Financial advice: Mind the gap

Report 614 | March 2019

About this report

This report summarises the key findings of research commissioned by ASIC into consumer awareness and understanding of general and personal advice.

The research was conducted by Whereto Research, an independent market research agency.

Contents

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents: consultation papers, regulatory guides, information sheets and reports.

Disclaimer

Overview

About this report

This report sets out the findings from research we commissioned into consumer awareness and understanding of the differences between ‘general’ and ‘personal’ advice.

Under the current regulatory framework for financial advice:

- **personal advice** is advice that takes into account one or more relevant aspects of the consumer’s personal circumstances, such as their financial objectives, situation and needs, or is given in circumstances where a reasonable person would expect that their individual circumstances have been taken into account
- **general advice** is not tailored to any of the consumer’s personal circumstances, nor would a reasonable person perceive it to be tailored to the consumer’s personal circumstances.

The distinction between personal and general advice is important because the level of consumer protection afforded to consumers who receive advice differs significantly, depending on whether the advice they receive is personal or general.

When personal advice is provided to a retail client, a number of important consumer protection obligations apply – such as the obligations to act in the consumer’s best interests, to give priority to the interests of the consumer and to provide a Statement of Advice that sets out the advice and the basis of the advice.

In contrast, consumers receiving general advice are afforded minimal consumer protections. When general advice is provided to a retail client, a warning must be given that the advice does not take into account the consumer’s personal circumstances and, therefore, the consumer should consider whether the advice is appropriate for them before acting on it. The provider of general advice is not required to act in the consumer’s best interests or to give priority to the interests of the consumer.

Background

Financial products are complex and, therefore, consumers often seek and need some form of financial advice. We expect this demand for financial advice will continue to grow as a result of the ageing population – as people age and approach retirement they are more likely to seek financial advice. Consumers’ need for financial advice is often being met by general advice. ASIC consumer research shows that only 27% of Australians have received personal advice.

Financial product issuers sell their financial products with financial advice. Historically, financial products were distributed by providers of personal advice. However, ASIC is seeing an increasing use of general advice models, or purported general advice models, to distribute financial products. We expect this trend to continue as the professionalisation of the personal advice industry leads to the separation of personal advice from financial product sales.

We have seen some poor conduct in relation to general advice distribution models including:

- aggressive sales tactics in telephone sales of direct life insurance under general advice models
- marketing recommendations being made to consumers to open a new superannuation account and/or to roll over existing superannuation funds into a particular fund immediately after asking the consumer questions about their objectives, financial situation and needs
- the promotion of self-managed superannuation funds (SMSFs) under general advice models to invest in inherently risky ventures such as leveraged property purchases or foreign exchange trading.

The increased use of general advice distribution models could result in the following harms for consumers:

- **Consumers may be confused about the nature of general advice**: Consumers may not understand the distinction between general and personal advice. As a result, consumers receiving general advice may think that they are getting advice which has taken into account their personal circumstances. They may make important financial decisions on the basis of the advice when the advice may not be appropriate for them.
- **General advice sales models provide minimal protections for consumers**: As stated above, fewer obligations apply when general advice is being provided as opposed to personal advice. This means that general advice sales models increase the risk of consumers buying products not suited to their needs or making inappropriate switching decisions.
- **The use of general advice to sell complex products increases the risk of consumer loss**: When a general advice model is used to sell financial products, the focus tends to be on selling the product and not on whether the product is appropriate for the consumer and meets their needs. For example, ASIC Report 587 *The sale of direct life insurance* (REP 587) found that telephone sales of direct life insurance (some of which are general advice models) are linked to inappropriate sales conduct and poor outcomes for consumers.

Regulatory context

The Financial System Inquiry (FSI) and the Productivity Commission have expressed concern that consumers do not understand the difference between general and personal advice.

In its final report published in December 2014, the FSI noted that consumers may be relying too heavily on guidance, advertising, promotional and sales material provided under the label of 'general advice'. The FSI highlighted that the word 'advice' may be causing consumers to expect that general advice will be appropriate for their personal circumstances and recommended that general advice be renamed.

In its *Inquiry Report into Competition in the Australian Financial System* released in August 2018, the Productivity Commission recommended that general advice be renamed on the basis that it is a misleading term (Recommendation 10.2). The Productivity Commission stated that any replacement must ensure that the term 'advice' can only be used in association with 'personal advice.' It considered that consumer testing of alternative terminology should occur to ensure that misinterpretation and excessive reliance on general advice is minimised.

According to the Productivity Commission, general advice should be given a more 'informative description' to help improve consumer understanding about the nature of the advice. Ideally, the new label would emphasise that the advice has not been tailored to the consumer's personal circumstances and is not necessarily appropriate for them. The Productivity Commission also observed that there was widespread support for renaming general advice, including among industry and consumer groups. For example, CHOICE stated in the public hearings that:

> ‘We have been long concerned about the term general advice because in reality no advice as a normal person would understand is provided in those situations. That’s an additional concern when there are early signs that one of the impacts of the changes to the regulation of financial advice more generally and particularly personal advice means that some businesses are starting to shift to models where they purport to only provide general advice because lower requirements apply. So we think there’s probably additional risk around general advice at the moment and in the near future.’

