advice to Jane on making extra contributions to her super

XYZ Superannuation Trustees Limited ABN 12 345678910

AFS licence no: 123456

STATEMENT OF ADVICE

1 July 2012

Jane Smith
1 Sydney Road
Sydney NSW 2000

Dear Jane,

Extra contributions

You emailed one of our representatives today about a good way for you to contribute more money to your account with the XYZ Superannuation Fund.

This advice is limited to your interest in the XYZ Superannuation Fund. It is provided by XYZ Superannuation Trustees Limited.

Information about you

- You are single.
- You are aged 33.
- Your total income is about \$44,000 per year.
- You are employed.
- You have never made any extra contributions to super.
- You are a permanent Australian resident and have never held a temporary resident visa.
- You have informed me that you do not have any personal loans, or a home loan, and that your credit card balance is low.
- You have not estimated in detail how much money you have available to save each year into superannuation other than up to \$600 per year after-tax income.

Our advice*Government co-contribution*

For every \$1 you put into superannuation in 2012–13 from your after-tax income, the Government will contribute \$1 up to a maximum cap of \$500. This cap reduces on a sliding scale based on your income. This is called the government co-contribution.

Your personal maximum government co-contribution for 2012–13 is \$97, which has been calculated as follows:

$$\$500 - [(\$44,000 - \$31,920) \times 0.03333] = \$97.$$

The co-contribution you are eligible to receive in 2012–13 is the lesser of the actual amount you contribute and your personal maximum co-contribution limit for 2012–13 of \$97.

Based on your income of \$44,000, you would get the biggest benefit by contributing your \$600 in 2012–13 from after-tax income. The Government will then contribute another \$97 to your super after you've lodged your tax return. This would equate to a combined contribution to your super account of \$697.

Salary sacrificing

Alternatively, if you choose to salary sacrifice the equivalent of \$600 after-tax income in 2012–13, this would be paid directly to your superannuation account from your pre-tax income. This would reduce your assessable income in 2012–13 by \$600 and save you \$171 income tax. Please note that your employer is under no obligation to offer salary sacrificing.

After-tax income of \$600 is equivalent to \$857 pre-tax income at a 31.5% marginal tax rate. Once the \$857 pre-tax income is contributed to your superannuation account, contributions tax of effectively 15% is deducted and your net contribution would be \$729.

The total value to you of salary sacrificing the equivalent of \$600 after-tax income in 2012–13 would be \$900 (\$171 tax saving and \$729 super contribution).

Contribution caps

From the information provided, your post-tax contribution cap for 2012–13 is \$150,000 and your pre-tax contribution cap is \$25,000. Based on the information provided, contributing an extra \$600 post-tax or \$857 pre-tax income in 2012–13 will not exceed your contribution caps.

The co-contribution does not count towards either of your contribution caps.

Recommendation

I recommend that you contribute your \$600 from after-tax income in 2012–13 so that you can take advantage of the Government co-contribution scheme. While the salary sacrificing option would give you a total benefit of \$900, you will still benefit more by accessing the Government co-contribution scheme.

Please note that the above recommendation is based on the information you have provided to me, and only relates to your interest in the XYZ Superannuation Fund. This advice does not take into account all of your personal circumstances.

Remuneration and conflicts of interest

The fee for my advice and for preparing this Statement of Advice is \$XX (including GST).

In addition, if you follow this advice and make the extra contributions and receive the resulting co-contribution, XYZ Superannuation Trustees Limited will receive management fees of \$XX (including GST). Because you will have more money in your account as a result of the extra contributions you make and co-contributions you receive, this means we will get higher management fees than would otherwise be the case. You should consider this when deciding whether or not to act on our advice.

Acting on this advice

To act on this advice, just complete the enclosed form and give it to your employer.

Should you have any questions, please phone our call centre on (02) 9999 9999.

Yours sincerely

XYZ Superannuation Trustees Limited
Address

Phone number: (02) 9999 9999

XYZ Superannuation Trustees Limited, ABN 12 345 678 910, AFS licence 123456, is the trustee and responsible entity for the XYZ Superannuation Fund.

Example 7: Paying a windfall into superannuation or mortgage

Harold contacts his superannuation fund for information and advice about whether to pay a windfall into superannuation or his mortgage.

Factual information

In this example, the operator does not need to be licensed because no financial product advice is being given.

Harold	Hello, my name is Harold Fung, and I'm 36. My grandfather has recently passed away and he left me \$40,000 in his will. I would be interested in discussing whether it would be better to pay off my mortgage or invest it in superannuation.	
Operator	Certainly, Harold. I am happy to answer your questions, but I can only provide you with factual information at this time. I'm unable to give you advice about what you should do in your specific circumstances.	<i>It is good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, the operator clearly tells Harold upfront that they will not be giving any financial product advice.</i>
Harold	That's fine.	
Operator	How effective it is to pay off a mortgage depends on a number of factors. Depending on your age and individual financial circumstances, you may actually achieve more with money received from an inheritance if you were to invest it in other ways. But it is worth considering whether to pay off a mortgage.	
Harold	What can you tell me about paying off a mortgage?	
Operator	I will focus on the most common type of mortgage, which is the variable rate mortgage. The standard variable interest rate is around 6.80%, although the actual rate varies between mortgages. By paying a lump sum into a variable rate mortgage, you can reduce the amount of principal owed on the loan and effectively the amount of interest to be repaid to the lender. This means that, even if you maintained the same repayments as before the lump sum were deposited, more of each repayment would go to paying off the principal since there is less interest to pay. This means that you can save a lot of money and potentially repay your mortgage ahead of schedule.	<i>You can give factual information to a caller even though you know some personal information about them. In this example, ABC Superannuation Fund has personal information about Harold as a member of its fund, but this doesn't stop the operator from giving Harold factual information.</i>
Harold	Okay, that makes sense. How about investing the money into super?	
Operator	Depending on how long you have worked and how much money you have accumulated in superannuation, an inheritance could provide a significant boost to your retirement savings. There are some excellent calculators available on our website to show you just how much of a difference a windfall can make to your retirement lifestyle.	

Operator	<p>By making an additional contribution to your super, you may be surprised how much extra super may be available to you on your retirement. However, there are some things you have to be aware of when making further contributions to super. There are limits on the amount of money that can be put into superannuation without paying extra tax. In particular, you can only contribute before tax under a 'salary sacrifice' arrangement up to \$25,000 a year at the moment, and the amount contributed by your employer must be counted towards that. The other thing to consider is that your money will be tied up until you reach preservation age—currently age 65.</p> <p>People who earn less than \$46,920 per year should be eligible for the Government co-contribution. They can receive up to \$500 extra from the Government, depending on their level of income for any financial year. Of course, the more you earn, the less you would be entitled to receive. Anyone who earns over \$46,920 will not be eligible to receive this co-contribution.</p>	<p><i>This operator is giving factual information only because:</i></p> <ul style="list-style-type: none"> • <i>the information can be objectively determined as being accurate; and</i> • <i>the communication doesn't contain a recommendation or statement of opinion that is intended to influence Harold.</i>
Harold	That sounds really interesting. I guess I have to weigh up my options, as this money is a surprise and I really want to think about how best to use it.	
Operator	Of course. Would you like me to send out some information and you can discuss it with your family?	
Harold	I would appreciate that. Thanks for your time today. I may be in touch in the future.	

General advice

In this example, ABC Superannuation Fund is not licensed because it is relying on the exemption for financial product issuers to give general advice without an AFS licence if that advice is about its own superannuation fund on certain conditions: reg 7.1.33H.

Harold	Hello, my name is Harold Fung, and I'm 36. My grandfather has recently passed away and he left me \$40,000 in his will. I would be interested in discussing whether it would be better to pay off my mortgage or invest this money in superannuation.	
Operator	<p>Hi Harold. We would be more than happy to help you.</p> <p>I have to tell you that I can only provide you with general advice at this time, which does not take into account your personal circumstances. I can, however, tell you what we would normally recommend for members. If you would like personal advice that takes your personal circumstances into account, I could have one of our advisers call you.</p> <p>I also need to mention that ABC Superannuation Fund is not licensed to give you advice about the fund, so we recommend that you get a Product Disclosure Statement and read it before making a decision. We can send you one in the mail, or you can find it on our website.</p>	<p><i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Harold is clearly told upfront that he will not be given personal financial product advice.</i></p> <p><i>ABC Superannuation Fund needs to provide this warning because it is relying on reg 7.1.33H (it is not licensed to provide general advice about its fund).</i></p>
Harold	That's fine. I am thinking of speaking with an adviser for a more in-depth discussion, but for now, some additional information would be great.	

Operator	<p>Okay, I will tell you what we generally advise people who have many years to go before retirement, and are in the usual situation where they have a variable rate mortgage and only have the 9% of salary payment that their employer has to pay going into their superannuation.</p> <p>By making an additional contribution to your super, you may be surprised how much extra super may be available to you on your retirement. However, there are some things you have to be aware of when making further contributions to super. There are limits on the amount of money that can be put into superannuation without paying extra tax. In particular, you can only contribute before tax under a 'salary sacrifice' arrangement up to \$25,000 a year at the moment, and the amount contributed by your employer must be counted towards that. And, of course, this money will be tied up in superannuation until you reach preservation age, which is currently age 65.</p>
Harold	Okay, I understand what you have said so far.
Operator	People who earn less than \$46,920 per year should be eligible for the Government co-contribution. They can receive up to \$500 extra from the Government, depending on their level of income for any financial year. Of course, the more you earn, the less you would be entitled to receive. Anyone who earns over \$46,920 will not be eligible to receive this co-contribution.
Harold	Looks like I miss out on that incentive. What about paying my inheritance into the mortgage?
Operator	That is what we would generally recommend to members in this situation. Reducing your mortgage in the form of a lump sum will give you additional flexibility, because you can draw on this money if you have the need later on. I am assuming that, if a person puts extra money into their mortgage, they can later redraw it, while the lump sum is in the redraw account. The other thing to consider, in case interest rates go up, is that a lower mortgage means the higher interest rate will have less impact on your repayments.
Harold	That makes sense. Are there any other options?
Operator	An option that may be good for many people is to put the money into a mortgage redraw account, and then arrange with their employer for some of their salary to go into their superannuation account before tax, in addition to the 9% employer contribution. This will mean that their salary will go down, but they can withdraw amounts from their redraw account to supplement their income. The advantage is that the money going into superannuation in this way is subject to lower tax for most workers. One thing to watch, however, is that you don't use the money in your redraw account except to make up lost salary. If you do, once the money runs out, you might not be able to continue to meet your expenses, and you won't have saved the money for later.

Harold	I obviously still have a bit to think about before I make a final decision. I may get in touch with you if I feel I need more information on what I should do.
Operator	We'd be happy to help you.

Personal advice

Because this example involves personal advice, ABC Superannuation Fund needs to have an AFS licence authorising its advice providers to provide personal financial product advice: see s911A.

Bill	<p>Hi, is that Harold Fung? I'm Bill Smith, the financial adviser from ABC Superannuation Fund that you spoke to yesterday.</p> <p>[At this point, Bill would perform the appropriate identity checks to confirm that he is speaking with the account holder. Bill would also confirm that the member has a copy of the current version of the Financial Services Guide, if required.]</p>
Harold	Hi Bill. Thanks for calling back. As I was saying, my grandfather has recently passed away and left me \$40,000 in his will. I want to know whether it would be better to pay off my mortgage or invest this money in superannuation.
Bill	<p>I'm sure I can help you with making this decision. Let me just recap on your details as you advised yesterday:</p> <ul style="list-style-type: none"> • You are aged 36. • You have a mortgage of \$216,000 with a current variable rate of 6.80% per year. • You have 20 years remaining on your mortgage. • Your home loan allows you to make repayments that go into a redraw account. • You are working full time and earn \$85,000 per year. • You don't have any other debts, including no credit card debts, car loans or other personal loans. • You have a balance of \$66,000 in our ABC Superannuation Fund invested in the Balanced option, and you are not seeking advice about changing your option. • Your employer will not facilitate any 'salary sacrifice' arrangements for you. • You can withdraw money paid into your home loan redraw account at any time without paying fees. While the money is in the redraw account, it offsets the amount owing on your mortgage for calculating interest.
Harold	Yes, that's all correct.

Bill	Okay, that's good. I also need to let you know that I can only give you advice about your interest in the ABC Superannuation Fund, as discussed. I am not considering anything else, so if you would like advice on other issues, you should consider getting more comprehensive advice that looks at your overall financial position. Is this okay?	<i>In this example, ABC Superannuation Fund makes it clear that the scope of the advice is limited to Harold's interest in that fund. Bill has suggested to Harold that he might want to consider getting advice that looks at his overall financial position if there are other issues that he would also like advice about.</i>
Harold	That's fine for the moment, thanks.	
Bill	That's good. I will limit my advice to the use of your inheritance of \$40,000 in the most effective way, either by making contributions to superannuation or keeping the money in your redraw account.	
Harold	Thank you.	
Bill	ABC Superannuation Fund's Balanced option has an earning rate over the last 10 years averaging 7% per year after fees and taxes. At the moment, every dollar you put in your redraw account is saving you interest at a rate of 6.80% a year.	
	It's not possible to be sure what the future rate of earnings in ABC Superannuation Fund will be because past performance is not necessarily a guide to future performance. Nor can we be sure what future interest rates will be. Returns and interest rates, like we've been discussing, can definitely change depending on market conditions.	<i>A 'past performance' warning is appropriate in the context of giving information about performance returns.</i>
Harold	Okay, I'll keep that in mind.	
Bill	While the current interest rate applies on your loan, you are getting a slightly better return if you put your money into superannuation. However, you should be aware that you are almost 30 years away from attaining preservation age, and if you pay money into superannuation, unlike paying into a redraw account, you probably won't be able to access that money until then. Also, while interest rates can change, they are not going to change from year to year nearly as much as the returns on your superannuation. In some years, superannuation accounts will actually lose money, but any money you pay off the mortgage will always save you some interest. In this sense, investing in paying off your mortgage is less risky. There is another big advantage to paying off your mortgage, and that is, if you need the money in the redraw account, you can get it back.	
Harold	Okay, thanks for making it clear. I think I would like to have access to my money in case of unforeseen emergencies.	
Bill	Please give me a call if you have any more questions. I will also forward you a Statement of Advice, setting out what we have discussed today.	

