



ASIC
Australian Securities &
Investments Commission

CONSULTATION PAPER 332

Promoting access to affordable advice for consumers

November 2020

About this paper

This consultation paper seeks information from financial advice industry participants and other stakeholders on impediments to the delivery of good-quality affordable personal advice.

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 17 November 2020 and is based on the legislation 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.

Contents

The consultation process	4
A Introduction to this consultation paper.....	5
Consumers find it difficult to access good-quality affordable personal advice.....	5
We are seeking to understand the barriers to providing good-quality affordable personal advice.....	7
The Unmet Advice Needs project timeline and methodology.....	8
B Promoting the delivery of limited advice	10
Challenges and practical issues you face when providing limited advice	10
Our guidance on and examples of limited advice.....	15
Terminology—How we talk about limited advice	17
Our guidance on and examples of Statements of Advice	18
C Promoting access to affordable personal advice	20
Affordability of personal advice.....	20
Strategic advice	23
Digital personal advice.....	25
Other issues relating to access to affordable personal advice	26
Appendix: How advice providers can meet their obligations when giving limited advice	27
Key terms	29

The consultation process

You are invited to address the questions in this paper.

As well as responding to the specific questions, we also ask you to describe solutions to issues that are raised.

Where possible, we are seeking both quantitative and qualitative information. We are also keen to hear from you on any other issues regarding addressing unmet advice needs that you consider important.

Making a submission

You may choose to remain anonymous or use an alias when making a submission. However, if you do remain anonymous we will not be able to contact you to discuss your submission should we need to.

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

Please refer to our privacy policy at www.asic.gov.au/privacy for more information on how we handle personal information, your rights to seek access to and correct personal information, and your right to complain about breaches of privacy by ASIC.

Submissions are due by 18 January 2021.

You may make a submission via [our online functionality](#) for responding to questions in this consultation paper (known as 'Checkbox'). If you make a submission this way, you can save your progress at any time and come back to it later.

You may also send your submission to:

Andrew Choi, Lawyer
 Financial Advisers Team
 Australian Securities and Investments Commission
 GPO Box 9827
 Brisbane QLD 4001
 email: accesstoAdviceconsultation@asic.gov.au

What will happen next?

Stage 1	17 November 2020	ASIC consultation paper released
Stage 2	18 January 2021	Comments due on the consultation paper
Stage 3	Early 2021	Stakeholder roundtables

A Introduction to this consultation paper

Key points

The financial advice industry has undergone considerable change in recent years. Many large financial institutions have either sold or reduced their financial advice businesses. At the same time, a number of financial advisers have either left, or signalled their intention, to leave the industry.

Against this backdrop, concern has been raised that consumers may find it difficult to access affordable, good-quality personal advice.

To address this concern, we are undertaking a project looking at the issues or impediments industry participants face in meeting consumers' unmet advice needs. We are keen to help industry participants to provide good-quality, affordable personal advice to consumers that meets consumers' needs.

This consultation paper seeks information from industry participants on the issues and impediments that exist around them delivering affordable personal advice. We are particularly interested in better understanding any issues or impediments that are within ASIC's power to address.

We know from previous research that consumers want better access to limited and affordable advice, but that many industry participants find it challenging to provide this type of advice. In light of this, a particular focus of this consultation paper is to understand the impediments to the delivery of good-quality limited advice.

Consumers find it difficult to access good-quality affordable personal advice

- 1 The financial advice industry has undergone considerable change in recent years. Many large financial institutions have either sold or reduced their financial advice businesses. At the same time, a number of financial advisers have either left, or signalled their intention to leave, the industry.
- 2 As of 5 November 2020, there were 21,284 current financial advisers on the Financial Advisers Register (FAR). This is approximately 14.6% below the long-term average (of 24,930) prior to 1 January 2019. This is the date on which many of the reforms in the *Corporations Amendment (Professional Standards for Financial Advisers) Act 2017* commenced.
- 3 These reforms were introduced in response to:
 - (a) recommendations from the Financial System Inquiry in 2014, which aimed to lift the competence of financial advisers to improve the quality of advice; and

- (b) the Parliamentary Joint Committee on Corporations and Financial Services (PJC) inquiry into proposals to lift professional, ethical and education standards in the financial services industry, also in 2014.

4 The purpose of these reforms is to improve consumer outcomes and increase public confidence in the financial advice industry. The reforms aim to raise the education, training and ethical standards of financial advisers who are authorised to provide personal advice to retail clients on more complex financial products. We support the improved education, training and ethical standards that were introduced by the reforms.

Note 1: See Explanatory Memorandum to the Corporations Amendment (Professional Standards of Financial Advisers) Bill 2016 at paragraphs 1.10–1.14.

Note 2: The reforms apply to persons who provide personal advice to retail clients on ‘relevant financial products’. We have referred to these products as ‘complex financial products’ above.

5 The reduction in the number of financial advisers has led to widespread concern that consumers may find it difficult to access good-quality affordable personal advice.

6 Our previous research into the demand and supply of financial advice highlighted that many consumers preferred receiving piece-by-piece or limited advice rather than comprehensive advice: see [Report 224](#) *Access to financial advice in Australia* (REP 224).

7 In 2019, we set out the findings from our research into what consumers think about financial advice in [Report 627](#) *Financial advice: What consumers really think* (REP 627).

8 We found that people tended to get financial advice or considered getting financial advice due to specific triggers. For example:

- (a) having recently reached a financial goal and wanting to take the ‘next step’;
- (b) beginning a new life stage (e.g. starting a family or retiring); or
- (c) wanting advice to help them make a specific decision (such as whether to use their savings to renovate their home or invest).