In ASIC’s response to the Productivity Commission’s draft report, we acknowledged that renaming general advice could be a useful first step to help protect consumers who receive general advice. However, we highlighted that, given the broad nature of the conduct that currently falls under the heading of ‘general advice’ (from sales and marketing conversations to guidance published on investment research websites), more than one new label may be required to capture all types of general advice.

In its *Superannuation: Assessing Efficiency and Competitiveness Inquiry Report*, published in January 2019, the Productivity Commission again recommended that the Government restricts the use of the word ‘advice’ to financial advice that takes into account consumers’ personal circumstances. The report stated:

> ‘More broadly, a clearer distinction is needed between financial advice (that takes account of a member’s individual circumstances) and information (that can help them to make their own decisions). All advice in relation to super is arguably personal, and the term ‘advice’ should not be used where members are only being provided with product information or marketing …’

The final report of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Royal Commission) also highlighted related consumer harms, that is, the consumer harms associated with unsolicited sales of complex products. To address these harms the final report of the Royal Commission recommended a prohibition on hawking of superannuation and insurance products to retail clients: see recommendations 3.4 and 4.1.

Scope and aims of the research

In March 2018, we commissioned Whereto Research (Whereto) to conduct research on a range of topics relating to consumer experiences with and perceptions of the financial advice sector. The research explored:

- the risks posed by general advice distribution models, by looking at consumer awareness and understanding of general and personal advice
- overall use of financial advisers
- motivators and barriers to getting personal advice
- consumer attitudes towards the financial advice sector.

This report focuses on the findings about consumer awareness and understanding of general and personal advice.

Later in 2019, we will publish a separate report about access to financial advice in Australia, which will contain the remaining findings from Whereto.

We also propose to conduct further consumer research with the aim of better protecting consumers who receive general advice. The research will:

- seek to identify a more appropriate label for general advice or different labels for general advice given in different circumstances
- test the effectiveness of different versions of the general advice warning.

Consumer awareness and understanding of general and personal advice

The research we commissioned on consumer awareness and understanding of general and personal advice explored:

- how familiar consumers are with the concepts of general and personal advice
- what consumers understand these terms to mean
- what barriers may exist to consumer understanding of the differences between general and personal advice
- what consumers understand about the limitations of general advice
- what consumers understand about advisers' obligations when giving each type of advice.

During the research, Whereto prompted the participants with the terms 'general advice' and 'personal advice'. This was necessary because the participants did not tend to use these terms spontaneously in discussions about managing their finances or their experiences when seeking and/or receiving financial advice. The findings are also based on hypothetical scenarios rather than real-life observation. In real life, the precise results may vary. However, what is clear from the research is that there are disparities between the current regulatory framework and consumer awareness and understanding of general and personal advice.

Summary of research findings

Under the existing regulatory framework, general and personal advice are separate types of financial advice that are subject to different regulatory obligations and offer very different levels of protections for retail clients. However, our research suggests that:

- general and personal advice are not familiar concepts for consumers
- general and personal advice are not clearly distinguishable concepts for consumers
- advisers' responsibilities when providing general and personal advice are unclear to consumers.

In particular, the research found that, even when consumers are given the general advice warning, some do not understand the limitations of general advice. In fact, despite the warning, some consumers are likely to think that the adviser has taken their personal circumstances into account.

The research findings show that consumers find it difficult to understand the difference between general and personal advice, even when it is explained. It indicates that:

- the word 'advice' carries a risk of inflating consumers' expectations about the relevance of the advice to their personal circumstances
- when general advice consists of sales or marketing recommendations, making this clear to consumers may help them to better understand the limitations of the advice
- explaining general advice by contrasting it with personal advice may also improve consumer understanding.

Research methodology

Qualitative and quantitative research

Whereto conducted qualitative and quantitative research between March and May 2018, consisting of:

- four group discussions, with seven to eight participants in each group, and 34 in-depth interviews (qualitative research)
- an online survey completed by 2,545 participants (quantitative research). For further information about this sample, please see Appendix 1.

Research participants

The participants in this research consisted of Australians aged 18 years or older, with a focus on the following subgroups:

- those who had received financial advice in the last two years
- those who had thought about but postponed getting financial advice within the last two years
- those who intended to get financial advice in the next two years.

The people in those subgroups were of interest because of their recent experience of either getting, or thinking about getting, financial advice.

Advice scenarios

Both the qualitative and quantitative research used hypothetical advice scenarios to test recognition of when general and personal advice was being provided and awareness of adviser responsibilities when providing each type of advice: see Appendix 2.

The online survey participants were shown Scenario 1 and Scenario 2 in Appendix 2.

For the qualitative research, the four scenarios in Appendix 2 were rotated between discussion groups and interviewees. Whereto sometimes used a modified version of Scenario 1, without the consumer's statements about their spending habits and credit card debt, to test whether consumers are more likely to perceive general advice as personal advice if the consumer volunteers information about their personal circumstances. All participants in the qualitative research were shown one or more scenarios.

Findings from the research

This section outlines seven major findings from the research. For each finding, we have indicated whether it is based on qualitative data or both qualitative and quantitative data; this is indicated in the text as well as through the use of icons.