Statement of Advice to Harold on whether to pay a windfall into superannuation or mortgage

ABC Superannuation Trustees Limited ABN 12 34567890

AFS licence no: 123456

STATEMENT OF ADVICE

1 July 2012

Mr Harold Fung
100 Sydney Street
Sydney NSW 2000

Dear Harold

\$40,000 inheritance—Pay into superannuation or mortgage?

This Statement of Advice contains my recommendation to pay \$40,000 you received through an inheritance into a redraw facility that is currently part of your mortgage account.

My advice is limited to this recommendation and does not take into account any other related financial issues at this time.

Information about you

- You are 36 years of age.
- You have a mortgage of \$216,000 with a current variable rate of 6.80% per year and 20 years remaining.
- Your home loan allows you to make repayments that go into a redraw account and the money there is deducted from how much money you owe when calculating interest.
- You are currently employed on a salary of \$85,000 per year.
- You have a balance of \$66,000 in the ABC Superannuation Fund held in the Balanced option and want to remain in that option.
- Your employer will not facilitate 'salary sacrifice' arrangements for you that allow you to accept a lower salary and the employer to use the money to pay into your superannuation fund.
- You have no debts (including credit card debts, car loans or other personal loans) other than your mortgage, and no assets outside of your home and super benefits.

My advice

I have compared keeping the money in your redraw account with contributing the money to superannuation, and I recommend that you put the \$40,000 in your redraw account.

Why I have made this recommendation

In the redraw facility, you are effectively receiving an after-tax return of 6.80% per year, based on the current interest rate applicable to your mortgage. This rate of return is slightly better than the Balanced option of the ABC Superannuation Fund, which returns an average of 7% after fees and taxes. This difference of 0.2% is worth about \$80 a year. However, you are making a significant contribution to paying out the mortgage, and the potential of paying out this loan years earlier gives you the option to invest more into superannuation as you approach retirement.

Putting money into a mortgage is also more flexible, because it is possible to take that money back through a redraw facility if you need it (although, of course, this will reduce the benefit you get from having paid the money off the mortgage).

Acting on this advice

To act on this advice, you should transfer your \$40,000 inheritance to your mortgage redraw account.

I suggest that you contact me in the future for advice:

- if the mortgage is almost paid off, interest rates change, your employer changes its policy on salary sacrifice arrangements, you change jobs, or you take on any personal loans or other debt, you should review whether you should put the money into your superannuation fund or look at some other option.
- if you do not want to fully pay off your mortgage so that you can keep the redraw account as a source of ready finance. For example, if interest rates were to fall, or you can get a better rate on your mortgage, then it might be worth looking again at making superannuation contributions. If you can establish an arrangement for your employer to contribute before tax to superannuation, this might make you better off, as long as you keep within the maximum amount to which you can make contributions without paying extra tax.

Remuneration and conflicts of interest

I am remunerated by fee for service. This Statement of Advice is provided for a fee of \$XX inclusive of GST.

Should you have any questions, please telephone me on (02) 9999 9999.

Yours sincerely

Bill Smith
Financial Adviser
ABC Superannuation Trustees Limited
5 Harbour Street
Sydney NSW 2000

Example 8: Superannuation and Centrelink payments—Effect on age pensions of accessing funds through superannuation or a mortgage redraw

Fernando contacts his superannuation fund for information and advice about the effect on the age pension of accessing funds through superannuation or a mortgage redraw.

Factual information

In this example, the operator does not need to be licensed because no financial product advice is being given.

Fernando	Hi, I'm Fernando Gonzalez and I'm a member of the ABC Pension Fund. I need \$25,000 to update my kitchen. I don't have any available cash and I'm wondering whether I should make a lump sum withdrawal from my pension account or whether I should use my home loan redraw facility to maximise my age pension entitlements. I'm 67. Can you help?	
Operator	Hi Fernando. I'm happy to answer your questions, but I can only give you factual information at this time. I'm unable to give you financial advice about what you should do.	<i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, the operator clearly tells Fernando upfront that they will not be giving any financial advice.</i>
Fernando	That's fine. I just need some basic information at this point.	
Operator	<p>The age pension is means tested. Among other things (such as your age, gender, marital status and residency status), Centrelink assesses your income and assets to determine your eligibility and amount of age pension payment. Whichever test produces the lower amount of age pension entitlement is the test that applies to you.</p> <p>It is also important to remember that, if your circumstances change, the test that applies to you may also change.</p>	<i>You can give factual information to a caller even though you know some personal information about them. In this example, ABC Superannuation Fund has personal information about Fernando as a member of their fund, but this doesn't stop the operator from giving Fernando factual information.</i>
Fernando	Okay, that makes sense so far.	
Operator	<p>The value of a home is not assessable under the assets test. It does not affect age pension entitlements if you redraw funds from your mortgage and spend the money on something that doesn't create income or an asset that counts under the assets test—like improvements to your own home.</p> <p>But, if you use a mortgage redraw facility, you will have to make additional repayments to cover the extra amount borrowed.</p>	

Operator	<p>The balance of an account-based income stream product, such as the ABC Pension Fund, is used in calculating the amount of a part pension you are entitled to under the assets test. A reduction in the balance is likely to result in a higher age pension entitlement.</p> <p>You should note that, while the age pension entitlement is likely to be higher if the money is drawn from the pension account, there is a long-term disadvantage because drawing money from the pension account will mean that the money in the account is likely to be used up sooner than it would otherwise be.</p>	<p><i>This operator is giving factual information only because:</i></p> <ul style="list-style-type: none"> • <i>the information can be objectively determined as being accurate; and</i> • <i>the communication doesn't contain a recommendation or statement of opinion that is intended to influence Fernando.</i>
Fernando	Thanks for that. It's given me a good idea of how these things work. I'll get back to you if I need more information.	

General advice

In this example, ABC Superannuation Fund is not licensed because it is a representative of a superannuation trustee relying on the exemption for financial product issuers to give general advice without an AFS licence if that advice is about its own superannuation fund on certain conditions: reg 7.1.33H.

Fernando	Hi, I'm Fernando Gonzalez and I'm a member of the ABC Pension Fund. I need \$25,000 to update my kitchen. I don't have any available cash and I'm wondering whether I should make a lump sum withdrawal from my pension account or whether I should use my home loan redraw facility to maximise my age pension entitlements. I'm 67. Can you help?	
Operator	<p>Hi Fernando. I'm happy to answer your questions, but I'm only authorised to give you general advice. I can tell you what we'd generally recommend to our members. I can't give you personal financial advice that takes into account your personal circumstances. If you want personal advice, we can refer you to a financial adviser.</p> <p>I also need to mention that ABC Superannuation Fund is not licensed to give you advice about the fund, so we recommend that you get a Product Disclosure Statement and read it before making a decision. We can send you one in the mail, or you can find it on our website.</p>	<p><i>It's good practice to be clear about the service you are offering—are you giving factual information or advice? In this example, Fernando is told upfront that he will not be given personal advice.</i></p> <p><i>ABC Superannuation Fund needs to provide this warning because it is relying on reg 7.1.33H (it is not licensed to provide general advice about its fund).</i></p>
Fernando	That's okay.	
Operator	The age pension is means tested. Among other things (such as your age, gender, marital status and residency status), Centrelink assesses your income and assets to determine your eligibility and amount of age pension payment. Whichever test produces the lower amount of age pension entitlement is the test that applies to you. It is also important to remember that, if your circumstances change, the test which applies to you may also change.	
Fernando	I'm currently receiving a part age pension based on an assessment under the assets test. I'm single, own my own home and have no other income.	

Operator	<p>The value of a home is not assessable under the assets test. This means that when someone borrows against a home mortgage redraw facility, and spends the money on something that doesn't create an income or an asset that counts under the assets test, like improvements to your own home, it does not affect their age pension entitlements.</p> <p>But, if you use a mortgage redraw facility, you will have to make additional repayments to cover the extra amount borrowed.</p> <p>Furthermore, the balance of an account-based income stream product, such as the ABC Pension Account, will be used in calculating the amount of a part pension you are entitled to under the assets test. A reduction in the balance is likely to result in a higher age pension entitlement.</p> <p>For members who are asset tested, taking a lump sum from an assessable asset to spend on an asset such as your principal home that is not counted under the assets test will be likely to result in increased age pension payments. However, it does depend on your personal circumstances and it is possible that the income test becomes the dominant test so we suggest you either seek personal advice or talk to Centrelink before making any decisions. Of course, while the age pension entitlement is likely to be higher if the money is drawn from a pension account, there is also a long-term disadvantage because drawing money from the pension account will mean that money in the account is likely to be used up sooner than it would otherwise be.</p>
Fernando	<p>Thanks for that. It's given me a good idea of how these things would affect someone in my position. I'll get back to you if I need more personalised information.</p>

Personal advice

Fernando	<p>Hi, I'm Fernando Gonzales and I'm a member of the ABC Pension Fund. I need \$25,000 to update my kitchen. I don't have any available cash and I'm wondering whether I should make a lump sum withdrawal from my pension account or whether I should use my home loan redraw facility to maximise my age pension entitlements. I'm 67. Can you help?</p>
Operator	<p>Hi Fernando. Yes, I think I can help you.</p> <p>You need to be aware that I am only going to give you advice about the two options you have identified, taking into account your objective of maximising your age pension entitlement. Are you comfortable with that approach?</p>
Fernando	<p>That sounds great, thanks.</p>

In this example, ABC Superannuation Fund makes it clear that the scope of the advice is limited to the options that Fernando has requested advice on.

Operator	<p>[At this point, the operator will perform the appropriate identity checks to confirm that he is speaking with the account holder. The operator will also confirm that the member has a copy of the current version of the Financial Services Guide, if required.]</p> <p>Let me just get your details up in front of me. Then I'll be able to give you specific advice on which option would be better for you in terms of the effect on your age pension entitlements.</p> <p>You are 67 and started your pension in 2010 at age 65 with \$240,000. You have a balance of \$260,000 in your ABC Pension Account, an account-based income stream product. You are currently drawing the minimum amount of 5% of the balance per year.</p> <p>I have some more questions for you:</p> <ul style="list-style-type: none"> • Do you have any assets other than your pension account? • What income do you have besides your superannuation pension and any age pension you currently receive? • Are you single or married? 	<p><i>This is an example of some of the inquiries that you may make in providing personal advice. It is not intended as an exhaustive list. The operator may need to ask further questions to ascertain the client's circumstances if the issue is complex.</i></p>
Fernando	<p>I'm single. I'm currently receiving a part age pension of \$435.80 a fortnight, based on an assessment under the assets test. My entitlement at the moment is based on my assessable assets outside of super—being \$100,000—none of which I can use to access funds. I don't have any other income.</p>	<p><i>These are the pension rates as at July 2012.</i></p>
Operator	<p>If you use your home loan redraw facility, you will not alter your current age pension entitlement. You will owe more money, but you can't deduct this in working out your assets for the assets test.</p> <p>If you draw the funds from your pension account, you will reduce the level of assets you are treated as holding and will therefore be entitled to a higher part pension under the assets test.</p> <p>So, your assessable assets are the account balance of your pension fund plus \$100,000—therefore, \$360,000. As you're aware, the value of your home is not assessable under the assets test.</p> <p>If you use the funds from your pension account, your balance and your level of assessable assets will be reduced by \$25,000.</p> <p>I calculate that, if you draw down \$25,000 from your pension account, your part pension will be \$473.30 per fortnight, which is an increase of \$37.50.</p> <p>You need to remember that drawing the funds down from your pension account will mean that the pension will not last as long. Is the full \$25,000 required for your renovations?</p>	<p><i>The financial adviser has performed calculations to show that the income test will have no effect on the client's entitlement to the part age pension (i.e. under the income test the full age pension is available, and because that entitlement is greater than that under the assets test, it is the assets test that will apply). The adviser does not discuss the detail of the calculations in the conversation with the client but has taken steps to be sure that it is the assets test that will apply.</i></p>
Fernando	<p>Yes, I have had three quotes and this is the best option for my money.</p>	

Operator	<p>That's fine. I asked the question because, although your part pension will increase, the overall benefit to you over time has reduced due to the drawdown. As a result, you may wish to consider revising your payments from the pension account next year to take this drawdown into account. Alternatively, you may want to think about getting advice to help you budget within your reduced income.</p> <p>Now, the calculations I have done are based only on the current rules for superannuation and pension entitlements, and these could change. However, in my opinion, looking at the options in terms of which will result in you getting more age pension, a lump sum withdrawal from your superannuation would be better.</p> <p>Another aspect you should consider is how much extra interest you would pay if you used your mortgage redraw facility, and compare this with how much you may lose from getting less earnings in your pension account because the balance is lower.</p> <p>I will send you a Statement of Advice that sets out the advice I have just given you.</p>
Fernando	Thanks for that. I'll look forward to receiving it.