Note: See REP 627, p. 20.

9 In terms of advice topics of interest, we found that consumers had either received advice on or were interested in receiving advice on:

- (a) investments, such as shares and managed funds (45% of consumers);
- (b) retirement income planning (37% of consumers);
- (c) growing their superannuation (31% of consumers);
- (d) budget or cash flow management (22% of consumers); and
- (e) aged care planning (18% of consumers).

- 10 Market-based research echoes our previous research. For example, in 2019, Investment Trends reported that 38% of surveyed participants who were potential financial planner clients indicated that they preferred piece-by-piece advice models (including face-to-face, phone and online advice services). Only 20% preferred comprehensive face-to-face advice services.

Note: See Investment Trends, *June 2019 financial advice report: Industry analysis*, August 2019, p. 12 and Sections B and C of [REP 224](#).

We are seeking to understand the barriers to providing good-quality affordable personal advice

- 11 Against the background set out in paragraphs 1–9, we are seeking to gather information to help ASIC understand issues relating to the supply of advice, and any impediments that industry participants face when providing good-quality affordable personal advice. We are particularly interested in better understanding the issues or impediments that are within ASIC or industry’s control to act on. We want to help industry increase the availability of good-quality affordable personal advice that meets consumers’ needs.
- 12 We invite all industry participants and interested stakeholders to respond. While some of the questions in this paper are directed at financial advisers or advice licensees, we understand that other stakeholders may have feedback on the questions in this paper. We encourage and welcome other stakeholders to make a submission to this consultation paper based on their experiences and perspectives.
- 13 Through previous consumer research we have undertaken, we know that consumers want access to affordable personal advice and, in particular, limited advice. Access to good-quality affordable personal advice can help consumers make better financial decisions over their lifetime: see [REP 627](#) and [REP 224](#). From our ongoing discussions with industry participants, we also know that industry struggles to provide limited and affordable personal advice.
- 14 All personal advice can be scaled up and down, to cover all areas relevant to the client, or one or some of the areas relevant to the client. Personal advice that does not cover all areas that are relevant to the client has previously been referred to as ‘scaled advice’. We consider that the use of the terminology ‘scaled advice’ has contributed to a misunderstanding about the difference between comprehensive advice and ‘limited’ or ‘single-issue’ advice. In this paper, we will use the term ‘limited advice’ instead of ‘scaled advice’.
- 15 We have set out several areas of focus and asked a range of questions in this consultation paper. We are seeking feedback on:
- (a) the problems associated with providing limited advice (see Section B);

- (b) the guidance and examples on limited advice that we have provided in [Regulatory Guide 90](#) *Example Statement of Advice: Scaled advice for a new client* (RG 90) and [Regulatory Guide 244](#) *Giving information, general advice and scaled advice* (RG 244) (see Section B);
 - (c) the terminology used to describe ‘limited advice’ (see Section B);
 - (d) the availability and affordability of personal advice (see Section C);
 - (e) your experience with digital personal advice (also known as ‘robo-advice’ or ‘automated advice’) and whether this is a good way to provide good-quality limited advice (see Section C); and
 - (f) other issues relating to the delivery of both affordable personal advice and limited advice (see Section C).
- 16 We encourage you to provide your feedback by responding to all questions found in this consultation paper using [our online functionality](#) (known as ‘Checkbox’). If you make a submission this way, you can save your progress at any time and come back to it later.
- 17 Please feel free to only answer the questions that are most relevant to you and your experience.

The Unmet Advice Needs project timeline and methodology

- 18 This consultation paper forms a part of our Unmet Advice Needs project. This broad project aims to help ASIC understand what we and industry can do to better promote access to good-quality affordable personal advice. There are several components to this project, including:
- (a) engaging with industry and other stakeholders about what practical steps ASIC and industry can take to promote the availability of good-quality affordable personal advice for consumers (this is the purpose of this paper); and
 - (b) conducting research on:
 - (i) the cost of providing advice;
 - (ii) what financial decisions consumers make (to understand what their advice needs are); and
 - (iii) what types of information a financial adviser is required to gather and analyse when providing advice to a client to switch from an existing financial product to a new financial product.
- 19 We are planning to hold a series of roundtables with industry and other stakeholders in early 2021. The purpose of the roundtables will be to discuss issues raised in submissions received to this consultation paper.

20

Following this consultation process, we will:

- (a) provide an update on our findings;
- (b) set out the actions we will take to help industry provide both good-quality limited advice and affordable personal advice more broadly;
- (c) work with industry on the steps that they can take to address the issues around providing good-quality affordable personal advice; and
- (d) pass feedback on to Government where relevant—for example, if we receive feedback on law reform that would help industry provide good-quality limited and affordable personal advice.

B Promoting the delivery of limited advice

Key points

We know from our consumer research that many consumers prefer (and would benefit from) receiving limited advice, rather than comprehensive advice. Limited advice is often described as ‘scaled’, ‘single-issue’, ‘piece-by-piece’, ‘transactional’ or ‘episodic’ advice.

We are keen to see industry offer good-quality limited advice to consumers that meets consumers’ needs. To this end, to help industry, we have published a considerable amount of guidance on how to provide limited advice that meets the relevant legal obligations.

Even with our guidance, we understand that a number of industry participants struggle to deliver limited advice. We are seeking your feedback on:

- the challenges and practical issues you face when providing limited advice (see paragraphs 21–26);
- our guidance on limited advice in RG 244 (see paragraphs 27–29);
- the limited advice scenarios set out in the appendix to RG 244 (see paragraphs 30–31);
- the terminology we use when we talk about limited advice (see paragraphs 32–34); and
- the examples of Statements of Advice (SOAs) that give limited advice in RG 90 and the appendix to RG 244 (see paragraphs 35–38).