= finding based on qualitative data

= finding based on qualitative and quantitative data

General and personal advice are not familiar concepts for consumers

The results of the qualitative research suggest that general and personal advice are not concepts that come to mind when consumers think of financial advice, and are not used as a frame of reference when consumers consider getting advice.

During the interviews and group discussions, researchers paid attention to whether participants used the terms 'general advice' and 'personal advice' when they talked about financial advice and managing their finances. The researchers found that the vast majority of participants did not mention the terms without being directly prompted. Even prompting participants about what 'types' of advice a consumer may seek or receive did not elicit references to general and personal advice, or to the idea that there are two categories of financial advice based on whether or not the recommendations are tailored to the consumer.

Once prompted with the term 'general advice', many participants said they had heard or seen it before, although sometimes their recollections were vague. Participants who recognised the term commonly recalled it from seeing or hearing the general advice warning on TV or radio, in printed materials, or over the phone. A smaller number of participants said they recalled hearing or seeing the term 'personal advice' before.

> 'I have heard it [the term general advice] on TV … at banks, I probably read it in paperwork …'

Female | 30–45 years

General and personal advice are not clearly distinguishable concepts for most consumers

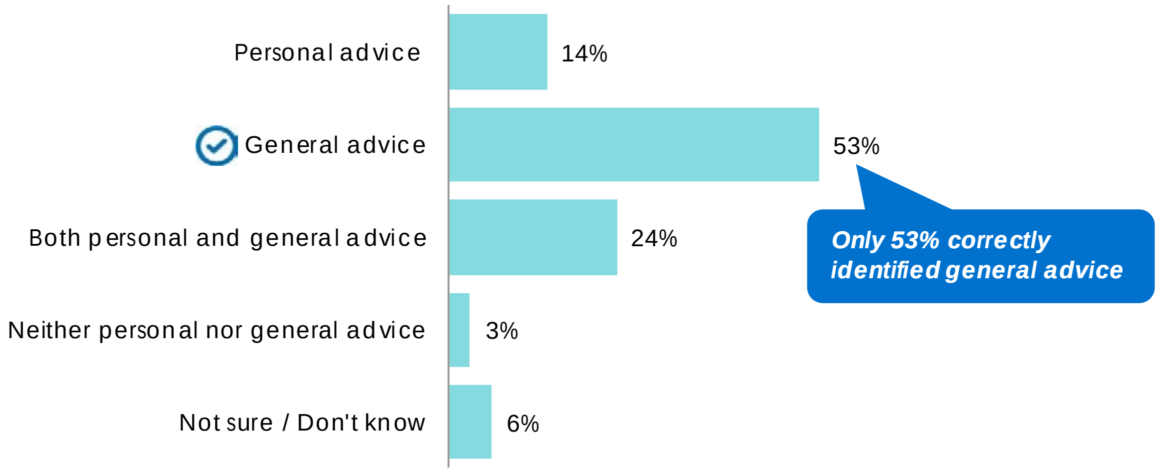
The results of the qualitative and quantitative research show that, even when prompted with the terms 'general advice' and 'personal advice', participants had difficulty distinguishing between these types of advice. When participants in the online survey read two advice scenarios and selected which type of advice was being provided:

- only 53% of participants correctly identified the general advice scenario, even though the general advice warning was given in the scenario
- just 19% of participants correctly identified the personal advice scenario. Most either thought that the personal advice scenario was general advice or a mix of both types of advice.

Conversely, 14% of participants thought that the general advice scenario represented personal advice and 34% thought that the personal advice scenario represented general advice. In addition, a substantial proportion of participants identified both scenarios as a mix of general and personal advice: see Figure 1 and Figure 2.

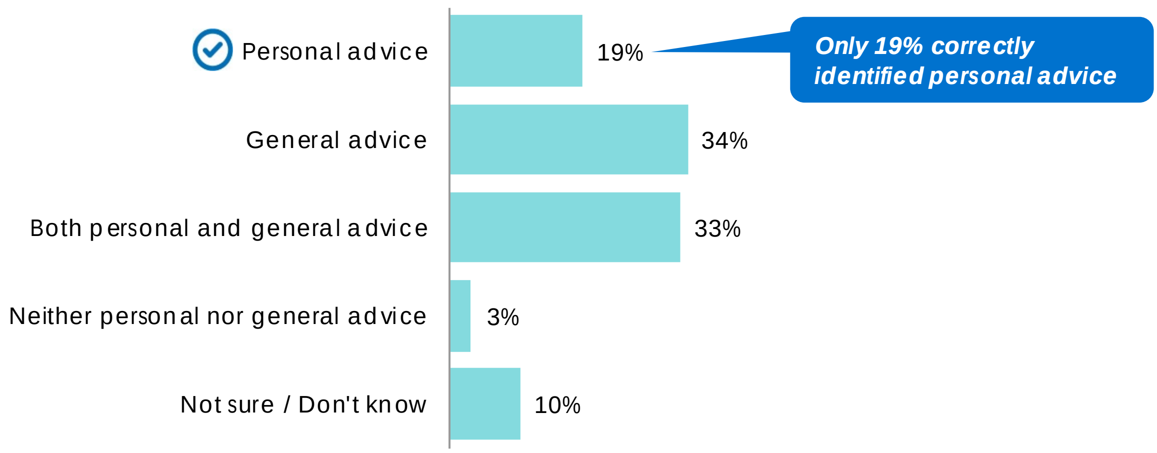
Note: In Figure 1, Figure 2, Figure 4 and Figure 5, we have indicated the correct answer with a tick.

