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Ai-Lin Lee
Policy Guidance Officer
Financial Advisors
Australian Securities and Investments Commission
GPO Box 9827
Melbourne VIC 3001

email: policy.submissions@asic.gov.au

Dear Ms Lee

CONSULTATION PAPER 216: Advice on self-managed superannuation funds: Specific disclosure requirements and SMSF costs

Thank you for the opportunity to provide a response to the Consultation Paper 216 ("CP216"). This submission outlines our comments and, where appropriate, provides recommendations in relation to the disclosure requirements and guidance on self managed super fund (SMSF) costs discussed in CP 216 and the attachment to CP 216 Costs of Operating SMSFs.

By way of background, Dixon Advisory provides administration and advice services to 4,500 self managed superannuation funds with a combined asset base in excess of $4 billion.

The SMSF sector has grown because it allows its members to take up the features of the superannuation system that best suit their individual needs. The government-commissioned Super System Review 2010 concluded the SMSF sector was "largely well functioning and successful".

In 2009, as a result of highly complex fraud the collapse of Trio Capital, 10,000 investors lost funds. Out of those, 285 were SMSFs trustees, representing approximately a third of a percent (0.3%) of all SMSF trustees. The Parliamentary inquiry into the Trio collapse reported some SMSF trustees had an insufficient understanding and knowledge of the risks pertaining to their investments and that inadequate financial advice may have been a contributing factor.

While acknowledging the Australian Securities and Investments Commission's (ASIC) review of personal advice specific to SMSFs (ASIC report 337) identified areas for improvement, the results also showed that overall 70% of SMSF personal advice was adequate. Noting the guidance as a result of report 337 was only released in April 2013 and compared to only 58% of advice under the broader ASIC shadow shopping study of retirement advice reaching adequate standard (ASIC report 279), this demonstrates the industry is responding to guidance from the regulator to improve advice.

The Future of Financial Advice reforms took effect from 1 July 2013 with the specific purpose to improve the quality and consistency of financial advice and raise the standards for licensed financial

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advice providers. In addition, a transition period commenced to remove the exemption for accountants providing advice concerning SMSFs by 1 July 2016. The progressive impact of these very recent and very positive consumer protection measures will grow and flow through to consumers over many years to come.

As a result of the significant changes recently introduced, any further changes must seek to minimise duplication and unnecessary regulatory burdens while enhancing the consistency of information and warnings already available to consumers about SMSFs. Accordingly we recommend:

1. To avoid duplicating existing documentation, ASIC and the ATO should work together to co-ordinate a whole of government approach on disclosure requirements and timing of disclosure for new SMSF trustees.
    a. Streamline existing risks, warnings and costs disclosure requirements under the Best Interest provisions, super switching Product Replacement Statements and the ATO's SMSF Trustee Declarations through incorporation by reference.
2. Additional disclosure requirements should not be prescriptive. This may result in rigid legalistic documentation and make it more difficult for consumers to assess the risks of most consequence to their individual situation. Disclosures should include explanations to assist consumers better understand the potential advantages as well as the costs and limitations so all super fund options are compared in a balanced way.
3. A whole of government approach should be developed for disclosure requirements across a range of media formats, such as electronic online declarations, to address the significant numbers of people who utilise exempt advice and service providers, including online trust deed suppliers, solicitors and auditors, to set up SMSFs.
4. The attachment to CP216 report should not be used in providing guidance to advisors or consumers as the analysis overstates the annual cost of operating an SMSF. The analysis is not reflective of current market pricing rates for administration services or investment costs.
    a. Maintaining timely market information is imperative to a highly competitive market place and would place additional administrative burden on ASIC.

If you have any questions regarding Dixon Advisory's submission, please do not hesitate to contact me

Kind regards

Nerida Cole

Managing Director – Head of Financial Advisory

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B1Q1: Do you agree with our proposed disclosure requirement in Table 1? If not, why not?