Challenges and practical issues you face when providing limited advice

Background for this area of focus

- 21 In 2010, we published [REP 224](#), which summarised the findings of our research into the demand and supply of personal advice in Australia. One of our key findings was that consumers wanted improved access to affordable advice and, in particular, limited advice.
- 22 We have since been keen to promote access to good-quality limited advice for consumers. Our guidance in [RG 90](#) and [RG 244](#) includes examples on giving limited advice and providing SOAs, and is aimed at encouraging industry participants to provide limited advice.
- 23 RG 244 includes guidance on how personal advice providers can meet their best interests duty and related obligations and still provide good-quality

limited advice. These obligations were introduced as part of the Australian Government's Future of Financial Advice (FOFA) reforms. These reforms were introduced against the backdrop of a PJC inquiry into financial products and services, which was set up in the wake of high-profile corporate collapses (such as Storm Financial and Opes Prime). A key objective of the FOFA reforms was to increase access to good quality advice: see [Future of financial advice: Information pack](#) (PDF 142 KB), 28 April 2011.

- 24 The importance of facilitating limited or scaled advice is also recognised in the legislation that sets out the best interests duty. The legislative note to the best interests duty safe harbour provision in s961B(2) of the *Corporations Act 2001* (Corporations Act) explicitly states that:

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.

Note: For more information about how the best interests duty and other related obligations apply to the provision of financial advice, see [Regulatory Guide 175 Licensing: Financial product advisers—Conduct and disclosure](#) (RG 175).

- 25 Despite our guidance and the acknowledgement of limited or scaled advice in the note to s961B(2), our ongoing discussions with industry participants have revealed that many financial advisers and advice licensees remain uncertain about how they can provide compliant limited advice.

Note: An advice licensee is an Australian financial service (AFS) licensee who provides personal advice to retail clients.

- 26 We consider that there are a number of reasons why this may be the case. It may be difficult for industry participants to understand the regulatory requirements for providing limited advice. We have also been told that, due to the uncertainty about providing limited advice, some advice licensees have restricted their financial advisers from providing limited advice to consumers.

Note: For example, from our recent engagement with industry, we understand there are concerns about compliance with legal obligations, including the [Financial Planners and Advisers Code of Ethics 2019](#), set by the Financial Adviser Standards and Ethics Authority (FASEA). On 5 October 2020, FASEA released for consultation a draft of [FG002 Financial Planners and Advisers Code of Ethics 2019 guide](#). This draft has revised FASEA's guidance on limited or scaled advice.

Area of focus and feedback questions

Area of focus

B1 We seek your feedback on the challenges and practical issues you face when providing limited advice to consumers. We have also included questions aimed at understanding you and your business. This is to provide ASIC with a better understanding of the problems industry are facing (e.g. whether some problems are prevalent in some sectors of the industry or in some types of advice licensees).

Note 1: The feedback questions in this section relate to limited advice as described at paragraphs 32–34.

Note 2: Some feedback questions also relate to limited AFS licensees. We use the term 'limited advice licensee' to describe individuals, companies and other firms that hold an AFS licence that authorises them to provide only one or more of the following limited financial services:

- financial product advice about:
 - a self-managed superannuation fund (SMSF);
 - a client's existing superannuation holdings, to the extent required for making a recommendation to establish an SMSF or providing advice to a client on contributions or pensions under a superannuation product;
- 'class of product advice' about:
 - superannuation products;
 - securities;
 - simple managed investment schemes;
 - general insurance products;
 - life risk insurance products;
 - basic deposit products; and
- arranging to deal in an interest in an SMSF.

If you are a financial adviser, please answer the questions in Table 1. If you are an advice licensee, please answer the questions in Table 2. If you are a financial adviser acting under your own licence, please feel free to answer the questions that are relevant to you. Other stakeholders, please answer the questions in Table 3.

Table 1: Questions for financial advisers

B1Q1 Questions about you	<ul style="list-style-type: none"> (a) How many years have you been a financial adviser? (b) Are you a member of an industry association? If yes, please name the association(s) for which you hold membership. (c) Which best describes the licence arrangement of the company you work for? Please choose from the list below: <ul style="list-style-type: none"> (i) self-licensed financial planner; (ii) small licensee (2–9 financial advisers); (iii) medium licensee (10–99 financial advisers); (iv) large licensee (100 or more financial advisers); (v) a limited AFS licensee (see the definition of ‘limited advice licensee’ in the area of focus at B1 and on our website); or (vi) other (please describe your licensee). (d) How frequently do you see most of your clients? If you see most of your clients on an ongoing basis, do you see these clients under an ongoing service arrangement? Please describe the arrangement you have with your client. (e) Approximately how many clients do you advise each year? (f) In the past 24 months, have you found that more or fewer people are seeking your services? Do clients want more or less advice from you? (g) What are the most common topics or areas your clients seek advice on? (h) Which advice licensee are you authorised or employed by?
B1Q2 Questions about providing limited advice and how your licensee could help you	<ul style="list-style-type: none"> (a) Do you provide limited advice? If not, why not? If you provide limited advice, please indicate the approximate percentage of advice you provide on each topic (you can add additional topics in the ‘other’ field, if necessary): <ul style="list-style-type: none"> (i) adequacy of retirement savings; (ii) investment allocation in superannuation; (iii) investments outside superannuation; (iv) superannuation contribution advice; (v) adequacy of insurance; and (vi) other (please describe the topic(s) of advice). (b) If you provide limited advice, please provide details of approximately how many times you provide ‘limited advice’ each year and whether or not the advice is provided under an ongoing service arrangement. (c) If you do not provide limited advice, but would like to, what is stopping you from providing limited advice? (d) Do you feel that your licensee fully supports you in providing limited advice? If not, how could your licensee support you better?