Statement of Advice to Fernando on the effect on his age pension of accessing funds through superannuation or a mortgage redraw

ABC Superannuation Trustees Limited ABN 12 34567890

AFS licence no: 123456

STATEMENT OF ADVICE

1 July 2012

Mr Fernando Gonzales
1 Martin Place
Sydney NSW 2000

Dear Fernando

Effect on your age pension of accessing funds through superannuation or a mortgage redraw

You asked for advice today about whether you should pay for your home renovations from your pension account or from your home mortgage redraw facility. This advice is limited to issues specifically relevant to the question that you have asked us—that is, which of these two options would be better for you, including in terms of the effect on your age pension entitlement.

Information about you

- You are 67 years of age and single.
- You started your ABC Pension Account, an account-based income stream, in 2010 at age 65 with \$240,000.
- You currently have a balance of \$260,000 in your ABC Pension Account and are drawing the minimum annual amount of 5% of the balance of your account.
- You have \$100,000 in assets outside of your ABC Pension Account, but no available cash.
- You have no income outside of your ABC Pension Account drawdown and your part age pension entitlement, which is currently \$435.80 per fortnight.

- Your objective is to access \$25,000 from either your pension account or your mortgage redraw facility, whichever will enable you to receive the higher entitlement to an age pension and otherwise be better off.

Our advice

We recommend that you draw down a lump sum from your ABC Pension Account to fund the \$25,000 you need for home renovations. The reason we recommend this is that, according to our calculations, if you use funds from your pension account, you will reduce the amount of your assets that are assessable under the Centrelink assets test and will be entitled to a pension of \$473.30 per fortnight, which is \$37.50 more than you are receiving now. As you have no other sources of income, you will continue to be assessed under the Centrelink assets test rather than the income test.

If you were to use funds from your home mortgage redraw facility, your age pension entitlement would not alter, but you would have to make payments into the mortgage account to repay the additional \$25,000 borrowed.

Some important things to consider before you act on this advice

You should be aware that a consequence of drawing the funds from your pension account is that your pension will not last as long as it otherwise would have. One way of overcoming this would be to consider reducing your pension, because the minimum required drawdown will be based on a lower balance.

Another aspect you should consider is how much extra interest you would pay if you used your mortgage redraw facility, and compare this with how much you may lose from getting less earnings in your pension account because the balance is lower.

Remuneration

There is a charge for each lump sum drawdown of \$XX.

The annual management fee payable on your ABC Pension Account will be at the same rate, but you will pay less because your balance will be less.

Acting on this advice

To act on this advice, please complete the enclosed drawdown form, requesting a lump sum drawdown of \$25,000, and forward it to the ABC Pension Account.

Should you have any questions, please phone our call centre on (02) 9999 9999.

Yours sincerely

ABC Superannuation Fund
5 Harbour Street
Sydney NSW 2000

Example 9: Transition to retirement—Commencing a transition-to-retirement arrangement

Martin contacts his superannuation fund for information and advice about a transition-to-retirement strategy.

Factual information

In this example, the adviser does not need to be licensed because no financial product advice is being given.

Martin	Hi. I'm Martin Chew, a member of the ABC Superannuation Fund. I'm 60 and working full time and I don't want to retire yet. I'm concerned that I've not really accumulated enough in super, but I don't have any spare money saved or left over each month after I have paid my expenses to put into superannuation. Is there anything I can do now that would help?	
Adviser	Hi Martin, thanks for calling. Just so that you know upfront, the information I'm about to give you is factual information only. I won't give you any advice about what you should do at this stage. If you would like personal advice that takes into account your personal circumstances, we can set up a meeting for you to talk to one of our financial advisers.	<i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, the adviser clearly tells Martin upfront that they will not be giving any financial advice.</i>
Martin	That's fine.	
Adviser	It sounds like you're concerned about not having enough super when you retire, but you don't have any spare cash flow or savings to add to super now. In this situation, one strategy that many people consider is a transition-to-retirement, or TTR, strategy. Would you like some more information on this strategy?	
Martin	Yes thanks.	
Adviser	It works like this. A person who is between 55 and 64 years of age pays more of their salary into their super. Then, they withdraw some of their super so that their take-home pay stays the same. You can do this by transferring most of your super to a pension product, which then pays you a regular income stream. A number of pension funds, including ABC Pension Fund, offer a TTR pension product.	<i>This adviser is giving factual information only because:</i> <ul style="list-style-type: none"> • <i>the information can be objectively determined as being accurate; and</i> • <i>the communication doesn't contain a recommendation or statement of opinion that is intended to influence Martin.</i>
Martin	Ok, makes sense so far.	
Adviser	Adopting a TTR strategy will allow you to retire with more super (compared with if you had done nothing). You will have more super because of the tax savings that are made by paying part of your salary into your super, and these tax savings will boost the super available to you at retirement.	
Martin	Would I end up with less money to live on? I couldn't afford that.	

Adviser	<p>No. Let me give you an example to illustrate how it would work. The ABC Pension Account offers a TTR strategy. To implement the strategy, you would transfer most of your super balance to the Pension Account. You would then pay some of your salary into your super, at a lower tax rate than you would otherwise pay. The money saved in tax can go towards increasing your super balance at retirement. At the same time, you would be paid a regular pension, and the amount you end up with in your bank account each pay period would be the same as what you receive now.</p> <p>If you're interested in more information about TTR, I suggest you have a look at the ABC Superannuation Fund website or at the Product Disclosure Statement, which I can send to you. Or we can set up a further appointment for you to get some advice about whether TTR is right for you.</p>
Martin	Thanks, that's given me a good start. I'll have a look at the information on the website and give it some more thought.
Adviser	Great. Please give us another call if you would like any further information.

General advice

In this example, XYZ Superannuation Trustees Limited has an AFS licence authorising it to provide general financial product advice.

Martin	Hi. I'm Martin Chew, a member of the ABC Superannuation Fund. I'm 60 and working full time and I don't want to retire yet. I'm concerned that I've not really accumulated enough in super, but I don't have any spare money saved or left over each month after I have paid my expenses to put into superannuation. Is there anything I can do now that would help?
Adviser	<p>Hi Martin, thanks for calling. Just so you know upfront, I can tell you what we generally recommend for our clients about a transition-to-retirement strategy but this does not consider your personal financial circumstances. It is only one strategy you could consider. I am not saying it is the best or only strategy, or that it is available to you or suitable for you. If you are after personal advice, I can set up a meeting with one of our financial advisers.</p>
Martin	That's fine.
Adviser	It sounds like you are concerned about not having enough super when you retire. One strategy that many people consider is a transition-to-retirement, or TTR, strategy, which can help you accumulate additional super. Would you like to know more about this strategy?
Martin	That would be great.

You need to be upfront about the service you are offering—are you giving factual information or advice? In this example, Martin is clearly told upfront that he will not be given personal advice.

Adviser	<p>It works like this. A person who is between 55 and 64 years of age pays more of their salary into their super. Then, they withdraw some of their super so that their take-home pay stays the same. You can do this by transferring most of your super to a pension product, which then pays you a regular income stream.</p> <p>A number of pension funds, including ABC Pension Fund, offer a TTR pension product.</p> <p>For typical members who are working full time, and who want to boost their super, we recommend transferring most of their super into an account-based pension.</p>
Martin	OK, makes sense so far.
Adviser	Adopting a TTR strategy will allow you to retire with more super (compared with if you had done nothing). You will have more super because of the tax savings that are made by paying part of your salary into your super, and these tax savings will boost the super available to you at retirement.
Martin	Would I end up with less money to live on? I couldn't afford that.
Adviser	No. Let me give you an example to illustrate how it would work. The ABC Pension Account offers a TTR strategy. To implement the strategy, you would transfer most of your super balance to the Pension Account. You would then pay some of your salary into your super, at a lower tax rate than you would otherwise pay. The money saved in tax can go towards increasing your super balance at retirement. At the same time, you would be paid a regular pension, and the amount you end up with in your bank account each pay period would be the same as what you receive now.
Martin	OK, so I'd have the same take-home pay—that's good to know.
Adviser	<p>We recommend that our clients who want to keep working after they reach 55, and who want to boost their super, but can't afford a reduction in take-home income, should consider a TTR arrangement. TTR can result in significant tax savings, and for many people the strategy is a good way to boost their superannuation when they are close to retirement.</p> <p>If you're interested in more information about TTR, I suggest you have a look at the ABC Superannuation Fund website or at the Product Disclosure Statement, which I can send to you. Or we can set up a further appointment for you to get some advice about whether TTR is right for you.</p>
Martin	Thanks, that has been helpful. I'll do some reading on it and get back to you if I want to get some more advice about whether TTR would suit my situation.

Personal advice

Martin	<p>Hi. I'm Martin Chew, I'm a member of the ABC Superannuation Fund. I'm 60 and working full time and don't want to retire yet.</p> <p>I'm concerned that I've not really accumulated enough in super, but I don't have any spare money saved or left over each month after I have paid my expenses to put into superannuation. Is there anything I can do now that would help?</p>	
Adviser	<p>Hi Martin, thanks for calling.</p> <p>I think you are concerned about not having enough super when you retire. To answer that question would require comprehensive advice because it can depend on a lot of things, so we would need to get detailed information from you. If you would like to take this approach, I can arrange for you to come in and meet with one of our advisers.</p> <p>Alternatively, I can provide advice to you now about a strategy that might help you, called transition to retirement, or TTR. This strategy is helpful to many people. If you decide you'd like to take this approach, I won't discuss with you how to budget better to enable more money to go into or stay in your super account, or whether you would be better off staying with ABC Superannuation Fund or moving your money elsewhere—even though thinking about some of these things could save you money. If a TTR strategy is suitable for your personal circumstances, I am only authorised to recommend the ABC Superannuation Fund TTR product. However, in making this recommendation, I will ensure that the ABC Superannuation Fund meets your needs and objectives.</p> <p>What do you want to do?</p>	<p><i>Here, the adviser is identifying the implicit request in the subject matter of the advice sought by the client: s961B(2)(b)(i)</i></p> <p><i>You must make the scope of the advice you are giving clear. In this example, the adviser makes it clear that the scope of the advice is limited to whether Martin should implement a TTR strategy</i></p>
Martin	<p>I'd like to get advice about the TTR option today.</p>	<p><i>Martin has now provided a substitute request for advice on a different and more limited basis.</i></p>
Adviser	<p>I'll take you through some information on a transition-to-retirement arrangement, known as TTR. I can also give you some recommendations about whether TTR would be suitable for you.</p> <p>[At this point, the adviser will also confirm that Martin has a copy of the current version of the adviser's Financial Services Guide and a Product Disclosure Statement that covers the ABC TTR Pension Account. The adviser also confirms the standard identity checks.]</p> <p>TTR works like this. A person who is between 55 and 64 years of age pays more of their salary into their super. Then, they withdraw some of their super so that their take-home pay stays the same. You can do this by transferring most of your super to a pension product, which then pays you a regular income stream.</p> <p>A number of pension funds, including ABC Pension Fund, offer a TTR pension product.</p> <p>For typical members who are working full time, and who want to boost their super, we recommend transferring most of their super into an account-based pension.</p> <p>Given your age and ability to continue working for a few years, a transition-to-retirement pension is one strategy that can help you accumulate additional super.</p>	<p><i>The adviser is now responding to the revised request, having made it clear to Martin that this is what is happening. In this case, it is an acceptable approach because this advice could make Martin better off than not receiving advice at all.</i></p>

Martin	OK, that makes sense so far.
Adviser	<p>Adopting a TTR strategy will allow you to retire with more super (compared with if you had done nothing). You will have more super because of the tax savings that are made by paying part of your salary into your super, and these tax savings will boost the super available to you at retirement.</p>
Martin	Would I end up with less money to live on?
Adviser	<p>No. Let me get some more information from you, and then we can do some calculations to show how you can achieve the same take-home pay, while adding to your super.</p> <p>Before we go on, I need to check a few things with you.</p> <ul style="list-style-type: none"> • What is your estimate of your likely income over each of the next five years from all sources, not just your salary, and how certain are you of that? • Do you have any other assets (including superannuation) outside of ABC Superannuation Fund? • Are you receiving any Centrelink entitlements? • Are you making any child support payments?
Martin	<p>My current salary is \$110,000 a year and my taxable income is the same. I guess it will increase at about 4% a year. I am pretty confident that's a good estimate. I don't have any other assets, including other superannuation. I don't receive any Centrelink payments, or pay any child support.</p>
Adviser	<p>That's fine, Martin. Let's look at whether it would make sense for you to commence a TTR strategy.</p> <p>Now I'll just get your information up in front of me. Okay, I can see that:</p> <ul style="list-style-type: none"> • you're 60 years old; • you have a current super balance of \$220,000; • you are currently invested in the Balanced option of the ABC Superannuation Fund, which means 60–70% of your portfolio is invested in shares and property; and • 100% of your \$220,000 account balance is from employer contributions and was subject to tax at 15% when received by the superannuation fund. <p>I also need to ask you some additional questions in order to advise whether TTR is suitable for you:</p> <ul style="list-style-type: none"> • Do you want to continue working full time and how long do you intend to continue doing so? • Do you have any debts such as personal loans, credit card debts or a mortgage? • Are you comfortable with keeping your investment in the Balanced option? • Do you think that you might need to draw down a lump sum from your super in the next few years?