Currently, the Australian Tax Office (ATO) requires new Trustees and Directors of corporate trustees to sign the Trustee declaration (NAT 71089), which also requires the Trustees or Directors to read the declaration in conjunction with "Self-managed super funds – key messages for trustees" (NAT 71128) (hereby referred to as the "Trustee declaration"). This signed declaration must be provided to the ATO within 21 days of the establishment of the new SMSF.

This declaration specifies:

"I do not have access to the government's financial assistance program that is available to trustees of Australian Prudential Regulation Authority (APRA) regulated funds in the case of financial loss due to fraudulent conduct or theft."

Dixon Advisory recommends:

To avoid duplicating existing documentation, ASIC and the ATO should work together to co-ordinate a whole of government approach on disclosure requirements and timing of disclosure for new SMSF trustees through the use of the Trustee declaration.

Streamlining content and timing of existing documentation and declarations such as the Trustee declaration is expected to provide a more consistent and clear message for consumers. Additional and separate disclosure requirements may create lengthy, overlapping and legalistic documentation from licensees and advisors in an attempt to deal with multiple disclosure requirements.

The administrative burden across the Financial Services industry arising from interpreting and dealing with subtle (and often unintentional) conflicts in regulations increases the costs of advice to the consumers. This conflicts with one of the core goals of the Future of Financial Advice (FOFA) reforms to improve access to, and affordability of, financial advice.

B1Q2: Do you think that the proposed warning will benefit clients who are considering setting up or switching to an SMSF? If not, what other warnings would help clients decide whether it is appropriate in their circumstances to establish or switch to an SMSF?

The proposed warning is overly simplistic and does not consider the fact that there is no "zero risk" choice when it comes to superannuation. The financial assistance program does not guarantee an APRA fund member will receive compensation. The warning does not indicate there is a cost in accessing the financial assistance program, with grants from the government repaid through a levy on remaining APRA funds.

Example 1 – Compensation to APRA regulated funds is provided at the discretion of the Minister only if a result of fraudulent conduct, or theft, a loss has created substantial difficulty in the payment of benefits[1]. Where assistance is approved, APRA regulated super funds will pay a levy to the government to repay the financial assistance[2].

Example 2 – APRA regulated funds largely offer cash investment options which are cash-like investments and may not be backed by the government guarantee. This disadvantage is not required to be disclosed when comparing an APRA fund to alternative super funds that do offer access to these accounts, such as SMSFs. Further, an SMSF where the trustees choose to invest only in government guaranteed cash accounts in practice has a layer of protection through the intermediary, despite not

[1] Superannuation Industry (Supervision) Act 1993 section 228-229

[2] APRA Industry fees and levies – http://www.apra.gov.au/AboutAPRA/Pages/Industry-fees-and-levies.aspx

having access to the financial assistance under Part 23 Superannuation Industry (Supervision) Act. In addition SMSF Trustees can take legal action under the Corporations Law against an advisor for losses they believe are due to misconduct or inappropriate advice.

Dixon Advisory recommends:

Any references to the compensation scheme should include explanations to assist consumers better understand the potential advantages as well as the costs and limitations. The warning should include a reference that SMSF trustees have access to alternatives, including commercially available insurance policies.

Example 3 (modified warning):

I do not have access to the government's financial assistance program that *at the discretion of the Minister may provide a grant* to trustees of Australian Prudential Regulation Authority (APRA) regulated funds in the case of substantial financial loss due to fraudulent conduct or theft. *I understand the government scheme is funded via a levy and I should investigate alternatives including the costs, terms and conditions of commercially available insurance policies for SMSF Trustees*.

ASIC and APRA should work together to provide plain English explanatory text for consumers setting out examples of when Trustees may be eligible for the financial assistance program including disclosing the record of applications, Ministerial response and the amount of the levy applied to other APRA funds to repay the government.

B1Q3: Do you think the proposed warning should be given to clients in a prescribed format? For example, should the warning be given in a stand-alone document, or should it feature more prominently in the SOA? If you do not think the warning should be given in a prescribed format, please explain why.