Table 2: Questions for advice licensees

B1Q3 Questions about you	<ul style="list-style-type: none"> (a) How many financial advisers do you employ and/or authorise? (b) Are you a limited advice licensee (see the definition of 'limited advice licensee' in the area of focus at B1 and on our website)? If yes, please describe the kinds of services you are authorised to provide under your licence. (c) Approximately how many clients are advised under your licence each year? (d) In the past 24 months, have your financial advisers and/or employees reported that the demand for advice has increased, decreased or stayed the same? (e) What are the most common topics or areas clients advised under your licence seek advice on?
B1Q4 Questions about providing limited advice	<ul style="list-style-type: none"> (a) Do you allow your employees and/or authorised financial advisers to provide limited advice? If not, why not? If yes, please indicate the approximate percentage of advice your employees and/or authorised financial advisers provide on each topic (you can add additional topics in the 'other' field, if necessary): <ul style="list-style-type: none"> (i) adequacy of retirement savings; (ii) investment allocation in superannuation; (iii) investments outside superannuation; (iv) superannuation contribution advice; (v) adequacy of insurance; and (vi) other (please describe the topic(s) of advice). (b) If you allow the provision of limited advice, please provide details of: <ul style="list-style-type: none"> (i) the limited advice your employees and/or authorised financial advisers provide (including approximately how many times limited advice is provided by your employees and/or authorised financial advisers each year and whether or not the advice is provided under an ongoing service arrangement); and (ii) what limited advice services you would like your employees and/or authorised financial advisers to provide in the future. (c) If you do not currently allow your employees and/or authorised financial advisers to provide limited advice but would like to, what is stopping you from allowing limited advice under your licence? (d) If you currently allow your employees and/or authorised financial advisers to provide limited advice: <ul style="list-style-type: none"> (i) have you experienced barriers in building this part of your business; and (ii) what are these barriers? (e) How do you support your financial advisers providing limited advice (e.g. through specific training or by providing specific template documents)?

Table 3: Questions for other stakeholders

B1Q5 Questions about you	<ul style="list-style-type: none"> (a) Please tell us about yourself and your interest in the issue of promoting access to good-quality limited advice. (b) What do you think are the impediments to the advice industry providing good-quality limited advice? (c) How do you think industry and ASIC should address these impediments?
---------------------------------	---

Our guidance on and examples of limited advice

Background for this area of focus

Guidance on giving limited advice

- 27 Our guidance in [RG 244](#) aims to provide clarity for financial advisers and the financial advice industry on how to provide good-quality limited advice to clients. We set out guiding principles for giving limited advice. We also explain how financial advisers can meet their obligations under Ch 7 of the Corporations Act, including the best interests duty and related obligations, when giving limited personal advice. We state that advisers can give limited advice while still meeting their obligations.

Note: The 'personal advice obligations' are set out in Div 2 of Pt 7.7A of the Corporations Act, including s961B, 961G, 961H and 961J.

- 28 Specifically, in RG 244 we:
- (a) provide practical guidance and examples about complying with legal obligations (see Section D of RG 244);
 - (b) explain why it is important to communicate to clients the advice service that is being provided to them (see Section E of RG 244); and
 - (c) illustrate how good-quality limited advice can be delivered by using practical examples that cover different advice topics (see the appendix to RG 244 and our discussion at paragraph 30 in this paper).

Note: We have reproduced Table 2 from RG 244 in the appendix to this paper. It gives a summary of the practical issues that we think are important for advice providers to address when giving limited advice.

- 29 In RG 244, we also explain that what is required to meet the personal advice obligations can be 'scaled up' or 'scaled down', depending on the nature and complexity of the advice. When meeting the best interests duty, financial advisers can use their judgement to decide on the scope of the advice in a way that is consistent with a client's relevant circumstances and the subject matter of the advice the client is seeking. Advisers can also undertake inquiries using a fact-finding process. The level of detail in this process should match the complexity of the client's relevant circumstances.

Note: The Explanatory Memorandum to the Corporations Amendment (Further Future of Financial Advice Measures) Bill 2012 (which introduced the best interests duty and related obligations) notes that the process of establishing the subject matter of advice accommodates the provision of scaled advice or advice looking at specific issues.

Examples of limited advice

- 30 We provide examples of providing good-quality limited advice in the appendix to RG 244. These examples cover scenarios where limited advice

is given to a client in a way that meets the personal advice obligations under the Corporations Act. The scenarios cover diverse advice topics and set out:

- (a) the conversation that took place between the financial adviser and the client (including via email or other communication channels);
- (b) the advice provided by the financial adviser during the conversation; and
- (c) the SOA that was provided to the client following the conversation.