Martin	<ul style="list-style-type: none"> • I like working and intend to continue working full time until I'm at least 65. • I need my entire income to live on for the next few years so I can't consider reducing my take-home pay; • I do not have any debts, including mortgage, personal loans or credit card debts; • I'm happy to be invested in the Balanced option; • I don't mind transferring all of my ABC Superannuation Fund account balance into a pension account if that would benefit me; and • as long as I can keep receiving the net income that I'm getting now, there should be no need to withdraw a lump sum until I am 65. 	<p><i>The TTR strategy is appropriate for Martin because he does not have surplus cash flow to consider other savings options.</i></p>
Adviser	<p>Right. I will calculate whether you will be better off adopting a TTR strategy.</p> <p>On the basis of what you've told me, I am going to assume that you will stay in the Balanced option if you decide to implement the TTR strategy, and move all or part of your ABC Superannuation Fund balance into the ABC TTR Pension Account. I will work out some figures based on the average return for that kind of option—7% a year—and assuming that 9% tax is paid on the income earned in that option. These are just averages. I am not suggesting they are necessarily going to be what you get—but, in my opinion, they are appropriate estimates of likely long-term returns for the Balanced option in the ABC Superannuation Fund. You may get more or less, but I will use the averages to explain the benefits of a TTR strategy.</p> <p>Where you may benefit is when your employer pays some of your salary into super, rather than to you. This happens before tax is taken out and therefore reduces your salary so that you pay less tax. It's called salary sacrifice. Because you are on a relatively high salary, you are likely to benefit this way.</p>	<p><i>A 'past performance warning' is appropriate in the context of giving information about performance returns.</i></p>
Martin	<p>That sounds good. I know my employer helps people arrange for extra super contributions by salary sacrifice. But I am not really in a position to receive less income.</p>	
Adviser	<p>I can understand that. The idea with a TTR pension is that you will get paid from your superannuation fund to make up for the reduced salary. So you end up with the same amount of money in your hand, but save tax and that tax saving will go to increasing the amount in your superannuation.</p> <p>I ran your figures through a calculator, with the main criteria being that you want exactly the same take-home income that you are receiving now.</p>	

Adviser	<p>The scenario provided by our calculator is as follows:</p> <ul style="list-style-type: none"> • You salary sacrifice a large amount into super—the amount I have input is \$14,000. • You put almost all of your superannuation balance into one of our account-based pension accounts and draw down 10% of your superannuation balance, or an amount of \$8,610. • Using this strategy, you pay \$4,361 less income tax on your salary. Against this, 15% tax will be applied on the extra contributions you make to super, but this is outweighed by the reduction in income tax and you will be \$4,361 better off. This extra \$4,361 goes into your super while you are still receiving exactly the same take-home pay that you are now, without the benefit of a TTR strategy. • This is based on the current rules staying in place, since the \$8,610 pension amount would be tax free. <p>Another advantage is that earnings on the money in the pension account are tax free.</p>	<p><i>Using the 2012–13 income tax rates, an extra \$150 salary sacrifice into superannuation will provide Martin with the same amount of take-home pay.</i></p>
Martin	<p>Are there any other things I need to know about using this strategy?</p>	
Adviser	<p>You need to check that, if you salary sacrifice more, your employer will not reduce the superannuation contributions they would otherwise make for you.</p> <p>A downside is that you are committed to drawing down between 4% and 10% of the balance each year until you retire or another condition of release is met (such as you stop working). So, for example, if you find that you don't need as much take-home income and you want to increase the amount going into superannuation, you can't avoid still taking out at least 4% of the amount in the pension account each year.</p> <p>In addition, if you decide to implement a TTR strategy, you will have to pay fees to enter a pension account. These fees will vary depending on which pension account you decide to enter, and you should ensure that you compare fees of the products you consider. The ABC Pension Account charges an entry fee of \$X to establish a TTR pension and an administration fee of \$X per payment. The fees could go up in future. Because you need to keep your ABC Superannuation Fund account open to receive your salary-sacrifice payments and to maintain continuation of your group insurance cover, you will continue to pay management fees of \$X per year on your ABC Superannuation Fund account.</p> <p>Another important thing is that, at least once a year, you need to review the level of salary sacrifice you undertake and the amount of pension you want to withdraw within the levels permitted. In particular, you have to ensure that the amount of any salary sacrifice and any amount paid by your employer, such as the usual 9% contribution (which will be increasing over the next few years to up to 12%), doesn't exceed the limit on your contributions that are made before tax. There is a limit on what are called concessional contributions, and this may be affected by the amount you have in your superannuation, including amounts in pension accounts. In addition, tax rates and other rules can change.</p>	<p><i>The advice in this example contains a lot of information and data. The adviser should check that the client understands the advice, if it appears that the client is confused about the advice they are receiving.</i></p>

Adviser	Further, depending on earnings in the pension account and the amount you withdraw, the minimum and maximum amount you have to take in pension will change.
Martin	Ok, I'll keep that in mind to do a review, if I decide to implement the TTR strategy.
Adviser	<p>Martin, based on what we have discussed today, I recommend that you implement a TTR strategy.</p> <p>As I have explained, in order to implement a TTR strategy, you will need to open a pension account. There are a range of pension products to choose from. We are only authorised to offer the ABC Pension Account.</p> <p>I think that the ABC Pension Account meets your needs, as discussed above, because it has reasonable fees (similar to the fees for the ABC Superannuation Fund, and these fees are lower than the average fee reported for the providers of pension funds), monthly pension payments, and an ability to retain a current accumulation account with a small balance to accept future employer and salary sacrifice contributions.</p> <p>There may be other pension funds that could suit you better so you may want to consider or seek advice on them. Transition-to-retirement advice can be complex and, in order for you to look at how a TTR strategy could fit into a more comprehensive approach to your finances, we can set up a further meeting with one of our financial advisers if you would like to take this approach.</p> <p>Or, if you choose, you can go ahead with setting up a TTR arrangement with the ABC Pension Fund.</p>
Martin	Actually, I am very happy with the idea of TTR and ABC, so I think I will just go ahead with the ABC Pension Fund.
Adviser	Okay Martin, I will send you out some forms with the Statement of Advice, covering what we discussed today. If you choose to go ahead, please fill them out and send them back to us. Before going ahead, you should also read the Product Disclosure Statement that you have previously been provided with.

Statement of Advice to Martin on whether he should commence a TTR strategy

XYZ Advisers [ABN 12 34567890]

AFS Licence No. 123456

STATEMENT OF ADVICE

1 July 2012

Martin Chew
1 Brisbane St
Brisbane QLD 4000

Dear Martin

Whether you should commence a transition-to-retirement (TTR) strategy

You asked us for advice about commencing a TTR strategy and whether the ABC Pension Fund may be a suitable option to implement it.

This is a Statement of the Advice provided by XYZ Advisers. You agreed that our advice should cover only the suitability of using the ABC Superannuation Fund and the ABC Pension Account to implement any TTR strategy, and not cover any alternative superannuation fund or pension fund.

Information about you

- You are 60 years old.
- You like working and intend to continue working until you're at least 65.
- Your current salary is \$110,000 per year.
- You do not want to reduce your take-home salary.
- You have a current super balance of \$220,000.
- 100% of your \$220,000 account balance has already been taxed when it was received by the ABC Superannuation Fund.
- You do not have any debts such as personal loans, a mortgage or credit card debt.
- You can transfer all of your current super balance across to an account-based income stream product, such as the ABC Pension Account.
- You are currently invested in the Balanced option of the ABC Superannuation Fund and would like to remain in the Balanced option if your funds are transferred to the ABC Pension Account.
- You do not anticipate wanting to withdraw a lump sum from your super before you stop work or before you turn 65.
- Your purpose in considering TTR is to increase the amount you have in super without reducing your take-home pay.

Our advice

Even small differences to the amount you place into super can help your final superannuation balance. One way to boost your super is to pay a part of your pay into super (this is called 'salary sacrifice') and make up the difference by drawing down income from an account-based income stream product like the ABC TTR Pension Account. This gives you the benefit of reducing your taxable income, so you pay less tax, even though you are still receiving the same take-home pay.

The following table sets out how the TTR strategy could benefit you:

This example is quite long. Subheadings are used to make it clearer. You're not required to use these subheadings in all SOAs about transition to retirement but you do have to make it easy to understand. You should use your discretion about whether to include subheadings that will help the client understand the advice you are giving in each situation.

Your TTR strategy

	Current (\$)	TTR strategy (\$)
Gross income	110,000	110,000
Minus salary sacrifice	0	-14,000
TTR pension income	0	8,610
Taxable income	110,000	96,000
Minus income tax and Medicare levy	-30,297	-24,907
Take-home pay	79,703	79,703
Super contributions: employer*	9,900	9,900
Super contributions: salary sacrifice	0	14,000
Investment returns**	15,400	15,400
Minus contributions tax	-1,485	-3,585
Minus TTR pension drawdown	0	-8,610
Minus tax on fund earnings**	-1,386	-315***
Net gain in super	22,429	26,790
Total tax paid	33,168	28,807
Combined tax savings		4,361

* The table shows the same employer contributions for your current situation and for your TTR strategy. Your employer does not have to pay super on amounts you salary sacrifice; however, most employers will continue to pay super on your gross earnings. You need to check this.

** The table shows investment returns based on earnings of 7% and an average tax rate of 9% on super fund earnings, and disregards returns on money invested during the year. These are average figures based on past performance. They are not an indicator of future returns, which means this is not a prediction that you will achieve these returns. Your result could be more or less.

*** The tax on earnings of the amount left in the superannuation fund being 50,000, assuming that \$170,000 is moved to the pension account.

If you salary sacrifice \$14,000 into super and draw down \$8,610 from your pension fund, you will still have a take-home pay of \$79,703 (or \$3,057 per fortnight). Your tax will be lower by \$4,361, because you pay less tax on your reduced salary and, as you are over 60, you do not pay tax on your TTR income (\$8,610). The tax you save will be contributed to your super instead. Under this strategy, you will be better off by \$4,361 in the year you commence the TTR strategy. Compared with the option of doing nothing, this has real benefits for you.

To enable money to be available to provide for the pension, you would need to transfer money to a pension account. We would recommend you transfer \$170,000, leaving \$50,000 in your pension account. In this way, you can provide some flexibility to make sure you can keep within the limits on superannuation contributions and minimum amounts that must be withdrawn from a pension account for your age group.

We recommend that you read the PDS for details on all conditions of release as and when these apply.

Further, I note that, while this strategy may allow a net increase in your superannuation, it is likely that it will only make a moderate difference to your overall account balance when you retire. If you want to significantly increase your balance, you will need to consider other options, such as reducing your living expenses or working longer.

Recommendation

We recommend that, if you salary sacrifice \$14,000 into super and draw down \$8,610 from the pension fund, you will still have the same take-home pay of \$79,793. Overall, you will pay \$4,361 less tax, which will be contributed to your super instead. Under this strategy you will be better off by \$4,361 in the year you commence the TTR strategy.

Please note that this advice is based on the information you have given me including how much income you will receive from your work salary and how much take-home salary you need.

ABC Pension Fund

You also wanted advice about whether the ABC Pension Fund would be a suitable option to provide you with the TTR pension. I believe it would be suitable for you.

The ABC Pension Fund meets your needs, as discussed above, because it has reasonable fees (similar to the fees for the ABC Superannuation Fund, and these fees are lower than the average fee reported for the providers of pension funds), monthly pension payments, and an ability to retain a current accumulation account with a small balance to accept future employer and salary sacrifice contributions.

I am only authorised to advise about the ABC Pension Fund so I can't comment on whether there may be other accounts that may be better for you, or give you a recommendation about which pension fund you should use. I indicated to you that you should consider other options and may like to get advice from our financial advisory team or someone else about alternative pension funds.

You indicated, when I provided advice to you, that you wanted to proceed to arrange a TTR pension account with the ABC Pension Fund. I attach a current copy of the Product Disclosure Statement for the ABC Pension Fund.

Costs of setting up a pension with the ABC Pension Fund

If you proceed with setting up a TTR pension account with the ABC Pension Fund, you will be charged \$XX for the establishment of a TTR arrangement by the ABC Pension Fund. You will also have to pay a fee of \$XX each time you receive a pension payment. These fees will go to ABC Trustees. The monthly fee might increase in future. Because you need to keep your ABC Superannuation Fund account open to receive your salary-sacrifice payments and to maintain continuation of your group insurance cover, you will continue to pay management fees of \$XX per year on your ABC Superannuation Fund account.

Benefits

A significant benefit of transferring most of your super fund balance to the ABC Pension Account is that you will be paying no tax on pension account earnings, rather than the 15% tax you pay on super fund earnings.

Things to check

You should check that the reduction in your salary through salary sacrifice will not cause your employer to reduce their contributions to match your lower salary.

How to set up a TTR pension account with the ABC Pension Fund

To set up the account, please complete the form you will find with the Product Disclosure Statement to transfer \$170,000 of your ABC Superannuation Fund balance to the ABC Pension Account and send it to us. This amount probably won't increase so much in the next few years that you will have to take out more pension than you can use to fund contributions to superannuation within the limits set by the Government. Nevertheless, this needs to be reviewed each year. This will leave \$50,000 in your ABC Superannuation Fund to keep it open to receive your salary-sacrifice contributions and to retain your group insurance cover. You will need to arrange with your employer the commencement of the recommended salary sacrifice contributions.

Should you have any further questions, please phone me on (02) 9999 9999.

Yours sincerely

XYZ Advisers
5 Harbour Street
Sydney NSW 2000

Example 10: How long will my account-based pension product last?

Michael contacts his superannuation fund for information and advice about how long his account-based pension is likely to last.

Factual information

In this example, the operator does not need to be licensed because no financial product advice is being given.