As discussed in B1Q1, the specific warning is detailed in the ATO Trustee declaration which new SMSF Trustees must sign and provide to the ATO.

Existing regulations allow that personal advice to retail clients can incorporate certain information required to be included in a Statement of Advice by reference[3]. In August 2013 ASIC provided further guidance on the type of information that may be incorporated by reference in Regulatory Guide 90 sections 35, including:

- information about financial strategies and financial products; and
- the advice itself (including its cost, advantages and disadvantages and alternative products and strategies that were considered but disregarded by the adviser).

Section 36 of ASIC Regulatory Guide 90 goes on to say that information about these matters can instead be provided to the client in other documents, including the Financial Services Guide (FSG), Product Disclosure Statement (PDS) or promotional literature; and a reference to these other documents included in the Statement of Advice.

Dixon Advisory recommends:

Licensees and Advisors should be able to use the existing incorporate by reference provisions to refer to the ATO Trustee declaration in an eligible advice document in the same manner as the Financial Services Guide and Product Disclosure Statement. This would provide consistent disclosure to potential SMSF trustees while reducing additional bulk being inserted into eligible advice documents.

[3] Corporations Regulations 2001 subregulation 7.7.09B(1)

B1Q4: Do you think that clients should be asked to sign a document acknowledging that they understand that SMSFs are not entitled to receive compensation under the SIS Act? Are there any alternatives to obtaining client acknowledgement that will help to ensure that investors understand the lack of compensation available to SMSFs?

As discussed in B1Q1, this warning is specifically detailed in the ATO Trustee declaration which new SMSF Trustees must sign and provide to the ATO.

ASIC investigations into SMSFs, as outlined in Report 337, identify approximately 23% of SMSFs are set up outside of the assistance or advice of a Financial Advisor or Accountant. It is unclear how ASIC intends for these additional disclosure requirements to be provided to the sector of the market who may utilise exempt advice and service providers such as online trust deed suppliers, solicitors, auditors or tax agents.

Dixon Advisory recommends:

ASIC work with the ATO and ACCC to develop and implement a whole of government approach for unlicensed operators. The large portion of SMSFs established under exempt advice and service providers emphasises importance of whole of government co-operation in addressing this issue.

B1Q5: Are our proposed disclosure requirements likely to result in additional compliance costs for AFS licensees and their authorised representatives? Please give details, including figures and reasons.

New obligations require legal administrative and compliance costs as a result of any changes. There will be increased costs for document updates and ongoing monitoring. Prescribing the level of detail and format in particular would increase compliance costs for AFSLs and costs for the client.

B1Q6: Are there any practical problems with the implementation of this proposal?

Further to the points we have raised in B1 Q1 – Q4 above, separate regulations on disclosure requirements regarding access to the financial assistance program are expected to duplicate existing documentation required by the ATO. It will also increase and potentially overlap with the number of disclosures and warnings clients have to read.

B2Q1: Do you agree with our proposed disclosure requirements in Table 2? If not, why not?

The disclosure requirements for recommending an SMSF or switching to an SMSF are already mandated under Section 961B of the Corporations Act (best interest provisions) and Section 947D of the Corporations Act (super switching) for requirements when advice recommends replacement of one product with another. In addition, ASIC has recently provided updated guidance in Report 337, Information Sheet 182 and Regulatory Guide 175 and 244.

Prescribing the additional requirements listed in Table 2 is likely to result in rigid legalistic documentation. This may make it more difficult for consumers to understand the risks of most consequence to their situation.

Example 4 (Superannuation Complaints Tribunal) – Although SMSF trustees do not have access to the Superannuation Complaints Tribunal (SCT), they are able to access the Financial Ombudsman Service (FOS) and the Credit Ombudsman Service Limited (COSL) for independent dispute resolution services. Including warnings without explanation of what other dispute resolution services are available may be misleading. Licensees must include in the FSG the dispute resolution service they are a member of. The FSG must be provided to all clients who receive general or personal advice.

