

**From:** [REDACTED]  
**To:** [FSCP Submissions](#)  
**Subject:** Fwd: FSCP feedback and proposed Code of Ethics guide & Filenotes  
**Date:** Friday, 4 March 2022 2:12:07 PM  
**Attachments:** [FASFA Code of Ethics Guide Sheet - Shared Template 2021 Version.docx](#)  
[REDACTED]  
[Plan Presentation - File Note - Template.docx](#)  
[First Appointment File Note - Template.docx](#)

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Regards

Lee Forde ,BBus (Acc), DipFP

Financial Planner

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----- Forwarded message -----

**From:** Lee Forde [REDACTED]  
**Date:** Wed, Mar 2, 2022 at 8:15 AM  
**Subject:** FSCP feedback and proposed Code of Ethics guide & Filenotes  
**To:** <[FSCP.submissions@asic.gov.au](mailto:FSCP.submissions@asic.gov.au)>

Hi,

Thank you for the opportunity to provide some feedback and additional information that will be useful.

As someone who has been in financial services for 30 years, the last 24 as a financial planner I have been through many changes both good and bad.

I am a firm believer in a panel such as this to ensure advisers are kept on their toes and more importantly clients continue to receive quality advice that is in their best interests

The ASIC submission looks good enough but perhaps a little brief in parts

My main comment is that I don't think the capacity of this panel goes far enough. My hope is that this panel is not rarely used and more show than go. Primarily, I'm not convinced all the necessary potential or actual breaches may be captured.

For example, if an adviser passes their annual audit, however, fails to demonstrate all aspects of the code of Ethics. Does this mean that the adviser should still pass the audit?

I believe the code of Ethics has been a great addition to the financial planning industry as it has forced us to ask more questions and know more about our clients. There are additional steps that all advisers need to not only consider but demonstrate on the client file. The problem we have had is lack of guidance since its inception in 2020. We have been provided with general information and some examples of certain situations but not actually how to properly demonstrate on the client file compliance with the code.

Therefore, at the end of 2019, after I had passed the FASEA exam and completed the compulsory ethics subject, I took a week out of work and created my own guide to the code of ethics in readiness for Jan 1 2020. At this time neither FASEA, FPA or my licensee had any kind of guidance of how to comply with the code which was very frustrating as it's hard to know you are doing the right thing without any information to go on.

The attachments are the result of my work. I complete both the guide to the code and file notes on every new and existing client and this forms part of my client file.

I have previously sent emails to Senator Jane Hume, Stephen Jones, my local member and even some on the panel, however, I haven't received any response at this stage.

My hope is that ASIC may have a look and consider what I have prepared to be able to not only help other advisers but also provide a template or guidance how the FSCP will approach and what the process will be, so advisers know what the panel will be looking for etc.

I have created two guides to the code of ethics; a general guide [REDACTED] [REDACTED] I have also included first appointment and plan presentation file notes which guides the adviser to ask the relevant questions to ensure that nothing is forgotten and puts the adviser in the best position to demonstrate compliance with the code.

[REDACTED]

I trust you will find this information informative and please feel free to make contact with me or provide feedback etc if you need anything further.

Thank you.

Regards

Lee Forde ,BBus (Acc), DipFP

Financial Planner

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# FASEA Code of Ethics

<Client Name>

**Definition:** Imposes Ethical duties in law to encourage higher standards of behaviour & professionalism in industry.

Code of Ethics specifically designed to assist adviser to

- 1) Recognise unethical behaviour
- 2) Make decisions NOT to engage in unethical behaviour.

## Standards 1-3 – Ethical Behaviour

### Standard 1

Maintaining detailed and up to date records such as file notes, advice documents, execution only orders, letters of engagement, service agreements, working papers and other relevant documents are likely the most important consideration in complying with all the standards.

In addition, advisers must not knowingly circumvent the intent of the laws designed to protect investors who may lack competency in financial matters.