Michael	Hi. I am Michael Long, a member of the ABC Pension Fund. I am calling because I am wondering how long my pension will last. I am 68 years old now—should I be doing anything to make my pension last longer?	
Operator	Hi Michael. I'll explain to you how the ABC Allocated Pension Account works. Just so you know upfront, the information I'm about to give you is factual information about how your pension product works. I'm unable to give you any financial advice about how long your pension will probably last or whether the ABC Allocated Pension Account is the right product for you.	<i>It's good practice to be clear upfront about the service you are offering—are you giving factual information or advice? In this example, the operator clearly tells Michael upfront that they will not be giving any financial product advice.</i>
Michael	Okay then, that's fine for now.	
Operator	<p>There are a number of factors that will affect how long the ABC Allocated Pension Account will last for particular members. These are:</p> <ul style="list-style-type: none"> • the account balance; • the account returns, after taxes and fees; • the amount of the pension withdrawn by the member each year; and • whether any lump sums are withdrawn. <p>The ABC Allocated Pension Account is an account-based income stream product. Each pension fund member has an individual account into which they have invested their superannuation money.</p> <p>There are five investment options: Cash, Conservative, Balanced, Growth and High Growth.</p> <p>The amount earned on the account will change depending on the investment option chosen by the member. For example, in times when the share market is rising in value, the High Growth and Growth options are likely to give the best returns, which may result in the account balance lasting longer. However, when the share market falls, these options are more likely to lose money. In these cases, the accounts will not last as long as if the returns had been better. Does that make sense so far?</p>	<i>You can give factual information to a caller even though you know some personal information about them. In this example, ABC Superannuation Fund has personal information about Michael as a member of its fund, but this doesn't stop the operator from giving Michael factual information.</i>
Michael	Yes, could you give me some more information about the cash options?	

Operator	Sure. The Cash option is more likely to protect against losses when the share market is weak, but tends to have the lowest average returns, which have been only slightly better than inflation in most years.	
Operator	<p>You need to be aware that past performance is not necessarily a guide to future performance. The returns we've been discussing can definitely change depending on market conditions.</p> <p>Another factor affecting how long the pension will last is the rate at which the funds are withdrawn. If you withdraw lump sums and take a higher pension, the money will run out more quickly. Members select the level of income they wish to withdraw; however, there is a minimum amount that must be taken each year depending on the age of the member. Members aged between 65 and 74 must generally take a minimum pension of 5% of the total balance each year.</p> <p>It is possible for members to calculate how long their pension might be expected to last based on their balance, their current expenditure patterns and the amount they plan to draw down to support this, if they assume a particular rate of return.</p> <p>If you want more information about the fund and investment options, I suggest you visit our website. There is also a calculator on the website that you can use to estimate how long your pension might last.</p>	A 'past performance warning' is appropriate in the context of giving information about performance returns.
Michael	Thanks, that's given me a good overview. I'll have a look at the website now.	
Operator	Once you've looked at the website, you may have more questions that involve discussing your particular circumstances. You can talk to someone here who can discuss your pension matters in more detail if you'd like to do this.	

General advice

In this example, ABC Superannuation Fund does not need to be licensed because it is relying on the exemption for financial product issuers to give general advice without an AFS licence if that advice is about its own superannuation fund on certain conditions: reg 7.1.33H.

Michael	Hi. I'm Michael Long, a member of the ABC Pension Fund. I am calling because I am wondering how long my pension will last? I am 68 years old now—should I be doing anything to make my pension last longer?	
Operator	<p>Hi Michael. I'll explain to you how the ABC Allocated Pension Account works and how features of this fund may benefit certain types of people more than others.</p> <p>I need to mention that ABC Superannuation Fund is not licensed to give you advice about the fund, so we recommend that you get a Product Disclosure Statement and read it before making a decision about your investment choices. We can send you one in the mail, or you can find it on our website.</p>	ABC Superannuation Fund needs to provide this warning, because it is relying on reg 7.1.33H (it is not licensed to provide general advice about its fund).

Operator	Just so you know upfront, I can tell you what we generally recommend for our members, but this information does not consider your personal circumstances. So I can't tell you how long your pension will probably last. If you are after personal financial product advice, we can refer you to a financial adviser.	<i>It's good practice to be upfront about the service you are offering—are you giving factual information or advice? In this example, Michael is clearly told upfront that he will not be given personal financial product advice.</i>
Michael	Okay, I'm happy to get some general advice at this stage.	
Operator	<p>The things that affect how long the ABC Allocated Pension Account will last for a particular member are:</p> <ul style="list-style-type: none"> • the account balance; • the account returns after taxes and fees; • the amount of the pension withdrawn by the member each year; and • whether any lump sums are withdrawn. <p>People who are suited to being in the ABC Allocated Pension Account, rather than in the ABC Indexed Life Pension Account, are those who like to maintain flexibility about how much money they withdraw.</p> <p>Members can take out lump sums at any time and there is no maximum amount that can be taken out. Members select the level of income they wish to draw; however, there is a minimum. Members aged between 65 and 74 must generally take a minimum pension of 5% of the total balance each year.</p> <p>Members who prefer the flexibility of an account-based income stream should be aware that the money in their fund can run out more quickly depending on the rate of withdrawals. This means that the members who are suited to this type of product typically have good control over their spending patterns and have other financial resources they can use if they use up the money in their account.</p> <p>For those who want a product that doesn't risk being used up, even if they live to a very old age, there are other products on the market like the ABC Indexed Life Pension Account that may better suit their needs.</p> <p>Furthermore, members of the ABC Allocated Pension Account take on the risk of the fund's performance. This means that members should monitor their fund to see if their existing investment option is suitable for them, considering the economic environment of the time. For those who prefer to take on less risk, they can use a lower risk option like the ABC Indexed Life Pension Account.</p>	
Michael	Yes. Can you tell me a bit about the different investment options available in the pension?	

Operator	<p>I certainly can. There are five investment options in the ABC Allocated Pension Account: Cash, Conservative, Balanced, Growth and High Growth. The account earnings will be affected by the investment option chosen by the member. For example, in times when the share market is rising in value, the High Growth and Growth options are likely to give the best returns, which may result in the account balance lasting longer. However, when the share market falls, these options are more likely to lose money and can give negative returns. In these cases, the accounts will not last as long as if the returns had been better.</p> <p>The ABC Allocated Pension Account Cash option is more likely to protect against losses when the share market is weak, but tends to have the lowest average returns, which have been only slightly better than inflation in most years.</p> <p>You need to be aware that past performance is not necessarily a guide to future performance. Returns like we've been discussing can definitely change depending on market conditions.</p> <p>We generally suggest that members who give consideration to their investment option should also take their age and time horizon into account. On average, a member who is 65 will live another 20 or so years, although life expectancies are typically on the rise. If a member were to aim to cover only 20 years, they are likely to use up their pension in their final years, so we normally advise members to aim to have the same rate of pension in real terms for a few extra years.</p> <p>We think that, generally, members around retirement age are more likely to be suited to the Balanced option. A more conservative option will probably mean their pension will be lower than it has to be. But a more aggressive option means there is a greater risk they will run out of pension sooner.</p> <p>On the other hand, a member who is in their late 80s, or is in poor health, may consider that they will not need the pension for as long and may prefer an option with less risk, such as the Cash option. We generally recommend that members who see their time horizon as likely to be less than 10 years move their pension into a more conservative investment option. This means that, when working out how long their pension will probably last, they have to take into account lower returns over that period.</p>	<p><i>A 'past performance warning' is appropriate in the context of giving information about performance returns.</i></p>
Michael	<p>Thanks. That has been really helpful. I may think about what I want and come back to you if I need more information.</p>	
Operator	<p>Sure, Michael. I'm glad I was able to help you. If you have any further questions, or there's anything else I can help you with, please let me know.</p>	

Personal scaled advice

Michael	<p>Hi. I am Michael Long, a member of the ABC Pension Fund. I am calling because I am wondering how long my pension will last. I am 68 years old now—should I be doing anything to make my pension last longer?</p>
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Operator	<p>Hi Michael, thanks for your call. I can only give you advice about your ABC Allocated Pension Account, and what you can do to make your pension from the ABC Allocated Pension Account last longer. I can't give you advice about what you should be doing to help ensure you keep getting a pension for as long as possible, or other things you can do to ensure you have enough money in your retirement.</p> <p>There may be other things you should consider, like transferring your superannuation to another fund, going back to work or paying off debts, but I won't be discussing them with you. However, it's quite possible that some of these things could make a big difference to you—maybe more than the advice I can give you. I can refer you to someone who can provide more comprehensive advice if you'd prefer. Can you please clarify the advice you'd like?</p>	<p><i>You should make the scope of the advice you are giving clear. In this example, ABC Superannuation Fund makes it clear that the scope of the advice is limited to Michael's interest in that fund. The operator has suggested to Michael that he might want to consider getting advice that looks at his overall financial position.</i></p>
Michael	<p>Okay, I understand. I will have to think about getting other advice, but I'd still like you to tell me about what I should do about my existing account to keep my pension going through my life, assuming I decide to stay in that account.</p>	
Operator	<p>I'll take you through how the ABC Allocated Pension Account works and see if I can give you some recommendations about your investment option and what level of pension you should be taking on average to help extend the period when you will be drawing down a pension from your ABC Allocated Pension Account.</p> <p>Once I have your information in front of me, I'll be able to give you some specific advice on what I think you should do.</p> <p>[At this point, the operator will perform the appropriate identity checks to confirm that they are speaking with the account holder. The operator will also confirm that the member has a copy of the current version of the Financial Services Guide, if required.]</p> <p>Thanks, Michael. I now have your information in front of me:</p> <ul style="list-style-type: none"> • you're 68 years old; • you have a current balance in your ABC Allocated Pension Account of \$280,000; • you have elected this year to draw down \$15,000 from your account—this is slightly more than the minimum annual drawdown from your account, which is 5% of your balance, or \$14,000; and • you're currently invested in our Balanced option. <p>I just want to check a couple of other questions with you. Although I can base my advice on life expectancy tables, with appropriate adjustment, it's important that I understand your health situation to give appropriate consideration to making your pension last as long as possible.</p>	<p><i>The operator takes into account that, since Michael is an existing member, and ABC Allocated Pension Account provides a competitive offering, it might be quite reasonable for Michael to still want the limited advice that the operator can give.</i></p> <p><i>The level of information that the fact find should involve depends on the complexity of the advice being given. In this instance, the scale of the inquiries by the operator is limited because the scope of the advice is narrow and the advice sought is not complex.</i></p>
Michael	<p>Thank you. I am in reasonably good shape and keep active. I don't drink or smoke, and I play golf twice a week. I don't have any family history of major illnesses. My father lived until he was 90, so I feel like I have a few good years left in me.</p>	

Operator	<p>Given that we normally advise members to aim to have the same rate of pension in real terms for a few extra years beyond current life expectancy, it would be wise for your pension to be set at a payment rate that will be the same in real terms for at least 25 years (that is, your life expectancy plus a few years).</p> <p>Risk and return is important to understand because the amount earned on the account will change depending on the investment option you choose.</p> <p>As a member of the ABC Allocated Pension Account, you take on the risk of the fund's performance. You need to monitor your fund to see if your existing investment option is suitable, considering the economic environment of the time.</p> <p>For those who do not like to take on risk, there are other products available on the market, where the member does not take on the risk, but I am not going to be advising you about that today.</p> <p>In times when the share market is rising in value, the High Growth and Growth options are likely to give the best returns, which may result in the account balance lasting longer. However, when the share market falls, these options are more likely to lose money. In these cases, the accounts will not last as long as if the returns had been better.</p> <p>In contrast, the ABC Allocated Pension Account Cash option is more likely to protect against losses when the share market is weak, but tends to have the lowest average returns, which have been only slightly better than inflation in most years.</p> <p>With this in mind, a member like you might be better suited to the ABC Allocated Pension Account Balanced option to extend the life of your pension.</p>
Martin	<p>OK, I understand that so far. What are some other options?</p>
Operator	<p>You could choose a more aggressive option, like the Growth option, with the aim of achieving higher returns and your retirement capital lasting longer. However, during periods of market volatility, where you are required to crystallise losses to meet your regular pension payments, it is difficult to recoup these losses because you have limited (or no) ability to contribute to super. This can lead to your retirement capital reducing more quickly than expected.</p> <p>Alternatively, a more conservative option with less risk, like the Cash option—which might be suitable if you didn't need a pension for as long a period as you're envisaging—would probably mean that your pension will be lower than it has to be. Of course, if at any stage you see your time horizon as likely to be less than 10 years, then we will need to have a discussion about moving your money into a more conservative investment option like this.</p> <p>You need to be aware that past performance is not necessarily a guide to future performance. Returns like we've been discussing can definitely change depending on market conditions, so you should still monitor the performance of your investment option and seek further advice if you are no longer happy with its performance.</p>

Operator	So, I need to make sure you are happy to remain in your current investment option—the Balanced option. In this option, 60–70% of your portfolio is invested in shares and property. In recent years, these markets have experienced volatility, which means that, over a 12-month period, this account could reduce based on your current value as a result of negative returns. If this happens, it would mean that your pension would run out more quickly. Are you comfortable with this?
Michael	I am comfortable with that risk and understand the potential returns for the Balanced option, which I'd like to stay in at the moment. If anything changes, I can call you again for advice to change my investment option.
Operator	<p>I'm glad you understand what I have explained. I can now provide you with advice about your account and how long it may last, given your current balance, investment option and drawdown patterns.</p> <p>For me to calculate how long your pension will last, I need to know:</p> <ul style="list-style-type: none"> • how much you plan to withdraw from your account each year for the foreseeable future; and • whether you are likely to withdraw any lump sums in addition to your pension drawdown each year (e.g. to cover home renovations or medical expenses).
Michael	I need to continue to draw down around \$15,000 but I may have to increase this to keep pace with inflation. I want to draw down extra funds to buy a new car next year, which I expect to cost around \$35,000. Also, I'm planning some home renovations in about three years time. I'd like to factor in a withdrawal of around \$100,000 to pay for these.
Operator	<p>Good. As you've said, you'd like your annual drawdown to increase to keep pace with inflation. I think we should factor in an inflation rate of 3% per year. I will also include lump sum drawdowns of \$35,000 next year and \$100,000 in three years time, but without any inflation factor.</p> <p>At present, you are invested in the Balanced option, which for the past 10 years has averaged earnings of 7% after fees. It is important to realise that our calculations are based on using a reasonable estimate of average return, which is 7%. However, it is important to understand that the actual returns could vary quite a lot. If the Balanced option does not earn so much or suffers a loss, especially in the early years, then it could make your pension run out much more quickly.</p> <p>Using the 7% as the earnings factor, I calculate that, at the proposed withdrawal rate, and with lump sum drawdowns of \$35,000 next year and \$100,000 in three years time, your pension will last you another 15 years, or until 2027 when you are 83 years old. After that year, when you turn 84 in 2028, you will have a remaining balance of \$5,842.</p>
Michael	I'm worried I might live longer—my father lived to 90.
Operator	Would you consider making smaller drawdowns?