31 Table 4 sets out the advice topics covered in the examples.

Table 4: Advice topics covered in the examples in the appendix to RG 244

Example	Advice topic
Example 1	How to invest an inheritance
Example 2	The adequacy of retirement savings
Example 3	A retirement savings health check
Example 4	Changing investment options—Call centre conversation
Example 5	Insurance—Call centre conversation
Example 6	Making extra contributions to super—Email advice
Example 7	Paying a windfall into superannuation or mortgage
Example 8	Superannuation and Centrelink payments—Effect on age pension of accessing funds through superannuation or a mortgage redraw
Example 9	Transition to retirement
Example 10	How long will my account-based pension product last?
Example 11	Nomination of beneficiaries
Example 12	Motor vehicle insurance—Which level of excess?
Example 13	Information and advice about basic deposit products
Example 15	Advice from a stockbroker to an existing client

Area of focus and feedback questions

Area of focus

B2 We seek feedback from individual financial advisers, advice licensees and other stakeholders on:

- (a) our guidance on scaled advice in RG 244, and whether additional guidance would help you delivery good-quality limited advice; and

- (b) our examples of limited advice and whether additional examples would be useful.

Please see the questions in Table 5.

Table 5: Questions

<p>B2Q1 Questions about ASIC guidance on limited advice</p>	<p>(a) We are considering new formats for our guidance. What form of guidance would you find most useful for future ASIC guidance on limited advice? Some examples are listed below, please list in order of preference:</p> <ul style="list-style-type: none"> (i) updates to regulatory guidance; (ii) podcasts and/or videos; (iii) a dedicated advice guidance webpage on the ASIC website; (iv) standalone examples on different topics; and/or (v) other guidance (please describe). <p>(b) Have you read RG 244?</p> <p>(c) If you have read RG 244, did it help you to understand how to provide good-quality limited advice? If not, how could the guidance be improved?</p> <p>(d) Are there any specific parts of RG 244 guidance that you do not understand? If so, which parts?</p> <p>(e) Is there other ASIC guidance on providing limited advice that would be useful? Please note the topics on which you think additional guidance would be useful.</p> <p>(f) Given the issues you have identified in response to these questions, what do you see as potential solutions to help you provide good-quality limited advice?</p> <p>(g) What do you see as the future challenges to providing good-quality limited advice? How do you think industry can best respond to and work through these challenges?</p>
<p>B2Q2 Questions about examples in appendix to RG 244</p>	<p>(a) Are the examples of providing good-quality limited advice in the appendix to RG 244 helpful? If not, why not?</p> <p>(b) Should the examples in the appendix to RG 244 be expanded to include other topics? If so, which additional topics would you find helpful?</p>

Terminology—How we talk about limited advice

Background for this area of focus

- 32 In [RG 244](#) we refer to limited or single-issue advice as ‘scaled advice’. We consider that this terminology has contributed to a misunderstanding about the difference between comprehensive advice and ‘limited’ or ‘single-issue’ advice.
- 33 We would like to engage with industry and obtain feedback on whether using a different term would be better. For example, ‘scaled advice’ is often described as ‘limited’, ‘narrow-scope’, ‘single-issue’, ‘piece-by-piece’, ‘transactional’ or ‘episodic’ advice.

- 34 We consider that ‘limited advice’ is a more readily understandable term than ‘scaled advice’, because all personal advice can be scaled to some degree. Our rationale for adopting a different term to describe ‘scaled advice’ is based on the following:
- (a) As we have said in RG 244, all personal advice is scaled in consideration of the client’s personal circumstances.
 - (b) A financial adviser ‘scales’ advice by exercising their professional judgement. This process is also referred to as ‘scoping’ and ‘determining the subject matter of advice’.
 - (c) Personal advice can be scaled to cover all areas relevant to the client, or one or some.
 - (d) Advice that does not cover all areas relevant to the client is regarded as ‘limited advice’.
 - (e) Advice that covers all areas relevant to the client is regarded as ‘comprehensive advice’.
 - (f) Regardless of how the advice is scoped, the same rules apply to the provision of personal advice on a certain topic.

Area of focus and feedback questions

Area of focus

- B3** We seek feedback from individual financial advisers, advice licensees and other stakeholders on the best way to refer to ‘scaled advice’.

Table 6: Questions

B3Q1 Questions about terminology in RG 244	<p>(a) We would like your feedback on how we refer to the advice that we currently refer to as ‘scaled advice’ in RG 244. Do you think that any of the following terms would be easier to understand:</p> <ol style="list-style-type: none"> (i) limited advice; (ii) narrow-scope advice; (iii) piece-by-piece advice; (iv) transactional advice; or (v) episodic advice. <p>(b) Do you have any other suggestions for terminology we could use?</p>
---	--

Our guidance on and examples of Statements of Advice

Background for this area of focus

- 35 In [RG 90](#), we set out an example SOA for limited advice on personal insurance for a new client. We developed this example SOA in consultation

with a range of stakeholders, including industry participants and associations. The example SOA illustrates how a financial adviser can produce a compliant SOA that is clear, concise and effective. While we encourage advisers to consider the style, content and layout of the example SOA when producing an SOA, we do not intend that it be used as a ‘one-size-fits-all’ template: see RG 90.1–RG 90.20. We are in the process of reviewing RG 90, and would like your feedback on whether it is useful, and how it can be improved.

Note: We consulted on the example SOA for limited advice through [Consultation Paper 284 Example Statement of Advice for life insurance: Update to RG 90](#) (CP 284). Please see [Report 557 Response to submissions on CP 284 Example Statement of Advice for life insurance: Update to RG 90](#) (REP 557) for a summary of key issues that arose out of the submissions received on CP 284 and our response to those issues

36 We also set out example SOAs in the appendix to RG 244. These SOAs are provided in the context of different limited advice scenarios: see paragraph 30–31 and Table 4.

Note: See also Examples 2 to 11 in the appendix to RG 244.