Figure 1: General advice scenario – Participants were asked to consider Scenario 1 and to select what type of advice it is



Note 1: See Table 1 in Appendix 3 for the data shown in this figure (accessible version).
Note 2: The base sample size for this figure is 2,545 participants. The question participants answered was 'Please consider the situation below and decide what type of advice this is' (single responses only). In the figure, the correct answer is identified with a tick.

Figure 2: Personal advice scenario – Participants were asked to consider Scenario 2 and select what type of advice it is



Note 1: See Table 2 in Appendix 3 for the data shown in this figure (accessible version).
Note 2: The base sample size for this figure is 2,545 participants. The question participants answered was 'Please consider the situation below and decide what type of advice this is' (single responses only). In the figure, the correct answer is identified with a tick.
Note 3: Figures do not add up to 100% due to rounding.

Contextual factors can play a key role in how consumers interpret advice situations

The qualitative research indicates that contextual factors can influence consumers' perceptions of whether advice has been tailored to their circumstances and needs.

Participants were more likely to view an advice scenario as personal advice if the consumer shared personal information with the adviser, even if the adviser did not refer to or comment on the information.

However, the amount of information that must be shared before advice is perceived as personal varied among participants. Some participants thought that once any personal information is shared, the advice becomes personal advice. Other participants incorrectly thought that the advice given in a personal advice scenario was general advice because they considered the amount of information provided by the consumer to be insufficient to enable the adviser to provide personal advice. These participants expected the adviser to ask the consumer more questions to gain a better understanding of the consumer's needs and long-term goals.

> '[There is] too little information to work from for it to be personal. [Personal advice] would be an appointment and more back and forth.'
>
> **Female** | 30–45 years

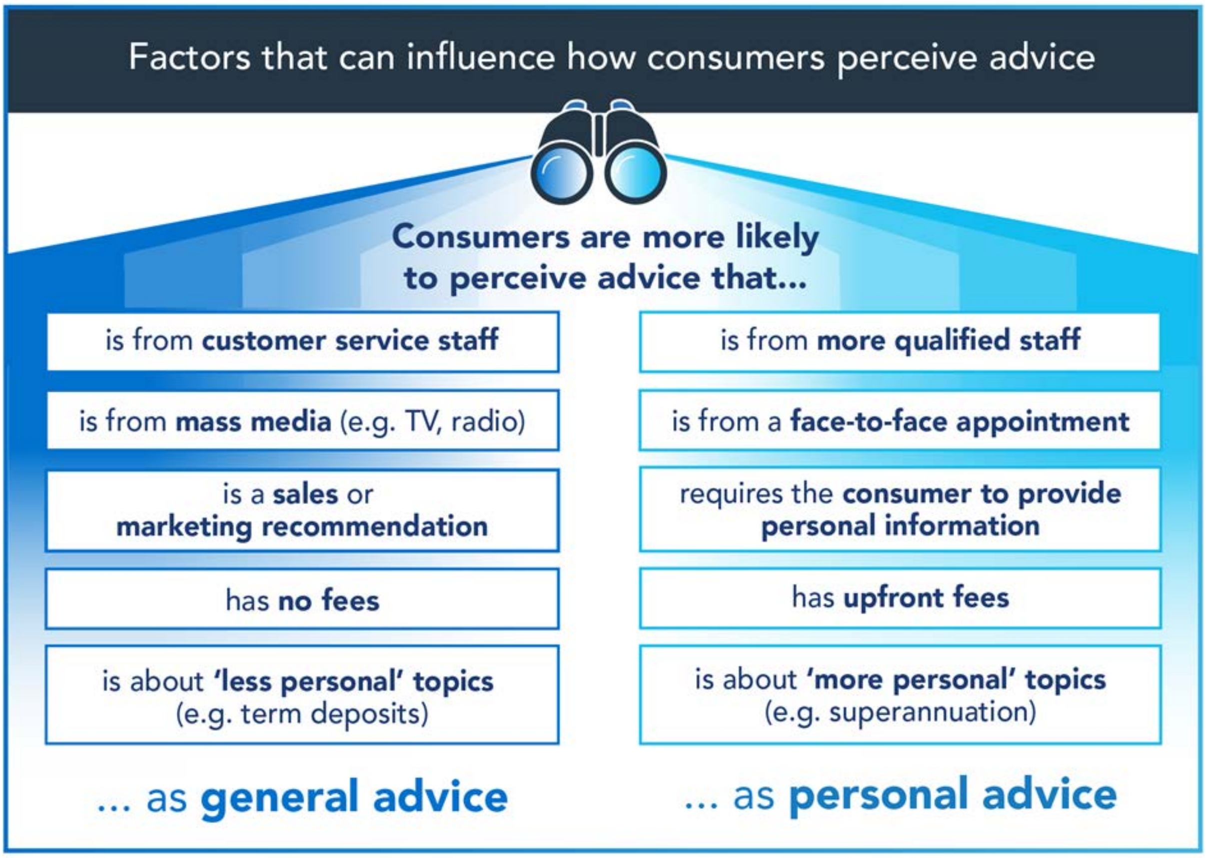
Participants were more likely to view an advice scenario as general advice if the advice was delivered over the phone rather than in person. Participants associated personal advice with face-to-face appointments involving extensive consultation (at least initially) and payment of upfront fees.