Michael	Yes, I had a few options for the car and renovations that were cheaper. How long would my pension last if I took a drawdown of \$10,000 next year and \$35,000 in three years time?
Operator	If you were to take less than your proposed annual drawdown, this would result in the pension lasting longer. If inflation increases and you have to withdraw more in pension, this would mean your pension would not last as long. I calculate that, if you draw down \$15,000 each year (adjusted for inflation) and make the smaller lump sum withdrawals you have mentioned, the account will last for your expected life span, leaving a balance of \$22,000 at the end of the year you turn 95. If you want the pension to last beyond 2026, I recommend that you consider this approach.
Michael	I agree this is the best option for me—I would want to ensure my pension lasts until my mid-90s.
Operator	<p>As we discussed earlier, there are a lot of other things you will need to think about that are relevant, such as your other sources of income, your assets and liabilities, providing for your family or dependants, or estate planning. You also need to consider how this will affect your taxation position or any Centrelink payments.</p> <p>If you need more information that takes into account all of your personal circumstances, including finances, you should consider getting more comprehensive personal advice.</p> <p>I'm now going to forward you a Statement of Advice, outlining what we've discussed and the opinions I have put to you.</p>

Statement of Advice for Michael on how long an account-based income stream product can be expected to last

ABC Superannuation Trustees Limited ABN 12 34567890

AFS licence no: 123456

STATEMENT OF ADVICE

1 July 2012

Michael Long
1 Canberra St
Sydney NSW 2000

Dear Michael

How long your ABC Allocated Pension Account may be expected to last

You spoke with one of our representatives today about how long your ABC Allocated Pension Account could be expected to last.

You sought advice about what you should do about your existing account, including what investment option you should choose, with a view to extending the life of your pension, assuming you decide to stay in that account.

You should consider getting advice about other matters concerning your superannuation and other financial affairs. If you want any advice beyond the limited questions on which you sought advice, please call us and we will help you or refer you to someone who can.

This Statement of Advice is provided by ABC Superannuation Fund and is limited to your interest in the ABC Allocated Pension Account.

Information about you

- You are aged 68.
- You are in good health and keep active. You anticipate that you will require your pension beyond the average life expectancy of Australian males aged 68 based on current life expectancy.
- You have a current balance in your ABC Allocated Pension Account, which is an account-based income stream product, of \$280,000.
- You wish to draw down \$15,000 this year from your account and want to withdraw the same amount each year, but with an increase for inflation.
- You want to withdraw a lump sum of \$10,000 next year to purchase a car.
- You want to withdraw a lump sum of \$35,000 in three years time to fund home renovations.
- You are invested in the Balanced option of the ABC Allocated Pension Account and want to remain in that option.

Our advice

How long your ABC Allocated Pension Account will last will depend on:

- its starting balance;
- the investment earnings of the account, after fees and taxes, which will be influenced by the earnings rate of the investment option you have selected; and
- the amount you choose to draw down each year.

We advised you how long your pension would last, based on the following factors:

- your current balance of 280,000;
- a net earnings rate of 7% per year, based on the 10-year average returns of the Balanced option in which you are currently invested;
- a drawdown rate of \$15,000 for the first year, followed by that amount increasing by 3% each following year to take account of our estimate of inflation;
- an expected drawdown next year of a \$10,000 lump sum to pay for a new car; and
- an expected drawdown in three years time of \$35,000 to pay for planned home renovations.

At present, you are 68 and, according to the Australian Life Tables published by the Australian Bureau of Statistics, you have a projected life expectancy of another 16 years. This means that the average Australian male, now aged 68, can expect to live until the age of 84 based on current life expectancy. It is important to remember that many Australian males of your age may live much longer as life expectancies are generally rising. If you only plan for your pension to cover your life expectancy, you have a one-in-two chance of running out of pension. You indicated you wanted your pension to last until your mid-90s, given your good health.

Based on your current balance, and an earnings rate of 7%, if you withdraw the amounts outlined above, we advised you that the pension would last until you are 95 years old, with a remaining balance of \$22,000. If you make larger lump sum withdrawals, or if inflation increases and you have to withdraw more in pension, your pension won't last as long. It is important to realise that these calculations are based on a reasonable estimate of average return, which is 7%. However, it is important to understand that the actual returns could vary quite a lot. If the Balanced option does not earn as much or suffers a loss, especially in the early years, then it could make your pension run out more quickly.

Remuneration and conflicts of interest

If you act on this advice and make the withdrawals envisaged from your ABC Allocated Pension Account, the ABC Pension Fund will receive a monthly management fee of \$XX (including GST), which is the management fee for the Balanced option based on your current balance. This fee will be at the same rate that you are currently paying.

By lowering the level of your drawdowns, you will have more money in your account for longer, which means we will get higher management fees than would otherwise be the case. You should consider this when deciding whether or not to act on our advice.

Acting on this advice

To act on the advice, just complete the enclosed form and forward it to the ABC Allocated Pension Account.

Should you have any questions, please phone our call centre on (02) 9999 9999.

Yours sincerely

ABC Superannuation Fund
5 Harbour Street
Sydney NSW 2000

Example 11: Nomination of beneficiaries

Henrietta contacts her superannuation fund for information and advice about the nomination of beneficiaries.

Factual information

In this example, the operator does not need to be licensed because no financial product advice is being given.

Henrietta	Hi, this is Henrietta Jones. I'm ringing to get a bit of advice. I've recently remarried and I want my new husband to get all my super when I die. What should I do?	
Operator	<p>This is a common issue that is raised by members when they remarry, and it's good to see you're giving some thought to this.</p> <p>Henrietta, I can give you some factual information about how you can nominate beneficiaries for your ABC Superannuation Fund, but I can't give you any advice about what action you should take.</p>	<p><i>It's good practice to be upfront about the service you are offering when providing factual information to make clear that you are not giving financial product advice. In this example, the operator clearly tells Henrietta upfront that they will not be providing advice.</i></p>
Henrietta	Okay, that's fine.	
Operator	<p>ABC Superannuation Fund has different options you can consider if you want to nominate who gets your super when you die.</p> <p>One option is to make a non-binding nomination of beneficiaries. While this is a guide to the trustee about your wishes, the trustee is not required to follow this nomination.</p> <p>If you want more certainty about who will receive the balance of your ABC Superannuation Fund when you die, you can make a binding death benefit nomination. When this is done, the trustee must follow your wishes, as long as the nomination is a valid one. Binding nominations expire after three years and then have to be renewed if you want them to continue.</p> <p>We have a fact sheet on nominating beneficiaries—this runs through a range of information, such as the people you can nominate as your beneficiaries. Would you like me to email you a copy?</p>	<p><i>This example contains factual information only because:</i></p> <ul style="list-style-type: none"> <i>the information is objectively ascertainable; and</i> <i>the answer to the query doesn't contain a recommendation or statement of opinion that is intended to influence Henrietta.</i>
Henrietta	Thanks. That would be great.	
Operator	Okay, if you have any more questions, please give me a call back.	

General advice

In this example, ABC Superannuation Fund does not need to be licensed because it is a representative of a superannuation trustee relying on the exemption for financial product issuers to give general advice without an AFS licence if that advice is about its own superannuation fund on certain conditions: reg 7.1.33H.

Henrietta	Hi, this is Henrietta Jones. I'm just ringing to get a bit of advice. I have recently remarried and I want to be sure that my new husband gets all my super when I die. What should I do?	
Operator	<p>This is a common issue that is raised by members when they remarry, and it's good to see you're giving some thought to this.</p> <p>So, Henrietta—I can tell you what we generally recommend for our members in relation to the nomination of beneficiaries, but this information does not consider your personal circumstances. If you would like personal advice, we can refer you to a financial adviser.</p> <p>I also need to mention that ABC Superannuation Fund is not licensed to give you advice about the fund.</p>	<p><i>It's good practice to be clear about the service you are offering. In this example, the operator tells Henrietta upfront that they will not be providing personal advice.</i></p> <p><i>ABC Superannuation Fund needs to provide this warning, because it is relying on reg 7.1.33H (it is not licensed to provide general advice about its fund).</i></p>
Henrietta	Okay, that sounds fine.	
Operator	<p>ABC Superannuation Fund has different options you can consider if you want to nominate who gets your super when you die.</p> <p>You can make a non-binding nomination of beneficiaries. While this is a guide to the trustee about your wishes, the trustee is not required to follow this nomination.</p> <p>If you want more certainty about who will receive your super funds when you die, you can make a binding death benefit nomination. When this is done, the trustee must follow your wishes, as long as the nomination is a valid one. Binding nominations expire after three years and then have to be renewed if you want them to continue.</p> <p>We typically recommend that members who want to achieve certainty about who will receive their super funds when they die should complete a binding death benefit nomination. This will mean the trustee can't consider other factors in the event of your death, such as taking into account if tax laws change or if your personal circumstances change—for example, if you separate from your husband or have a baby.</p> <p>However, there are other options for making a nomination. These are outlined in the Product Disclosure Statement and I can send you that and some further information in the mail, or you can visit our website.</p> <p>We recommend that members should regularly review their nomination to ensure it is kept valid and up-to-date, and correctly reflects their wishes. The choice that is most appropriate depends on your particular personal and financial circumstances.</p> <p>Taxation is also a relevant consideration and we recommend that members seek advice about that. We also recommend that members obtain advice about their will. Please note, the advice I have provided today is general and may not be right for you.</p>	

Henrietta	Okay, thanks, that's been really helpful. I might do some more research and come back to you if I decide to nominate my new husband as my beneficiary.
Operator	Thanks for your call, Henrietta. I'm glad I was able to help you. If you have any further questions, please let me know.

Personal advice

Henrietta	Hi, this is Henrietta Jones. I'm just ringing to get a bit of advice. I've recently remarried and I want my new husband to get all my super when I die. What should I do?
Operator	<p>Okay, Henrietta. Can you just answer some questions to confirm your identity?</p> <p>[At this point, the operator will perform the appropriate identity checks to confirm that they are speaking with the account holder. The operator will also confirm that the member has a copy of the current version of the Financial Services Guide, if required.]</p> <p>Thanks, I'm just retrieving your member information now.</p> <p>Once I have your information in front of me, I'll be able to give you some specific advice on what I think you should do.</p> <p>You need to be aware, though, that I am only going to give you advice in relation to the nomination of beneficiaries for your ABC Superannuation Fund and not about other matters, such as nominating beneficiaries for any benefits you have with other super funds or about estate planning issues more generally.</p>
Henrietta	Okay, that's fine.
Operator	<p>Thanks, Henrietta. Okay, I now have your information in front of me and confirm that:</p> <ul style="list-style-type: none"> • you have a current account balance of \$620,000; and • you have not nominated any beneficiaries. <p>Now, I understand you want your husband to get your ABC Superannuation Fund benefits in the event of your death.</p> <p>Can I assume that:</p> <ul style="list-style-type: none"> • you have a property settlement with any former partner you may have that excludes any claim being made against you in future in respect of your entitlements to superannuation and does not restrict you from making any kind of nomination of a beneficiary for your superannuation; and • you have no other dependants such as children from your previous marriage?
Henrietta	Yes, that's right.

The operator makes it clear in this example that the scope of the advice is limited to the nomination of beneficiaries within the ABC Superannuation Fund. The operator has suggested to Henrietta that she may want to consider getting further advice that deals with other issues she has raised.

The amount of information and instructions required to be obtained by the operator will depend on the complexity of the advice sought by the client. You may need to ask further questions to ascertain the client's circumstances.

Operator	<p>ABC Superannuation Fund has a number of different options you can consider if you want to nominate who gets your super when you die.</p> <p>You can make a non-binding nomination of beneficiaries. While this is a guide to the trustee about your wishes, the trustee is not required to follow this nomination.</p> <p>If you want more certainty about who will receive your super funds when you die, you can make a binding death benefit nomination. When this is done, the trustee must follow your wishes, as long as the nomination is a valid one. Binding nominations expire after three years and then have to be renewed if you want them to continue.</p> <p>If you make a binding death benefit nomination, leaving your entire super to your current husband, the funds will be paid directly to him and will not form part of your estate.</p> <p>Since the instruction will be binding, the trustee of ABC Superannuation Fund will have to act on it, as long as it can lawfully do so, even if it might later appear that this is not what you would have wanted—for example, because you have separated from your new husband.</p>
Henrietta	I would want to choose the option that gives me the greatest certainty that my new husband will get my super.
Operator	<p>I recommend that you complete a binding death benefit nomination that leaves 100% of your super funds to your current husband.</p> <p>This will have the advantage of the funds passing directly to your current husband and excluding any other person who may have a claim against your estate.</p>
Henrietta	That's exactly what I want.
Operator	<p>Of course, as I noted before, for the nomination to be valid at the time of your death, you will need to ensure that it is current at all times. Your nomination form needs to be updated every three years. If you change your mind about what you want to happen with your superannuation, you should immediately contact us to change the nomination.</p> <p>I also need to point out that, in giving this advice, I considered only how you could ensure that your money in the ABC Superannuation Fund will go to your current husband when you die. I did not consider any estate planning issues outside of this. I suggest that you seek professional estate planning advice to consider any other advice that you may need. You should also consider other aspects of your retirement planning and seek advice if you think you may need it.</p> <p>I'm now going to forward you a short Statement of Advice, outlining what we've discussed and my recommendations.</p>
Henrietta	Thanks very much for that.