37 Together, the example SOAs in RG 90 and RG 244 are intended to help financial advisers produce an effective SOA that complies with s947B of the Corporations Act. However, we recognise that industry may have opinions about the design, content and format of these example SOAs.

38 We also acknowledge that there may be broader issues or concerns with preparing an SOA that provides limited advice.

Area of focus and feedback questions

Area of focus

B4 We seek your feedback on the example SOAs in RG 90 and RG 244 and any additional guidance we can provide about SOAs for limited advice: see Table 7.

Table 7: Questions

B4Q1 Questions about ASIC guidance and examples on SOAs	<p>(a) Are the model example SOAs in RG 90 and the appendix to RG 244 helpful? If not, why?</p> <p>(b) We are planning to review and revise our guidance in RG 90. What changes to RG 90 would make it more useful?</p> <p>(c) Is there any other guidance you would like on SOAs for limited advice?</p>
--	---

C Promoting access to affordable personal advice

Key points

In this section we seek to understand issues faced by industry when delivering good-quality affordable personal advice. We wish to better understand what is driving the cost of personal advice in Australia, and what options industry participants are exploring to reduce the cost of advice.

We seek your feedback on:

- the affordability of good-quality personal advice (including limited advice) (see paragraphs 39–41);
- your experience with strategic advice, and whether this is an effective way to provide good-quality affordable personal advice (see paragraphs 42–45);
- your experience with digital personal advice, and whether this is an effective way to provide good-quality affordable personal advice (see paragraphs 46–47); and
- any other issues you wish to raise that relate to promoting access to advice in relation to topics discussed in Sections B and C (see paragraph 48).

Affordability of personal advice

Background for this area of focus

39 A number of sources estimate that the average cost of comprehensive personal advice in Australia is between \$2,600 and \$2,900. This is unaffordable for many consumers and more than they are willing to pay. For example, in 2019, Investment Trends reported that financial planners estimated that the average cost for full or comprehensive advice was \$2,900. For more limited advice, they estimated \$1,500. The average cost that consumers were willing to pay for the initial advice consultation with a financial adviser was \$340. The maximum amount that consumers were willing to pay for comprehensive personal advice was \$550. In 2020, the Financial Planning Association of Australia indicated that on average their members charged \$2,671 for an SOA.

Note: See Investment Trends, *June 2019 financial advice report: Industry analysis*, August 2019, p. 224 and Financial Planning Association of Australia, [‘The national opportunity that is financial planning’](#), March 2020.

40 Our research has found that, while many consumers see value in financial advice, they do not tend to seek advice. Reasons why people don’t seek

financial advice include the high cost of advice and the perception that advice is out of reach and only for the wealthy: see [REP 627](#). Market-based research has shown that the cost of financial advice is a significant driver for consumers to prefer limited advice over a traditional comprehensive advice service.

Note: See Investment Trends, *June 2019 financial advice report: Industry analysis*, August 2019, p. 12.

- 41 During the COVID-19 pandemic, many consumers suffered financial hardship but did not necessarily seek advice to address changes in their financial circumstances. We issued [ASIC Corporations \(COVID-19—Advice-related relief\) Instrument 2020/355](#), which provides relief to assist the provision of affordable personal advice (referred to as ‘COVID-19 relief’ in this paper). This relief allows for the financial adviser to use a record of advice (ROA), rather than an SOA. However, certain conditions must be met.

Area of focus and feedback questions

Area of focus

- c1** We seek your feedback on the issues that affect the affordability of personal advice in Australia. We also seek to understand the experience of industry participants using an ROA, rather than an SOA.

If you are a financial adviser, please answer the questions in Table 8. If you are an advice licensee, please answer the questions in Table 9. If you are a financial adviser acting under your own licence or another stakeholder, please feel free to answer the questions that are relevant to you.

Table 8: Questions for financial advisers

C1Q1 Questions about affordability and availability of advice	<ul style="list-style-type: none"> (a) What changes do you suggest to reduce the cost of personal advice for consumers? (b) Do you think technology could be better used to reduce the cost of advice? Please explain your response. (c) How do you charge annual fees for ongoing advice (e.g. as a flat fee or a percentage of funds under management)? (d) In the past year have you increased the minimum annual fees for ongoing advice? If yes, what was your minimum annual fee previously and what is it now? Please explain why you increased these fees. (e) Have you changed your target market for advice over the last year? For example, have you changed your marketing focus from low or average net-worth clients to high net-worth clients? If so, please explain the changes to your target market, including why these changes were made. (f) Apart from the issue of cost, what changes do you think would improve the availability of personal advice for consumers? (g) What has your experience been with using ROAs? Have you found the COVID-19 relief helpful? Do you think relief should be provided to make ROAs more readily available for financial advisers to use as an alternative to an SOA? (h) After your first meeting with a client, how long on average does it take to provide the client with an SOA? Is this too long? What factors contribute to the length of time it takes to provide a client with an SOA? (i) What do you see as your business's future challenges to providing good-quality affordable personal advice? How do you think financial advisers can best respond to and work through these challenges?
--	--