Example 5 (Personal Insurance) – A member with a significant balance accumulated in their super and about to retire may be sufficiently self-insured such that personal insurance is not appropriate. Including prescribed warnings about insurance in eligible advice documents would be irrelevant and may detract from other appropriate warnings.

Dixon Advisory recommends:

The disclosure requirements should not be prescribed, and this information should continue to be tailored to the client's financial literacy and understanding as opposed to inserting additional bulk into eligible advice documents.

It would be more appropriate for ASIC to monitor the existing provisions and provide regular feedback to the industry on its expectations.

B2Q2: Do you think the proposed disclosure requirements will benefit clients who are considering setting up or switching to an SMSF? If not, what other disclosures do you think would help clients decide whether it is appropriate in their circumstances to establish or switch to an SMSF?

Refer to response B1Q3.

B2Q3: Do you think that the proposed disclosure requirements in Table 2 should be given to clients in a prescribed format? If not, why not?

Refer to response B2Q1.

B2Q4: Do you think that clients should also be asked to sign a document acknowledging the responsibilities and risks associated with running an SMSF? Are there any alternatives to obtaining client acknowledgement that will help to ensure that clients understand the risks associated with SMSFs? If so, please provide details.

As discussed in B1Q1, the ATO requires new trustees and directors of corporate trustees to sign a Trustee declaration form, "Instructions and form for SMSF trustees", which also states "make sure you read Self-managed super funds – key messages for trustees".

Dixon Advisory recommends:

As discussed in B2Q2, Licensees and Advisors should be able to incorporate by reference the ATO Trustee declaration in an eligible advice document in the same manner as the Financial Services Guide and Product Disclosure Statement.

B2Q5: Are our proposed disclosure requirements likely to result in additional compliance costs for AFS licensees and their authorised representatives? Please give details, including figures and reasons.

Refer to response B1Q5.

B2Q6: Are there any practical problems with the implementation of this proposal? Please give details.

Dixon Advisory recommends:

ASIC and the ATO should work together to co-ordinate a whole of government approach on disclosure requirements for new SMSF trustees.

Because of the significant portion of the SMSF market who utilise exempt advice and service providers such as online trust deed suppliers, solicitors, auditors or tax agents to set up SMSFs, consistent disclosure requirements should be developed in media formats such as electronic declarations and the Money Smart website. This may provide the same access and level of information to all groups setting up an SMSF.

B2Q7: Do you think we should provide further guidance on the disclosure obligations? If so, please provide details.

No.

C1Q1: Do you agree with Rice Warner's findings? In particular, do you agree with:

(a) the way that Rice Warner has described SMSF costs in its report? If not, why not?

It is difficult to determine what methodology Rice Warner has used to determine the costs in the report. It appears that the annual fees used (refer Table 21) are representative of funds with larger balances but have not been adjusted to account for the lower balances that form the scope of the report.

Publicly available market research shows the annual fees for SMSFs quoted by Rice Warner are overstated by approximately 60-70% for lower service full administration providers and approximately 170-180% for higher service full administration providers.

Example 6 – In Table 27, under SMSF Full Administration, the market rate available for a lower service full administration arrangement for a fund with $50,000 is approximately $800-$1,000 rather than $2,476. The market rate for a higher service full administration arrangement for a fund with $50,000 starts at approximately $2,200-$2,700 rather than $7,469.

The investment fees calculated in the Rice Warner report overstate the minimum costs available to SMSF investors. This is acknowledged in the text of the report by Rice Warner but not amended within the tables or calculations. This compounds the overstating of annual full administration fees to result in an overstated annual cost.

Example 7 – The investment fees calculated in the Rice Warner report overstate the minimum costs available to SMSF investors. For example, using commonly held exchange-traded funds (ETFs) or exchange-traded products (ETPs) would result in a lower annual investment cost than 0.35%. The lowest management Australian broad-based and international management expense ratios suggest the low range of the investment fees should be closer 0.07% (assuming an asset allocation of 33% Australian equities, 33% international equities and 33% cash). Acquiring top 100 ASX direct listed investments through low cost broking arrangements and holding for the long term would result in nil ongoing annual investment costs.