Finally, some participants were more likely to view an advice scenario as personal advice if they considered the topic of the advice to be inherently 'personal'. For example, a scenario containing superannuation advice was more likely to be considered personal advice than a scenario containing advice about term deposits.

> 'General [advice], I would say would be probably like a credit card, to me more personal would be super or your mortgages … It is a personal bill …'
>
> **Female** | 46–60 years

Figure 3 illustrates how some consumers may interpret advice situations.

Figure 3: How consumers may interpret financial advice situations



Note: See Table 3 in Appendix 3 for the information shown in this figure (accessible version).

Consumers do not necessarily see general and personal advice as separate types of advice

Both the quantitative and qualitative research suggest that consumers do not necessarily see personal and general advice as separate types of advice.

For instance, when looking at the two advice scenarios in the online survey, a significant proportion of participants believed that the advice given was a mix of general and personal advice. As shown in Figure 1 and Figure 2:

- 24% of participants thought that the *general advice scenario* represented a mix of personal and general advice
- 33% of participants thought that the *personal advice scenario* represented a mix of personal and general advice.

In addition, some participants in the qualitative research thought that, depending on the amount of information shared, advice could straddle both general and personal advice.

This shows that some consumers are more likely to see general and personal advice as two ends of a spectrum, rather than as separate types of advice.

The term ‘general advice’ is ambiguous

The qualitative research shows that the label ‘general advice’ can elicit a wide range of interpretations and expectations from consumers. Among the participants, opinions differed about whether general advice would include recommendations, how specific such recommendations would be and whether general advice would include any consideration of the consumer’s personal circumstances. For example, some participants thought that general advice would still include consideration of a consumer’s financial circumstances, but would only provide broad, rather than specific, recommendations.

> ‘[General advice] means getting an idea, like a rundown of what your circumstances are … but then to give you an idea as to [whether you would] be better putting money in superannuation and shares, investment property, and probably various other things …’

Male | 46–60 years

The research also indicates that the word ‘advice’ can create expectations that any recommendations provided will be relevant to the consumer. Some participants expressed the view that the concept of general advice (after it was explained to them) is inconsistent with their understanding of financial advice.

> ‘It is not really advice, is it? You are giving product details, you are not giving advice.’

Male | 60–75 years

Participants tended to intuitively understand ‘personal advice’ as financial advice that is tailored to the consumer’s circumstances. In addition, participants were more likely to understand the meaning of ‘general advice’ if both terms were presented together rather than separately. The direct contrast between the words ‘personal’ and ‘general’ reinforced the idea that general advice is not tailored to the consumer. However, outside the context of our research, these words are not often juxtaposed for consumers.

Advisers’ responsibilities in general and personal advice situations are unclear to consumers

In general, participants correctly believed that advisers in personal advice situations have more responsibilities than advisers in general advice situations.

> ‘I assume that they [the responsibilities of the adviser when providing general advice] would be different [to those when providing personal advice] but I’m not sure what the differences would be. I’d just feel like there would be less guidelines if it was general, or less limitations on it.’

Female | 30–45 years

However, participants tended to overestimate the adviser's responsibilities in general advice situations and underestimate the adviser's responsibilities in personal advice situations.

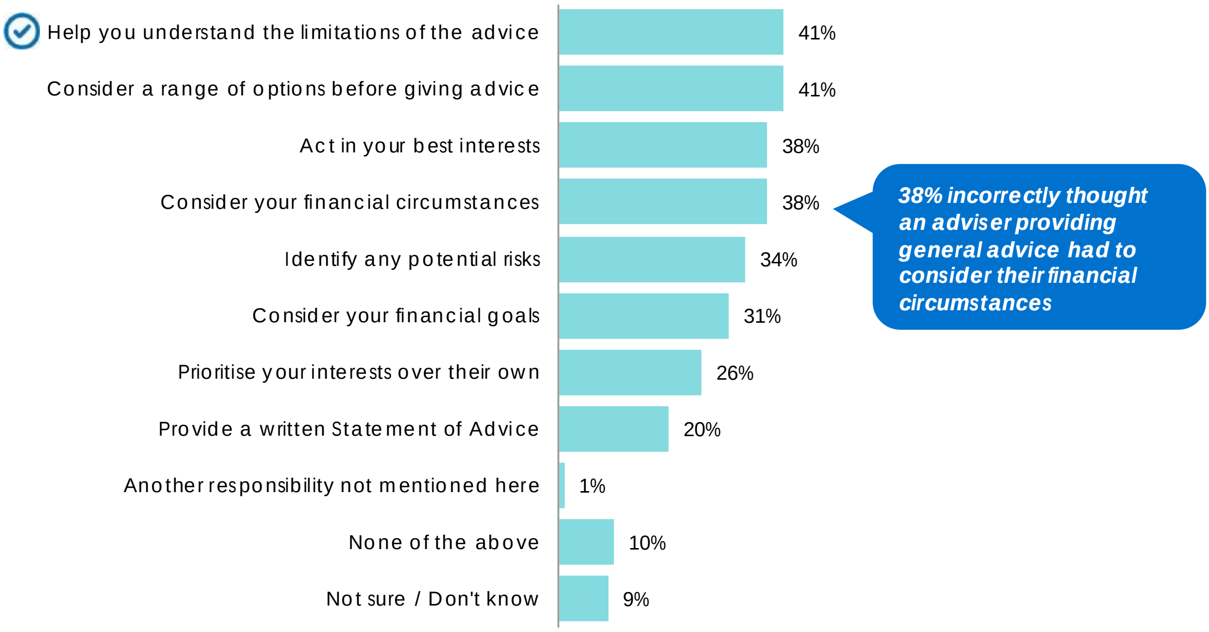
For instance, only 7% of participants in the online survey selected *only* the correct answer to the survey question about what responsibilities applied to the adviser in the general advice scenario.