The operator here takes other steps that, at the time the advice is provided, would reasonably be regarded as being in the best interests of Henrietta, given her relevant circumstances: s961B(2)(f).

Statement of Advice to Henrietta on the nomination of beneficiaries

ABC Superannuation Trustees Limited ABN 12 34567890

AFS licence no: 123456

STATEMENT OF ADVICE

1 July 2012

Ms Henrietta Jones
1 Sydney Road
Sydney NSW 2000

Dear Henrietta

Nomination of beneficiaries

You asked for advice today about nominating beneficiaries to your ABC Superannuation Fund account. This advice is limited to nominating your current husband as your beneficiary.

Information about you

- You have not nominated any beneficiaries.
- You have recently remarried.
- You want your funds in the ABC Superannuation Fund (currently with a balance of \$620,000) to go solely to your current husband in the event of your death.

Our advice

To achieve certainty about the distribution of your superannuation funds, I recommended that you make a binding death benefit nomination. In the case of binding death benefit nominations, the trustee must follow your wishes, as long as the nomination is a valid one and the nomination has not expired.

There is a risk that, if your circumstances change (for example, you have children) and you die, you may not have updated your binding nomination. If this happened, the trustee would have to act on your binding nomination even though this may not be what you would have wanted.

To achieve the certainty you want, I recommend that your binding death benefit nomination should leave 100% of your super funds to your current husband. This will have the advantage of the funds passing directly to your current husband, and your former husband or others being unable to challenge this through a claim against your estate.

I also recommended that you regularly review your nomination to ensure it is valid, up-to-date and correctly reflects your wishes. Binding nominations expire after three years and have to be made again if you want them to continue.

Remuneration and conflicts of interest

This advice was provided at no additional cost to you. It is part of our overall member service.

There is no charge payable to ABC Superannuation Fund, should you decide to make a binding death benefit nomination.

Acting on this advice

To act on the advice, please complete the enclosed Nomination of Beneficiary form and forward it to ABC Superannuation Fund. Please ensure that the form has been signed and dated by you and two witnesses who are 18 years or older and who are not listed as beneficiaries.

Should you have any questions, please phone our call centre on (02) 9999 9999.

Yours sincerely

ABC Superannuation Fund
5 Harbour Street
Sydney NSW 2000

Example 12: Motor vehicle insurance—Which level of excess?

Josh contacts his insurer for information and advice about the level of excess he needs for his motor vehicle insurance.

Factual information

Operator	Good afternoon. You have called XYZ Insurance. My name is Ben. How may I help you?
Josh	Hi, my name is Josh. I insured my car with XYZ about a year ago. I've made two claims since I bought the policy and have been paying the standard excess amount until now. I'm considering switching to a policy with a lower premium but a higher excess.
Operator	Thanks for your phone call, Josh. Could you please provide your policy number?
Josh	My policy number is 654321.
Operator	I see you have comprehensive insurance with XYZ and you're now 19 years old. I am able to give you some factual information about the options available under the XYZ comprehensive policy in relation to payment of the basic excess. I cannot give you any advice about the decision you make. Is this okay with you?
Josh	Yes, that's fine.
Operator	<p>You will always need to pay an excess when you make a claim. There is a standard excess of \$500 that all customers, regardless of their age, must pay in the event of a claim. For drivers between the ages of 18 and 24, there is an additional age excess of \$350 to pay in the event of a claim. So, the basic excess for you is \$850. Based on what you have disclosed to us at the renewal of your policy about your current situation, there are currently no other excesses that you need to pay in the event of a claim. XYZ will not pay a claim where the damage or loss incurred is less than the total excess amount.</p> <p>You can, however, increase your basic excess rate of \$850. Do you want me to give you a quote?</p>
Josh	<p>Thanks, it would great if you could give me a quote.</p> <p>[The operator then provides a quote and information about the steps Josh needs to take if he wants to increase his basic excess.]</p>

Josh's personal circumstances have been used to tailor the factual information provided. This does not constitute advice.

At this point, the operator ensures that Josh has a copy of the Product Disclosure Statement.

General advice

Operator	Good afternoon. You have called XYZ Insurance. My name is Ben. How may I help you?
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Josh	Hi, my name is Josh. I insured my car with XYZ about a year ago. I've made two claims since I bought the policy and have been paying the standard excess amount until now, but I'm considering agreeing to pay a higher excess in exchange for a lower premium when I renew my policy.
Operator	Thanks for your phone call, Josh. Could you please provide your policy number?
Josh	My policy number is 654321.
Operator	I see you have comprehensive insurance with XYZ and you're now 19 years old. I'm happy to give you some advice about what we generally recommend to our customers, but I can't give you personal advice about whether this is the right thing to do in your circumstances.
Josh	That's fine.
Operator	When you make a claim, you will always need to pay an excess. There is a standard excess of \$500 that all customers, regardless of their age, must pay in the event of a claim. For drivers between the ages of 18 and 24, there is an additional age excess of \$350 to pay in the event of a claim. So, the basic excess for you is \$850. Based on what you have disclosed to us at the renewal of your policy about your current situation, there are currently no other excesses that you need to pay in the event of a claim. I can provide you with a quote over the phone now if you would like to see how increasing your basic excess may reduce your annual premium.
Josh	Thanks, it would be great if you could give me a quote. [The operator then provides a quote and information about the steps Josh needs to take if he wants to increase his basic excess.]
Operator	XYZ will not accept your claim if the damage or loss incurred is less than the amount of the excess. If you increase your basic excess, this increases the amount that you would have to pay to XYZ before we will pay your claim. You should ensure that you will be able to afford that amount. That amount for you is currently \$850, and if you increase your basic excess, your excess will be at least \$1,000, as the minimum voluntary increase to the basic excess is \$150. This means that, if you make a claim for damage valued at, say, \$1,500, you would have to pay \$1,000 and XYZ would only pay \$500. If the value of damage is below \$1,000, XYZ will not provide any cover at all and you would have to pay that amount yourself.

Operator	Your financial situation and ability to pay up to this amount for a single incident is something we recommend you take into consideration before making any changes to your basic excess amount. We generally recommend a lower basic excess for customers who are concerned about being unable to afford a high uninsured loss in the event of a claim. On the other hand, a lower basic excess will have the effect of increasing your premium amount, and we recommend you weigh this ongoing annual cost against the cost of increasing your basic excess for a lower premium.
Josh	Thanks, I might have to give this some more thought. I'll call again if I have any questions

Personal advice

Operator	Good afternoon. You have called XYZ Insurance. My name is Ben. How may I help you?
Josh	Hi, my name is Josh. I insured my car with XYZ about a year ago. I've made two claims since I bought the policy and I've been paying the standard excess amount until now, but I'm considering agreeing to pay a higher excess in exchange for a lower premium when I renew my policy. I'm just not sure if this is a good idea.
Operator	Thank you for your call, Josh. Could you please provide your policy number?
Josh	My policy number is 654321.
Operator	I see you have comprehensive insurance with XYZ and you're now 19 years old. I would be happy to provide you with some advice about whether to increase your basic excess, based on your personal circumstances. Would you like me to consider other options that could make your policy more affordable? Or would you like me to just stick to whether or not to increase your basic excess?
Josh	At this stage I only want advice on whether to increase my basic excess.
Operator	<p>[At this point the operator will perform the appropriate identity checks to confirm that they are speaking with the account holder, and also confirm that Josh has a current copy of the Product Disclosure Statement and Financial Services Guide]</p> <p>That's fine, I now have your account details here in front of me and I can give you some advice about which option is best for you. I can see that you currently have a basic excess of \$850 made up of the standard excess of \$500 that all customers, regardless of their age, must pay in the event of a claim. For drivers between the ages of 18 and 24, there is an additional age excess of \$350 to pay in the event of a claim. So, the basic excess for you is \$850. Based on what you have disclosed to us at the renewal of your policy about your current situation, there are currently no other excesses that you need to pay in the event of a claim.</p>

Operator	<p>You can alter the basic excess rate of \$850. Do you want me to give you a quote? If you increase your basic excess, your excess will be at least \$1,000, as the minimum voluntary increase to the basic excess is \$150. It is possible that some damage or loss that you incur would be less than this excess amount and XYZ will not pay a claim if the damage or loss is less than the excess amount.</p> <p>You also need to consider whether you think you would be able to afford to pay \$1,000 or more in the event that you need to make a claim. What level of excess do you think you could afford in the event of a claim?</p>
Josh	<p>I am a full-time student, and I only work a few hours each week. My parents agreed to pay my premiums this year, as they want me to have comprehensive cover, but they said I have to pay the excess if I make a claim. I do have a bit of money saved but generally spend most of my earnings each pay cycle. I've learnt a lesson from my last two claims, though, and I don't imagine I will need to make any more claims any time soon, and on that basis I wanted to consider lowering my premium.</p> <p>Can you tell me how much the premium will be if I increase the excess to \$1,000?</p> <p>[The operator then provides a quote and information about the steps Josh needs to take if he wants to increase his basic excess.]</p>
Operator	<p>The value of having an insurance policy is the ability to make a claim when you need to. While you consider yourself unlikely to need to make a claim any time soon, there is always the possibility that an incident will occur. You have made two claims in the past 12 months and you are in an age group that XYZ considers being at high risk of making a claim. You also need to consider that you may need to make a claim because of actions by another person.</p> <p>What you have told me about your financial situation would suggest you might not be able to afford to pay a higher excess in the event of a claim. You have told me that you have some financial assistance from your parents to pay the premium, and I recommend that you consider not increasing your basic excess at this stage. However, it would be worth reviewing this again in 12 months time to see if your circumstances have changed.</p>
Josh	<p>Thanks. I might have to give this some more thought. I'll call again if I have any questions.</p>

No Statement of Advice is required: see reg 7.7.10.

Example 13: Information and advice about basic deposit products

Factual information

Kim, a customer, visits XYZ Bank's website and finds the following information about various deposit products offered by the bank.

	Transaction Account	Online Savings Account	Incentives Account
Description	Allows simple banking in a way that suits you, with access via XYZ's ATMs and internet banking as many times as you like. Branch transactions may incur fees.	Allows online management of your savings at any time. Check your savings balance as often as you like via XYZ's ATMs. Access your money through a linked Transaction Account.	XYZ will pay additional interest on your savings if you deposit at least \$[X] per month and make no withdrawal in the same month. Check how your savings are going via internet banking and XYZ's ATMs at any time.
Monthly account fee	\$[X]	\$0 But note that the Online Savings Account must be linked to your Transaction Account, which generally attracts a monthly fee.	\$0
Current variable interest rate	[X]% p.a.	[Y]% p.a.	[X]% p.a. and, if withdrawal and minimum deposit criteria are met, an additional [Z]% p.a.
	More details	More details	More details

Term deposits

XYZ offers you a choice of term deposits for a range of durations and with a range of corresponding interest rates. You can choose to invest your money in a term deposit for as little as three months to a maximum of 5 years. If your term deposit is for a duration of one year or more, you have the choice of when your interest is paid.

More details

Available investment terms and interest rates	3 months	[X]% p.a.
	6 months	[X]% p.a.
	12 months	[X]% p.a.
	24 months	[X]% p.a.
	36 months	[Y]% p.a.
	60 months	[Y]% p.a.

The customer can click on this link and be directed to another page that contains general advice. See general advice section below.

When is interest paid?	For term deposits less than 12 months—at maturity. For term deposits of 12 months or longer—your choice of monthly, half yearly, annually or at maturity.
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Fees	\$0 Please note that, if you withdraw any of your deposited funds before the end of the term, we may reduce the interest rate on that amount you have withdrawn. Please see our terms and conditions for further details.
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Minimum investment	For all of the above term deposits, you must deposit at least \$[X] and no more than \$[Y].
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General advice

Kim clicks on the ‘More details’ links next to each product description and finds the following information:

A PDS is not required for a basic deposit product if the disclosures required by reg 7.9.07FA have been provided.

The webpage contains a link to XYZ Bank’s deposit account Terms and Conditions and Financial Services Guide, and also a general advice warning in accordance with s949A of the Corporations Act.

Transaction Account

The XYZ Transaction Account is ideal for customers who seek a high level of convenience and flexibility to access their own funds at any time, and any number of times, from one of XYZ Bank’s many ATMs or via internet banking.

Online Savings Account

XYZ’s Online Savings Account is a good choice for customers who want a competitive interest rate to allow their savings to grow, but who also want unlimited free access to their funds at any place and at any time. It’s an easy way to manage your finances and strive to reach your goals.

Incentives Account

XYZ’s Incentives Account is a good option for customers who could benefit from a bit of savings discipline or those who want to encourage good saving habits in their children. XYZ will pay you additional interest above the base rate if you make a deposit of at least \$[X] per month and do not withdraw any funds in the same month. Have the comfort of knowing, also, that you can access your money at any time (by forfeiting your additional interest in a given month), should the need arise.

Term deposits

An XYZ term deposit can provide you with the comfort of knowing that you are earning a pre-determined return on your money. While variable interest rates that apply to other XYZ deposit accounts may fluctuate, your term deposit interest rate will stay the same for the whole period. If you are unsure which way variable interest rates might go, you have the option of trying one of XYZ’s shorter term deposits. You will have the option of rolling your investment over into another term deposit after your first term deposit reaches maturity. Note that, if you withdraw part or all of your deposited funds before the end of the term, we may reduce the interest rate on that amount you have withdrawn. Please see our terms and conditions for further details.