These inaccuracies significantly impact on section 1.6 Analysis and Commentary and the conclusions of the Rice Warner report. As a result, the conclusions in Table 3 do not accurately reflect the range of service arrangements in the market place or current market rates for full administration services and should not be used as a representation of the costs to operate an SMSF or to compare an SMSF with an APRA fund.

The use of a high, medium, low fees scenario is not an appropriate analytical tool to compare products in a commercial environment and may lead to inappropriate and potentially deceptive comparisons.

Dixon Advisory recommends:

The cost estimates and conclusions provided by Rice Warner are overstated and should not be used as a representation of the costs to operate an SMSF or to compare an SMSF with an APRA fund. They do not accurately reflect the range of service arrangements in the market place or current market rates for full administration services.

(b) Rice Warner's analysis about the points at which an SMSF becomes cost-effective compared with an APRA-regulated fund? If not, why not?

In addition to the comments in C1Q1 regarding inaccuracies which have led to an overstating of the minimum fees for SMSFs, the explanatory notes on Table 3 are too simplistic and do not consider the range of reasons that an SMSF may be appropriate for a consumer at moderate to lower balances.

Some areas that do not appear to have been incorporated in the calculations and analysis include consideration of the specific circumstances of the trustees (such as investment expertise); the broader range of objectives that may also be met through managing an SMSF through a full service administration provider (such as education, time saving); and the cumulative benefits of more investment control. This latter point should include the impact of capital gains tax (CGT) when selling and buying investments to reduce risk weighting, commence pensions or improve liquidity. Rice Warner acknowledges this impact would compensate for some or all of the excess fees paid but does not incorporate this into the tables or calculations (refer section 6.4).

As superannuation members approach retirement and enter the retirement risk zone, where amount of total savings significantly outweighs a year's contribution, the focus on asset allocation becomes critical to help protect against Sequencing Risk. Where super funds do not allow their members to have full control and flexibility to adjust their asset allocation gradually to match their expected liabilities and risk appetite, the members bear the significant risk that a deterioration in market conditions can undo multiple years of earlier savings due to the impact of a negative return on a large capital base. SMSF trustees have the most control to manage this risk. An obvious recent example was the absolute impact of the financial crisis on a person whose target retirement date was 2009 versus the impact on someone who was only five years into their career.

In addition the Rice Warner analysis and calculations does not incorporate the investment returns as summarized in Table 15. This states SMSF's have delivered higher returns than the APRA sector in six of the last seven years and is consistent with previous findings which showed SMSFs outperformed all other types of superannuation funds over the three years to 30 June 2008[4].

Prescribing this analysis may create conflicts with the existing legislated "best interest" provisions, which require advisors to assess the individual objectives and situation of the client in providing advice. Some common SMSF scenarios are outlined below where arrangements are expected to be appropriate for the trustees' objectives and situation but which conflict with the summary in Table 3.

Example 8 – With a combined balance of $100,000, the Trustees, both 40 years of age are a professional couple working in the finance industry with investment expertise. They want to grow the fund and have greater control over their investments. They are capable of undertaking the investment management themselves; however, they have made the economic decision to engage professional services to execute the investment decisions which includes some compliance advice for their SMSF as they have calculated their time is better directed to their own profession.

Example 9 – With a balance of $200,000, the Trustee is a divorced 50-year-old executive female looking to build wealth in a tax-effective manner. She has a modest level of investment knowledge but has the goal to build this through self-education and the in depth information her investment advisor

[4] A statistical summary of self-managed superannuation funds December 2009 (used for the Super System Review 2010)

discusses and explains as part of the full service arrangement she has negotiated. This service provides a full investment and portfolio management service and incorporates personal advice on investment decisions and the construction of her portfolio and regular economic and market seminars.