Note: The correct answer was 'help you [the consumer] understand the limitations of the advice', that is, by providing the general advice warning.

As shown in Figure 4, significant numbers of participants incorrectly thought that the adviser in the general advice scenario had responsibilities that apply only when giving personal advice to consumers. Responses included:

› considering a range of options before giving advice (41% of participants)
› acting in the consumer's best interests (38%)
› considering consumer's financial circumstances (38%)
› prioritising the consumer's interests (26%)
› providing a Statement of Advice (20%).

Figure 4: General advice scenario – Participants were asked to consider Scenario 1 and to select which responsibilities they thought the adviser had in providing the advice



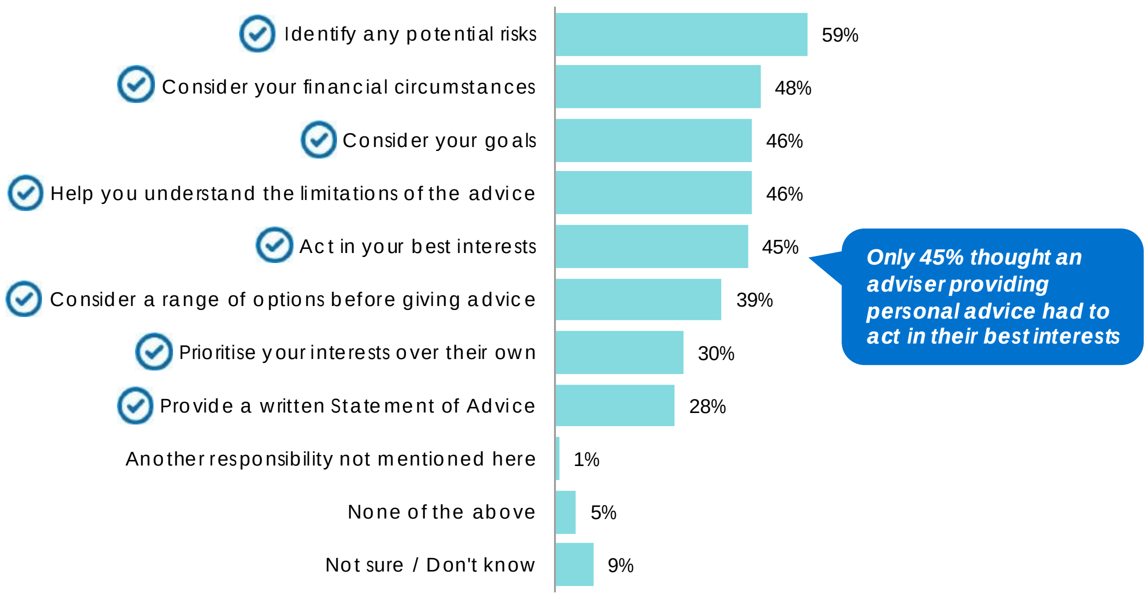
Note 1: See Table 4 in Appendix 3 for the data shown in this figure (accessible version).
Note 2: The base sample size for this figure is 2,545 participants. The question participants answered was 'What responsibilities do you think Kai has in relation to providing this advice?' (multiple responses allowed). In the figure, the correct answer is identified with a tick.

Participants in the qualitative research had varying ideas about the responsibilities of advisers when providing general advice. Those participants who correctly identified that advisers have relatively few responsibilities when providing general advice did so for various reasons. For example, some recognised that the adviser was covered by the general advice warning. Others focused on the circumstances of the delivery – for example they recognised the recommendations as being made for sales or marketing purposes or that the recommendations were made by call centre staff.

Finally, the research also indicated that most consumers are unaware of the obligations that apply when advisers provide personal advice: see Figure 5. For example, in the online survey:

- 45% of participants recognised that the adviser in the personal advice scenario had an obligation to act in the best interests of the consumer when providing the advice
- 28% of participants were aware that the adviser was obliged to provide a Statement of Advice.

Figure 5: Personal advice scenario – Participants were asked to consider Scenario 2 and to select which responsibilities they thought the adviser had in relation to the advice



Note 1: See Table 5 in Appendix 3 for the data shown in this figure (accessible version).
Note 2: The base sample size for this figure is 2,545 participants. The question participants answered was 'What responsibilities do you think Emma has in relation to providing this advice?' (multiple responses allowed). In the figure, the correct answers are identified with a tick.