ASIC has recommended that authorised deposit-taking institutions clearly disclose to the investor in their term deposit renewal communication the actual or indicative interest rate that would apply to the new term deposit so that customers are aware of the interest rate that will apply to their new term deposit before it rolls over: see paragraphs 25–27 of Report 185 Review of term deposits (REP 185).

Personal advice

Branch employee	Welcome to XYZ Bank. May I help you?
Kim (Customer)	<p>I have an XYZ Transaction Account but it doesn't pay much interest and the monthly fees are eating into my funds. I recently inherited \$20,000 and I want to put it into an account that will allow me to get more out of my money.</p> <p>I'm worried that a lot of what I earn is spent on things that I don't need and the rest goes towards everyday essentials. I don't want to be tempted to spend my inheritance like that but I still want access to my money if I need it.</p>
Branch employee	<p>[The branch employee inquires about any other investments and debts the customer might already have, to which the customer responds he has none.]</p> <p>XYZ Bank has a range of options for investing your money, including transaction accounts, term deposits and other investment options. I can advise you on which transaction accounts or term deposits might be suitable for you, but if you want advice on other investment options, you'll need to see one of our financial advisers.</p> <p>Is there any particular purpose you have in mind for your investment?</p>
Kim	At the moment I'm happy for it to just sit in an account and earn some interest.
Branch employee	<p>The Transaction Account gives you unlimited free access to your money and also pays a comparatively low interest rate of [X]% per year. I don't recommend you put all of your money into the Transaction Account because you don't want to be tempted to spend your inheritance and you want your money to earn higher interest.</p> <p>[The branch employee provides some information verbally about XYZ's transaction accounts and term deposits, as described on XYZ's website.]</p> <p>I'm looking at your recent bank statements on the screen now and, based on your savings and spending patterns, I think you might benefit from either the Incentives Account or a term deposit, combined with a Transaction Account. A small amount of your fortnightly pay could stay in the Transaction Account, so you have free access to those funds for everyday expenses. You can choose to combine the Transaction Account with an Online Savings Account, which currently has an interest rate of [Y]% per year. Your inheritance, and any additional money from your fortnightly salary that you wish to save, could go into an Incentives Account or a term deposit where there is less temptation to access those funds.</p> <p>If you had an Incentives Account, do you think you would be able to satisfy the requirement of depositing at least \$[X] per month?</p>
Kim	I generally need to spend most of my fortnightly pay on bills, groceries and leisure, so I don't think I could commit to making a deposit every month.

The branch employee will satisfy the best interests duty in s961B(1) if they have done each of the tasks listed in s961B(2)(a), (b) and (c), which is the modified best interests duty.

Branch employee	<p>In that case, you'd be unlikely to benefit from the additional [Y]% interest offered by that account. Therefore, a term deposit for your inheritance, combined with a Transaction Account for your daily essentials—perhaps combined with an Online Savings Account—might be a better option for you. There's no monthly deposit requirement for a term deposit but the money is invested for a fixed term. If you withdraw part or all of the term deposit before the end of the term, we may reduce the interest rate on that amount you have withdrawn. You should read our Terms & Conditions booklet for further details. You would still need to pay a monthly fee for the Transaction Account.</p> <p>[The branch employee hands the customer copies of the Terms and Conditions for each account, and explains the consequences of withdrawing term deposit funds early.]</p>
Kim	If I decide to get a term deposit, what is the best term to select?
Branch employee	<p>Our longer term deposits of 36 and 60 months duration, currently provide a higher level of interest than shorter terms, but it will mean the interest rate will remain the same for the whole of that longer term. During that time, variable interest rates on other products may rise and fall. If you're worried about this, I recommend you choose a shorter term deposit. You can then reinvest into another term deposit on maturity. Having a shorter term deposit initially will also give you more flexibility to decide over the next few months or so how you want to invest your inheritance in the longer term or what other use you might want to put it to.</p>

Example 14: Advice from a stockbroker to an existing client

Ellora receives information, general advice and personal advice from her stockbroker.

Factual information

Ellora	Hi Steve, it's Ellora. I believe that Big Mines Limited usually announces its annual results around this time. I might be interested in buying some shares. I wonder if you can tell me when that announcement is expected, and also what the shares are currently trading at?
Steve (stockbroker)	With pleasure, Ellora. It's great to hear from you after such a long time. The shares are currently \$25.60 bid, \$25.80 sellers and last sale \$25.70. Hold on one second while I look up when the results are due.
Ellora	Thanks, Steve.
Steve	Okay, the results will be announced next Monday morning. If you want, I would be happy to send you a copy of our updated research report after the results.
Ellora	Yes, Steve, I would very much appreciate that. Thanks.

General advice

Extract from research report on Big Mines Limited, sent by ABC Stockbrokers to Ellora	<p>July 2012</p> <p>Big Mines Limited is currently trading in the region of \$25–\$27 and, having reviewed the company's annual profit results, we believe it is being undervalued by the market.</p> <p>We are therefore recommending clients add Big Mines Limited to their portfolios, up to \$28.50 per share, with our target price of \$31.</p> <p>Please note that this is general advice for all our clients and has been prepared without taking into account an individual client's objectives, financial situation or needs. If you do wish to consider a purchase of Big Mines Limited, please contact your ABC Stockbrokers client adviser to discuss the appropriateness of this recommendation for your own personal financial circumstances.</p>
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Personal advice

Ellora	Hi Steve, it's Ellora again. I just read your research report on Big Mines, and I'm interested in buying some shares. Do you think this would be a good stock to add to my portfolio? I have about \$11,000 I'd like to invest. I'm going on a holiday this weekend so need to tie up the loose ends today, if possible.	<p><i>Under s946B(1), no SOA is required to be given in relation to this advice because:</i></p> <ul style="list-style-type: none"> • ABC Stockbrokers has previously provided an SOA to the client setting out the client's relevant circumstances (s946B(2)(a)); • based on Ellora's statement, Steve and ABC Stockbrokers can assume that Ellora's circumstances and objectives haven't changed since the last SOA was given (s946B(2)(b)); and • the basis of advice is not significantly different from the basis on which the previous advice was given (s946B(2)(c)).
Steve (stockbroker)	Hi Ellora. I do like Big Mines, but, before we do anything, let me have a look at your file.	
Ellora	Yes, it has been quite a few months since I last bought shares. You may remember at the time I was hesitant about the outlook for the stock market. I feel more confident now.	
Steve	Oh yes, I recall. I can see from my file that it was actually about four months ago. Has anything changed at home? Are you still with Jones and Jones in the same job? Have you added any other shares to your portfolio since we last reviewed it?	
Ellora	Yes, I'm in the same job. I haven't added to my share portfolio and still want to hold onto the shares as a long-term investment. After we last spoke, you sent me a portfolio review and an updated Statement of Advice.	<p><i>By providing information about his remuneration, Steve is satisfying another requirement of s946B(3): s947B(2)(d).</i></p>
Steve	<p>Yes, I see that. If you check the review I sent you, you will see that I thought you were a little heavy in your bank stocks but didn't recommend you sell them, as they do pay good dividends. I think this is now a good opportunity to balance things a little better, to put some eggs in a different basket.</p> <p>I've read our research report on Big Mines and consider it a good long-term growth prospect. Of course, with mining there are always risks, but they are a pretty solid company that has been around for a while. The mining boom is still going strong, so I'm confident that this will be a solid investment.</p>	
Ellora	That sounds good to me. What is the current price?	
Steve	I should be able to pick them up for you now at \$25.70. I will charge you your usual brokerage rate of 1.5% plus GST. The final price and actual brokerage will be in your contract note when it arrives. Do you want me to go ahead?	
Ellora	Yes. Please buy 400, but at a limit of \$25.80.	<p><i>Because the requirements of s946B(1) have been met, Steve is not required to provide a SOA; however, he is required to record the further advice—in a 'record of advice' (s946B(3A)). Reg 7.7.09(1) outlines the information Steve should record.</i></p>
Steve	Great. I'll put that through straight away. I don't need to give you another Statement of Advice, but we keep what is called a record of advice. I can email you a copy when you get back from your holiday. Have a great time while you're away.	
Ellora	Thanks for that, Steve. I will call when I get back.	

Key terms

Term	Meaning in this document
advice	financial product advice
advice provider	<p>A person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply when providing personal advice to a client. This is generally the individual who provides the personal advice. However, if there is no individual that provides the advice, which may be the case if advice is provided through a computer program, the obligations in Div 2 of Pt 7.7A apply to the legal person that provides the advice (e.g. a corporate licensee or authorised representative)</p> <p>Note: These obligations will apply from 1 July 2013, or a person may elect to comply from 1 July 2012.</p>
AFS licence	<p>An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services</p> <p>Note: This is a definition contained in s761A of the Corporations Act.</p>
AFS licensee	<p>A person who holds an AFS licence under s913B of the Corporations Act</p> <p>Note: This is a definition contained in s761A of the Corporations Act.</p>
ASIC	Australian Securities and Investments Commission
authorised representative	<p>A person authorised by an AFS licensee, in accordance with s916A or 916B of the Corporations Act, to provide a financial service or services on behalf of the licensee</p> <p>Note: This is a definition contained in s761A.</p>
best interests duty	The duty to act in the best interests of the client when giving personal advice to a client as set out in s961B(1) of the Corporations Act
best interests duty and related obligations	The obligations in Div 2 of Pt 7.7A of the Corporations Act
Ch 7 (for example)	A chapter of the Corporations Act (in this example numbered 7), unless otherwise specified
client	A retail client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of Ch 7 of the Corporations Regulations
client's relevant circumstances	The objectives, financial situation and needs of a client that would reasonably be considered relevant to the subject matter of advice sought by the client

Term	Meaning in this document
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
Corporations Regulations	Corporations Regulations 2001
CP 182/Draft new section of RG 175	The draft new section of RG 175, containing our proposed guidance on the best interests duty and related obligations, attached to Consultation Paper 182 <i>Future of Financial Advice: Best interests duty and related obligations—Update to RG 175</i>
draft RG 175.A27 (for example)	A paragraph of CP 182/Draft new section of RG 175 (in this example numbered A27)
factual information	Objectively ascertainable information whose truth or accuracy cannot reasonably be questioned
financial product	<p>A facility through which, or through the acquisition of which, a person does one or more of the following:</p> <ul style="list-style-type: none"> • makes a financial investment (see s763B); • manages financial risk (see s763C); • makes non-cash payments (see s763D) <p>Note: This is a definition contained in s763A: see also s763B–765A.</p>
financial product advice	<p>A recommendation or a statement of opinion, or a report of either of these things, that:</p> <ul style="list-style-type: none"> • is intended to influence a person or persons in making a decision about a particular financial product or class of financial product, or an interest in a particular financial product or class of financial product; or • could reasonably be regarded as being intended to have such an influence. <p>This does not include anything in an exempt document</p> <p>Note: This is the definition contained in s766B of the Corporations Act.</p>
financial service	Has the meaning given in Div 4 of Pt 7.1 of the Corporations Act
financial services provider	A person who provides a financial service
FOFA	Future of Financial Advice
FOFA Act No. 2	<i>Corporations Amendment (Further Future of Financial Advice Measures) Act 2012</i>
general advice	<p>Financial product advice that is not personal advice</p> <p>Note: This is a definition contained in s766B(4).</p>
licensee	An AFS licensee

Term	Meaning in this document
modified best interests duty	<p>The limited number of steps an advice provider needs to take to act in the best interests of the client when:</p> <ul style="list-style-type: none"> the advice is about a basic banking product only and the advice provider is an agent or employee of an Australian ADI, or otherwise acting by arrangement with an Australian ADI under the name of the Australian ADI (s961B(3)); or the advice is about a general insurance product only (s961B(4))
PDS	Product Disclosure Statement
personal advice	<p>Financial product advice given or directed to a person (including by electronic means) in circumstances where:</p> <ul style="list-style-type: none"> the provider of the advice has considered one or more of the client's objectives, financial situation and needs; or a reasonable person might expect the provider to have considered one or more of these matters <p>Note: This is the definition contained in s766B(3) of the Corporations Act.</p>
Product Disclosure Statement	A document that must be given to a client in relation to the offer or issue of a financial product in accordance with Pt 7.9 of the Corporations Act
providing entity	A person to whom the obligations in Pt 7.7 of the Corporations Act apply. This is the AFS licensee or an authorised representative that provides the financial product advice
Pt 7.7 (for example)	A part of the Corporations Act (in this example numbered 7.7)
representative of an AFS licensee	<p>Means:</p> <ul style="list-style-type: none"> an authorised representative of the licensee; an employee or director of the licensee; an employee or director of a related body corporate of the licensee; or any other person acting on behalf of the licensee <p>Note: This is a definition contained in s910A of the Corporations Act.</p>
reg 7.1.33H (for example)	A regulation of the Corporations Regulations (in this example, numbered 7.1.33H)
RG 200 (for example)	An ASIC regulatory guide (in this example numbered 200)
s945A (for example)	A section of the Corporations Act (in this example numbered 945A), unless otherwise specified
safe harbour for the best interests duty	The steps set out in s961B(2) of the Corporations Act. If an advice provider proves they have taken these steps, they are considered to have met their obligation to act in the best interests of their client

Term	Meaning in this document
scaled advice	Personal advice that is limited in scope
SOA (Statement of Advice)	<p>A document that must be given to a client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act</p> <p>Note: See s761A for the exact definition.</p>
TTR	transition to retirement