Table 9: Questions for advice licensees

C1Q2 Questions about affordability and availability of advice	<p>(a) What costs inherent to the provision of advice most affect the ability of your business to provide lower cost personal advice? How could these costs be reduced?</p> <p>(b) Do you think technology could be better used to reduce the cost of advice? Please explain your response.</p> <p>(c) In the past year, has your business increased the minimum annual fees for ongoing advice? If yes, what was your minimum annual fee previously and what is it now? Please explain why you increased these fees.</p> <p>(d) As an advice licensee, has your advice business changed its target market for advice over the last year? For example, has your financial advice business changed its marketing focus from low or average net-worth clients to high net-worth clients? If so, please explain these changes, including why these changes were made.</p> <p>(e) What changes do you suggest to reduce the cost of personal advice for consumers?</p> <p>(f) Apart from the issue of cost, what changes do you think would improve the availability of personal advice to consumers?</p> <p>(g) As an advice licensee, what has been the experience of your advice business using ROAs? Have you found the COVID-19 relief helpful? Do you think we should provide relief to make ROAs more readily available for financial advisers to use as an alternative to an SOA?</p> <p>(h) For financial advisers you employ or authorise, what is the average time it takes after they first meet with a client to provide the client with an SOA? Is this too long? What factors contribute to the length of time it takes to provide a client with their SOA?</p> <p>(i) How do you calculate the price of the advice you provide to clients? What are the key features of the personal advice services you offer under your licence and for which fees are charged?</p> <p>(j) Are you developing (or are you aware of others developing) new advice models, or methods of advice delivery, to make personal advice more affordable? If yes, please give details.</p> <p>(k) Given the issues you have identified, what do you see as potential solutions to increase the ability of advice licensees to provide good-quality affordable personal advice?</p> <p>(l) What do you see as the future challenges to providing good-quality affordable personal advice to clients? How do you think industry can best respond to and work through these challenges? For example, are there technological solutions to reduce the cost of providing advice while maintaining (or improving) the quality of advice provided to clients?</p>
--	---

Strategic advice

Background for this area of focus

42 ‘Strategic advice’, often described as ‘strategy-only advice’, is advice that addresses a client’s needs and goals either:

- (a) without making a financial product recommendation to the client; or

- (b) by only making a recommendation about a class of financial products.

Note: Advice about a class of financial products will only recommend a product of a general type. For example, a financial adviser giving advice about a class of financial products may recommend that a client salary sacrifice into superannuation, but not that they do so with a particular superannuation fund.

- 43 Strategic advice that is not about financial products is not regulated as ‘financial product advice’ under the Corporations Act. This could include advice on topics such as budgeting, cashflow management and repaying debt.

Note: See s766B(1) of the Corporations Act.

- 44 Strategic advice that makes a recommendation about a class of financial products is regulated as ‘personal advice’ under the Corporations Act. This could include advice on topics such as salary sacrificing into superannuation or how much insurance cover a client needs.

- 45 In RG 244, we provide an example on how a financial adviser can scope their advice to a client so that it is only strategic in nature. In this example, advice is provided on the adequacy of a client’s retirement savings: see Example 3 in [RG 244](#).

Area of focus and feedback questions

Area of focus

- c2 We seek your feedback on your experience providing strategic advice: see Table 10.

Table 10: Questions

C2Q1 Questions about strategic advice	<ul style="list-style-type: none"> (a) Do you currently offer strategic advice that does not make a financial product recommendation, or only makes a recommendation about a general class of financial products? (b) If yes, please provide details of the strategic advice you: <ul style="list-style-type: none"> (i) currently provide; and (ii) would like to provide in the future. (c) If no, please explain why you do not currently offer this type of advice to clients. Would you like to offer this type of advice in the future? If yes, what type of advice? If not, why not? (d) In your experience, which type of clients would benefit most from receiving strategic advice? Please explain your response. (e) Do you think it would be helpful to provide more examples of compliant strategic advice in our guidance? If yes, what examples would you like to see?
--	---

Digital personal advice

Background for this area of focus

- 46 Digital personal advice is the provision of automated financial product advice using algorithms and technology, without the direct involvement of a human adviser. It ranges from limited advice that is very narrow in scope to more comprehensive advice. We have provided guidance on digital advice in [Regulatory Guide 255](#) *Providing digital financial product advice to retail clients* (RG 255). The guidance covers how the general obligations of an AFS licensee, along with the best interests duty and related obligations, apply to the provision of this advice.
- 47 Digital personal advice has the advantage of being more cost-effective than traditional advice models. However, we have found that many consumers prefer to have human interaction when receiving advice. In our research, we asked in group discussion and interviews whether participants would be interested in receiving digital advice. Some participants said they would not be interested. When we asked these participants why they were not interested, they said that they preferred engaging face-to-face with a financial adviser because this allowed them to establish trust and rapport with the adviser: see REP 627 at paragraphs 51–52.

Note: See also K Crosson, M Feddersen and C Burke, [‘Robo-advice: When will consumers get with the programme?’](#), Financial Conduct Authority website, 18 November 2019.

Area of focus and feedback questions

Area of focus

- c3 We seek feedback on your experience providing digital personal advice, and your views about the future of digital personal advice in Australia: see Table 11.

Table 11: Questions

C3Q1 Questions about digital personal advice	<p>(a) Do you currently offer digital personal advice? If yes, please provide details of the digital service(s) you:</p> <p>(i) currently provide; and</p> <p>(ii) would like to provide in the future.</p> <p>(b) If you do not currently offer digital personal advice, please provide details of the digital service(s) you would like to provide in the future.</p> <p>(c) Have you read RG 255?</p> <p>(d) If you have read the guidance in RG 255, did it help you to understand how to ensure that you provide compliant digital advice? How could the guidance be improved?</p> <p>(e) In your experience, are there barriers to providing good-quality digital personal advice? Please explain your response.</p> <p>(f) In your experience, are there specific types of clients that are more receptive to receiving digital personal advice? If so, please explain.</p> <p>(g) Have you moved any of your clients across from non-digital to digital personal advice services? If yes, what have been the challenges in transitioning these clients over to digital personal advice services?</p> <p>(h) Are there topics of advice or specific financial products that are well suited to digital personal advice? If yes, what are they and why?</p> <p>(i) Are there topics of advice and specific financial products that are not well suited to digital advice? If yes, what are they and why?</p>
---	--

Other issues relating to access to affordable personal advice

Background for this area of focus

48 The issues that we have raised about delivering limited advice in Section B and affordable personal advice in Section C are not exhaustive. We recognise that industry participants and other stakeholders may have additional issues they wish to raise.