The general advice warning is not necessarily effective

The warning that advisers must give when providing general advice is intended to alert consumers to the fact that the advice may not necessarily be appropriate for them. However, the research suggests that consumers do not necessarily heed the general advice warning. As shown in Figure 4, after reading the general advice scenario in the online survey (which included the general advice warning):

- 38% of participants incorrectly thought that the adviser had a responsibility to consider the consumer's financial circumstances
- 31% of participants incorrectly thought that the adviser had a responsibility to consider the consumer's financial goals.

Although most participants in the qualitative research seemed to understand the objective of the warning once it was drawn to their attention, only some indicated that they would take steps to check whether the advice was appropriate for them. The reasons some consumers may not heed the warning include:

- missing the relevant language
- assuming that the adviser would flag any issues that need to be considered
- trusting the adviser not to recommend something that would make them worse off
- feeling that they can follow the advice because it intuitively 'makes sense'
- viewing the warning simply as a means for advisers and companies to 'cover themselves'.

> 'I'd kind of just gloss over it … I just know that disclaimers are thrown everywhere on everything ...'
>
> **Female** | 26–29 years

Appendix 1: Research sample and limitations

Quantitative research weighting

The quantitative research involved surveying four groups of Australians:

- those who had received personal financial advice in the last 12 months (790 participants)
- those who had thought about but postponed getting personal financial advice in the last 12 months (620 participants)
- those who intend to get personal financial advice in the next 12 months (619 participants)
- those who did not fall into any of the above categories (516 participants).

The first three groups were deliberately over-sampled. This means that the proportions of each group in the sample do not represent the actual proportions of each group in the Australian population. Whereto did this to have sufficient numbers to analyse and compare each group separately.

Consequently, when the four groups were combined to create the group 'All Australians', the first three groups had to be weighted down to reflect their actual incidence in the Australian population. Further, Whereto weighted the data to population proportions taken from Australian Bureau of Statistics publications. This was to ensure this sample reflected the characteristics of the Australian population across age, gender, location and socio-economic status.

Margin of error

The margin of error is the measure of the precision of the survey results. The margin of error on the total sample size of 2,545 is plus or minus 1.9% at the 95% confidence level. This means that if the survey shows that 50% of all participants in the sample believe something to be true, we can then be 95% confident that between 48.1% and 51.9% of the actual Australian population hold this belief.

Limitations

This research had the following limitations:

- The data collected in this research was self-reported and therefore is limited to the subjective experiences and perceptions of participants.
- Participants may have had difficulty accurately recollecting experiences or events that have happened in the past.
- Quantitative results relating to participants' ability to identify general and personal advice may have been influenced by providing them with a definition of 'personal financial advice' at the start of the survey. While the terms 'personal advice' and 'general advice' were not explicitly used, respondents were asked about their behaviours when getting, or thinking about getting, advice that takes into account their specific needs and circumstances. To minimise the impact of this, questions regarding personal and general advice were asked towards the end of the survey.

Appendix 2: Advice scenarios

Scenario 1: General advice (used in the online survey and qualitative research)

You recently inherited $35,000 and call your bank to speak to someone about what to do with the money. Kai, a bank employee, answers the phone and tells you: 'This call may be recorded for training and monitoring purposes. Any advice that I give you will not take into account your objectives, financial situation or needs. Therefore, you should consider the appropriateness of the advice before acting on it. Do you still wish to proceed?'

You answer 'yes' and go on to tell Kai about the money you've inherited. You mention that you tend to spend more money than you should and as a result have some credit card debt. You ask if he can suggest an account to help you avoid the temptation of spending the inheritance.

Kai says that for customers who want to invest a lump sum for a set period of time, they usually recommend one of their term deposits. He explains that the interest earned on term deposits is often higher than in other savings accounts. He also tells you that if you want to combine the flexibility of an online savings account with the higher interest of a term deposit, you can split your savings between products.

Scenario 2: Personal advice (used in the online survey and qualitative research)

You call your superannuation fund for advice about your super investment options. Emma, a financial adviser at the fund, provides you with some advice over the phone. Emma confirms your age, existing super balance and current investment strategy. She then asks you a few questions about your income, current level of super contributions and risk tolerance.

Emma tells you that, because you are still a long way from retiring and prepared to accept risk, you should move your super from the Balanced Option into the Growth Option. While the Growth Option is more risky, it may produce a higher return over an extended period of time, which could have a significant impact on your balance at retirement. However, she warns you that investment returns can change over time and choosing a growth option means that there is a real possibility that you can achieve higher returns in some years but lose money in others.

She also recommends that you review your investment option every five years to ensure that it is still appropriate for you.

Scenario 3: General advice (used in the qualitative research only)

You are thinking about making some extra contributions into your superannuation and email your super fund to ask them the best way to do this. Your super representative, Emma, responds that she can tell you what she would usually recommend for their members, but her advice will not consider your individual financial circumstances.

Emma explains that one option is to salary sacrifice part of your salary into super. She says that the super fund generally recommends that members consider salary sacrificing if they are taxed at more than 15% and want to make extra contributions to their super. This is because salary-sacrificed contributions are taxed at a flat rate of 15% – which, for some people, is lower than they would otherwise pay in tax. She says depending on your circumstances, salary sacrificing can be tax effective and help your super grow faster.