Example 10 – With a combined super balance of $100,000, a small business owner couple, both 52 years of age, plan to make modest concessional contributions over the next three years and build their knowledge across the inner workings of SMSFs. When they sell their business in three years they expect to have a large amount to contribute. In the interim, they intend to use only government guaranteed cash accounts in their SMSF as they want very low risk, highly liquid investments to balance out the risk they take in managing a small business. Their annual costs will be very low and no more than what they would pay for establishing and running another entity such as a discretionary trust.

Example 11 – With a combined balance of $250,000, two Trustees, both 55 years of age with an average salary are looking to consolidate and grow their super over the remaining 10 years of their careers. It will be effective for them to use concessional contributions, spouse splitting and commence multiple pensions as part of a transition to retirement strategy. Using a basic APRA regulated fund would see them selling and buying out of investments as they implement the annual retirement strategies. This may impact on their investment decisions as well as incurring unnecessary tax. Using other higher cost APRA regulated funds that do provide the flexibility to implement these strategies tax effectively is likely to be more costly than an SMSF.

Dixon Advisory recommends:

The analysis about when an SMSF becomes cost-effective should not be used until it is corrected. The combination of inaccuracies within the cost estimates and the range of factors omitted from the calculations and analysis means the analysis is too simplistic.

C1Q2: Do you agree that we should provide guidance on the costs associated with setting up, managing and winding up an SMSF? If not, why not? If yes:

(a) what are the costs associated with setting up, running and winding up an SMSF?

Dixon Advisory recommends:

The costs outlined in the Rice Warner report should not be used as they contain inaccuracies that are in conflict with publicly available market research and the market rates. This may create confusion for consumers and licensees and lead them to make decisions that are not in the consumers' best interests.

The most appropriate course of action may be for ASIC to continue to monitor the existing regulations which require setting out the costs of any new SMSF recommended and provide timely guidance and feedback to the industry.

(b) is insurance purchased through an SMSF cost-effective compared with insurance through an APRA-regulated fund? If not, why not?

Comparing the cost of an insurance policy based on the trustee ownership structure oversimplifies the many issues that need to be considered when establishing an appropriate insurance package. For example, it could be more cost-effective to hold insurances outside of any super fund and in an individual's personal name. The definitions and terms and conditions of the types of insurances can also vary greatly between different SMSF Trustee owned policies and APRA Trustee owned group policies, including the amount of cover available, restricted definitions, occupation ratings available and medical requirements. In general, SMSF trustees have the greatest choice in how they structure insurance and which policies they tailor to their particular circumstances. This can provide significant benefits for members with very specific insurance needs.

(c) do you think we should provide actual dollar costs (or a range of dollar costs) for the following SMSF costs? If not, why not?

(i) the costs associated with setting up, running and winding up an SMSF;

(ii) the time cost associated with managing an SMSF;

(iii) the cost of an SMSF not having access to compensation under the SIS Act; and

(iv) the cost of obtaining insurance; and

The actual costs and time involved from the set up, ongoing running and winding up will vary based on the member and trustees required level of service, skills, knowledge and the complexity of fund (i.e. type of investments, number of members and number of accounts). This may not be predictable when establishing an SMSF, making it extremely difficult to quote the time and cost involved.

As individual's time costs are variable based on their occupation and personal preferences, it would be difficult to generate meaningful information around the time cost of managing an SMSF which would not have the potential to be misleading. In indicating the additional costs to manage the investment decisions for SMSF trustees it should be clear what the additional time cost is in comparison too. For example, people who choose an investment option suited to their financial goals, tolerance to risk and personal situation in an APRA fund would also incur a time cost in undertaking the comparisons of the various options. In either case this could be a small amount of time or a significant amount of time.

As discussed in C1Q2(b), insurance needs and the cost involved vary from client to client and would need to be assessed in light of the client's personal and super situation.

Providing actual dollar costs raises the concern of how these costs will be maintained and kept up to date with the actual market pricing. Market research is readily available to potential consumers. Further, advisors and licensees already have a legal obligation to provide cost comparisons when they provide advice to set up an SMSF.