Area of focus and feedback question

Area of focus

c4 We seek feedback on issues, relating to the delivery of affordable personal advice, that are not covered in Sections B and C and that you would like to bring to our attention: see Table 12.

Table 12: Question

C4Q1 Other issues you wish to raise	If there are any other issues you wish to raise in relation to this consultation paper, please note them in response to this question.
--	--

Appendix: How advice providers can meet their obligations when giving limited advice

49 Table 13 sets out some guidance to help advice providers meet the requirements of the best interests duty and related obligations when they give limited advice. It includes a summary of some issues we think are important for advice providers to consider when they are giving limited advice. We have reproduced this table from Table 2 in [RG 244](#). The references in the third column are to paragraphs and sections in RG 244 and [RG 175](#). RG 244 uses the term ‘scaled advice’ to refer to limited advice, and we have kept this in Table 13.

Table 13: What advice providers can do to help ensure they meet their legal obligations, including the best interests duty and related obligations, 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 scaled advice that meets your legal obligations.	<p>In many cases, you can give scaled advice that is more limited in scope (e.g. for certain advice about less complex issues and for clients with less complex relevant circumstances) and comply with your legal obligations, including the best interests duty and related obligations.</p> <p>Either you or your client can <i>suggest</i> limiting or revising the subject matter of the advice. However, you (as the advice provider) must use your judgement when deciding on the scope of the advice. You must determine the scope of advice in a way that is consistent with the client’s relevant circumstances and the subject matter of the advice they are seeking.</p>	See RG 244.65– RG 244.68 and RG 175.279– RG 175.298
Adjust the level of your inquiries to reflect the nature of the advice being provided.	To meet the safe harbour for the best interests duty, you must identify the client’s relevant circumstances. You can adjust the fact-finding process (i.e. the inquiries you make about the client’s relevant circumstances) 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. In general, 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 RG 244.69– RG 244.73 and RG 175.299– RG 175.315
Implement systems that will help you decide whether scaled advice can be provided to a client in a way that meets your legal obligations.	<p>One approach you can use when deciding if you can provide a client with a limited scope of advice is to perform a ‘triage’ or filtering process.</p> <p>For example, 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 legal obligations, including the best interests duty and related obligations.</p>	See RG 244.74– RG 244.80 and RG 175.252– RG 175.257

As an advice provider, you will...	What this means in summary	For further guidance
<p>Communicate clearly to the client the type of advice service you are offering.</p>	<p>You must take reasonable steps to explain to a client the limited scope of the advice you are giving in a way that will be clear to the client.</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>	<p>See Section E of RG 244</p>

Key terms

Term	Meaning in this document
advice licensee	An AFS licensee who provides personal advice to retail clients
advice provider	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 who 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)
AFS licence	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 Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act
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
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
COVID-19 relief	ASIC Corporations (COVID-19—Advice-related relief) Instrument 2020/355 , which provides relief to assist the provision of affordable personal advice
digital personal advice	Also known as ‘robo-advice’ or ‘automated advice’—the provision of automated financial product advice using algorithms and technology without the direct involvement of a human adviser
FASEA	Financial Advisers Standards and Ethics Authority
financial adviser	A natural person providing personal advice to retail clients on behalf of an AFS licensee who is either: <ul style="list-style-type: none"> • an authorised representative of a licensee; or • an employee representative of a licensee <p>Note: This is the person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply: see the definition of ‘advice provider’ in the ‘key terms’ in RG 175.</p>

Term	Meaning in this document
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 of the Corporations Act: 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 or statement</p> <p>Note: This is a definition contained in s766B of the Corporations Act.</p>
FOFA	Future of Financial Advice
limited advice	Has the same meaning as scaled advice in RG 244
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 person giving the advice has considered one or more of the person's objectives, financial situation and needs; or • a reasonable person might expect the person giving the advice to have considered one or more of these matters <p>Note: This is a definition contained in s766B(3) of the Corporations Act.</p>
personal advice obligations	The obligations that apply to the provision of personal advice to a client under Div 2 of Pt 7.7A of the Corporations Act, including but not limited to s961B, 961G, 961H and 961J
PJC	Parliamentary Joint Committee on Corporations and Financial Services
Pt 7.7A (for example)	A part of the Corporations Act (in this example numbered 7.7A), unless otherwise specified
relevant financial products	<p>Financial products other than basic banking products, general insurance products, consumer credit insurance, or a combination of any of these products</p> <p>Note: This is a definition contained in s922C of the Corporations Act.</p>
REP 627	An ASIC report (in this example numbered 627)

Term	Meaning in this document
retail client	A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations
RG 244 (for example)	An ASIC regulatory guide (in this example numbered 244)
ROA	A record of advice
s961B (for example)	A section of the Corporations Act (in this example numbered 961B), 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
scaled advice	Personal advice that is limited in scope
SOA	A Statement of Advice—a document that must be given to a retail client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act Note: See s761A for the exact definition.
strategic advice	Advice that addresses a client's needs and goals either: <ul style="list-style-type: none"> • without making a financial product recommendation to the client; or • by only making a recommendation about a general class of financial products