However, she tells you that you may need to consider other factors, such as whether you can comfortably meet your other financial commitments before making a decision.

Scenario 4: Personal advice (used in the qualitative research only)

You receive an inheritance of $40,000 and contact your superannuation fund for advice about whether it would be better to pay off your mortgage or invest the money in super. You arrange to meet with Priya, one of their financial advisers.

At the meeting, Priya confirms the personal details you have with the super fund and asks you some questions about your mortgage and other financial circumstances. After considering this information, she advises you to put the $40,000 into your mortgage. Given that you are still decades away from retirement, she says that putting the money into your mortgage may allow you to pay it off much earlier and, in the long term, you can invest more in your super as you approach retirement. She says that, comparing the interest rates on your mortgage and the average returns on your super, there should not be a significant advantage in putting the money into super. She also explains that putting the money into your mortgage is more flexible, as you can take that money back through the redraw facility if you need it.

Priya also asks about your insurance coverage. Based on your answer, she assesses that this is already at a suitable level and doesn't make any recommendations about changing your insurance.

Appendix 3: Accessible versions of figures

Table 1: General advice scenario – Participants were asked to consider Scenario 1 and to select what type of advice it is

Answer	Percentage
Personal advice	14%
General advice (correct response)	53%
Both personal and general advice	24%
Neither personal nor general advice	3%
Not sure / Don’t know	6%
Key finding from these results: Only 53% correctly identified general advice.	

Note: This is the data shown in Figure 1.

Table 2: Personal advice scenario – Participants were asked to consider Scenario 2 and select what type of advice it is

Answer	Percentage
Personal advice (correct response)	19%
General advice	34%
Both personal and general advice	33%
Neither personal nor general advice	3%
Not sure / Don’t know	10%
Key finding from these results: Only 19% correctly identified personal advice.	

Note: This is the data shown in Figure 2.

Table 3: How consumers may interpret financial advice situations

Factors that can influence how consumers perceive advice

Consumers are more likely to perceive the following as general advice:	Consumers are more likely to perceive the following as personal advice:
Advice from customer service staff	Advice from more qualified staff
Advice from mass media (e.g. TV, radio)	Advice from a face-to-face appointment
Advice that is a sales or marketing recommendation	Advice that requires the consumer to provide personal information
Advice that has no fees	Advice that has upfront fees
Advice that is about ‘less personal’ topics (e.g. term deposits)	Advice that is about ‘more personal’ topics (e.g. superannuation)

Note: This is the information shown in Figure 3.

Table 4: General advice scenario – Participants were asked to consider Scenario 1 and to select which responsibilities they thought the adviser had in providing the advice

Answer	Percentage
Help you understand the limitations of the advice (correct response)	41%
Consider a range of options before giving advice	41%
Act in your best interests	38%
Consider your financial circumstances	38%
Identify any potential risks	34%
Consider your financial goals	31%
Prioritise your interests over their own	26%
Provide a written Statement of Advice	20%
Another responsibility not mentioned here	1%
None of the above	10%
Not sure / Don't know	9%
Key finding from these results: 38% incorrectly thought an adviser providing general advice had to consider their financial circumstances.	

Note: This is the data shown in Figure 4.

Table 5: Personal advice scenario – Participants were asked to consider Scenario 2 and to select which responsibilities they thought the adviser had in relation to the advice

Answer	Percentage
Identify any potential risks (correct response)	59%
Consider your financial circumstances (correct response)	48%
Consider your goals (correct response)	46%
Help you understand the limitations of the advice (correct response)	46%
Act in your best interests (correct response)	45%
Consider a range of options before giving advice (correct response)	39%
Prioritise your interests over their own (correct response)	30%
Provide a written Statement of Advice (correct response)	28%
Another responsibility not mentioned here	1%
None of the above	5%
Not sure / Don't know	9%
Key finding from these results: Only 45% thought an adviser providing personal advice had to act in their best interests.	

Note: This is the data shown in Figure 5.

Key terms

adviser	An individual who provides financial product advice and is either an Australian financial services (AFS) licensee or a representative of an AFS licensee
consumer	A retail client as defined in s761G of the *Corporations Act 2001* (Corporations Act) and Div 2 of Pt 7.1 of the Corporations Regulations
general advice	Financial advice that does not take into account the client's personal circumstances, such as their financial objectives, situation or needs: see s766B(4) of the Corporations Act
general advice warning	When general advice is provided to a retail client, a warning must be given that: › the advice has been prepared without taking into account their financial objectives, financial situation or needs › the client should, therefore, consider the appropriateness of the advice in light of their own circumstances before acting on it **Note:** See s949A(2) of the Corporations Act.
personal advice	Financial advice that: › takes into account one or more relevant aspects of the client's personal circumstances, such as their financial objectives, situation and needs, or › is given in circumstances where a reasonable person would expect that their personal circumstances have been taken into account **Note:** See s766B(3) of the Corporations Act.
Statement of Advice	A document that sets out the personal advice given to a client by their licensed financial planner or adviser: see s761A of the Corporations Act. A Statement of Advice must be provided when personal advice is given to a client