Dixon Advisory recommends:

The most appropriate course of action may be for ASIC to continue to monitor the existing regulations which require setting out the costs of any new SMSF recommended and provide timely guidance and feedback to the industry.

(d) what are the costs or benefits of SMSF structures compared with other superannuation vehicles? Please provide details.

Guidance as already been provided as discussed in B2Q1.

For many Australians, SMSFs offer many benefits:

- greater flexibility in investment choices and asset selection
- control over investment portfolio, with the ability to take account of the risk levels of all assets
- ability to invest in specific assets and tailor an asset allocation most suitable for the member's personal and financial situation and goals.
- the ability to pool resources with up to 4 fund members with similar financial objectives, such as family members
- maximum flexibility in establishing and managing pensions, including account based, transition to retirement and term allocated pensions
- superior control, certainty and flexibility in passing on superannuation benefits upon death

- the ability update trust deeds quickly in the event of legislation changes, allowing members to take advantages of new strategies as soon as they are legally allowed
- investing in direct property
- the ability to transfer personally owned listed shares, business real property and managed funds directly
- the ability to own business real property, to assist business cash flow, and
- tailored tax management on investment income and capital gains.

Dixon Advisory Recommends:

Guidance issued by ASIC or other regulators and actual disclosure requirements to provide a balanced record of the benefits SMSFS offer as well as potential risks and costs.

C1Q3: Should advisers be required to consider and inform clients of the costs in Table 4 before establishing an SMSF? If not, why not?

As per B2Q1, the disclosure requirements for recommending an SMSF or switching to an SMSF are already mandated under Section 961B of the Corporations Act (best interest provisions) and Section 947D of the Corporations Act (super switching) for requirements when advice recommends replacement of one product with another. In addition, ASIC has recently provided updated guidance in Report 337, Information Sheet 182 and Regulatory Guide 175 and 244. Prescribing the additional requirements listed in Table 4 is likely to result in rigid legalistic documentation. This may make it more difficult for consumers to understand the risks of most consequence to their situation.

Dixon Advisory recommends:

The disclosure requirements should not be prescribed, and this information should continue to be tailored to the client's financial literacy and understanding as opposed to inserting additional bulk into eligible advice documents.

It would be more appropriate for ASIC to monitor the existing provisions and provide regular feedback to the industry on its expectations.

C1Q4: Are there any other SMSF costs that need to be disclosed to clients? If so, should they be disclosed in actual dollar costs (or a range of costs)? Please provide details.

As discussed earlier, the methodology of the Rice Warner report appears to overestimate the annual costs of operating an SMSF. In addition, we believe it is important that any cost disclosure requirements are applied consistently across all superannuation products.

This would include when recommending an APRA regulated fund disclosure requirements regarding the relevant features not available with an APRA regulated fund but that are available with SMSFs. For some funds, this may include not having access direct investments, full control to select individual investments aligned with the member's risk tolerance, the ability to tailor insurance, flexibility to operate pensions and accumulation accounts across multiple members without selling investments.

C1Q5: Do you think that any other disclosures about the costs of setting up, running and winding up an SMSF need to be made to clients before establishing an SMSF? If not, why not?

Refer to C1Q4 above.

C1Q6: Is our proposed guidance likely to result in additional compliance costs for advisers? Please give details, including figures and reasons.

Refer to response B1Q5.

C1Q7: Are there any practical problems with the implementation of this proposal? Please give details.

Significant concerns exist over the capacity to obtain accurate cost figures that are reflective of the current market arrangements and the capacity to maintain real-time costs.

It may be difficult for consumers to make informed decisions if cost information reported by ASIC conflicts with the actual pricing quoted by an SMSF administration service. With the continued pace of the digital revolution, improvements in process and the benefit of specialisation (provided regulatory burden is managed), administration service providers may be able to deliver service arrangements at a lower cost in the future. Where current market prices conflict with published ASIC guidance it reduces consumer confidence and clarity and creates additional administrative and compliance burden for advisors and licensees.