### Applying the standard

It is important that you understand your ethical obligations in complying with the Code and where these ethical obligations extend legal obligations contained in the Corporations Act, such as:

1. The Corporations Act permits referral fees to be paid directly to an adviser, however the Code prohibits an adviser from receiving referral fees.
2. The Corporations Act defines a wholesale client based on their assets; however, the Code encourages the adviser to exercise professional judgement in considering the clients level of financial literacy and whether they would be more appropriately treated as a retail client.
3. The Corporations Act permits the management of conflicts of interest between you and your client (including by disclosure), however the Code requires that you must not act if there is an actual conflict.

What are applicable laws?	Answer
- Corp Act/RG/AML/FTRA/Privacy/TPB – Existing laws.	Already comply within licensee standards & existing processes.
Intent of applicable laws (Relates to 5 Values)	
- Any decision by consumers in relation to financial product is informed	Full disclosure provided with all advice provided in the client's best interest.
- Financial advisers demonstrate professionalism, fairness & honesty at all times.	As of 1 January 2020, all sources of client records to be held in the relevant licensee software (ie. ROAR, Xplan etc)
- Products are fair & transparent	The recommended funds are on advisers APL. Challenger is a well-known capital guaranteed investment with access to funds if required and AMP

	My North offer over 500 investments including market protection, TD & direct shares if required.
<b>EG to comply – Has the adviser had clients referred from a third party such as developer who suggested a SMSF – If applicable.</b>	No referral has been made for xxxxxx.
- Adviser to confirm that no referral fee has been given and/or on-going interest in any product recommended.	Adviser can confirm all relevant information was obtained and suitable recommendations made.
- Adviser to confirm that they have fully assessed client's goals and objectives where SMSF is appropriate advice.	N/A
- Has client got investment/super Grandfathered commission? If so have you reviewed to see if most appropriate.	N/A

## Standard 2

Act with integrity and Best Interest of each of your clients.

Standard 2 introduces two separate tests; the **first** being integrity (measured by community standards) and the **second** being the new best interest duty (that goes beyond the best interest duty outlined in the *Corporations Act 2001*). This standard requires you to treat all clients fairly, employ a robust and appropriate advisory processes and look to both the current and future circumstances of clients when providing advice.

Considering each client individually is an ethical duty. Acting with integrity requires openness, honesty and frankness in all dealings with clients. These qualities underpin the trust that clients should have in their financial adviser as a professional who prioritises client interest over their own or others.

To act in a client's best interests requires you to ensure that the advice, products and services you recommend are appropriate to meet the client's objectives, financial situation and needs, taking into account the client's broader, long-term interests and likely future circumstances.

Section 961B of the Act imposes an obligation on persons who provide personal advice to a retail client to act in the best interests of the client in connection with the advice. That section, together with sections 961C, 961D and 961E, have the effect that the person satisfies the section 961B duty if the person:

- identifies the retail client's objectives, financial situation and needs, as disclosed to the person;
- identifies and completes any reasonably apparent gaps in the information;
- conducts a reasonable investigation of potential financial products; and
- bases his or her judgements on the client's relevant circumstances.

## BID Definition – Code of Ethics

The ethical duty in Standard 2 to act with integrity is a broader ethical obligation. It is based on a more professional relationship between you and the client, where you have a duty to look more widely at what the client's interests are. This means that you will need to work out, and, if necessary, help the client to work out what the client's objectives, financial situation, needs, interests (including long-term interests), current circumstances and likely future circumstances are.

It also requires financial advisers to keep their promises (explicit and implied) and honour the commitments made to their clients. Each of the duties to act with integrity and in each client's best interests is fundamental.

<p><b>Definition – Integrity. Open, honest &amp; frankness of all dealings with clients. Adviser cannot limit their inquiries to information provided by client.</b></p>	<p>Refer First Appointment file note</p>
<ul style="list-style-type: none"> <li>- What the client objectives are</li> </ul>	<p><b>In client's own words</b></p>
<ul style="list-style-type: none"> <li>- Help the client work out what their needs &amp; objectives need to be (including long-term interests). <b>Has the adviser enquired effectively to understand the client's needs and circumstances?</b></li> </ul>	<p><b>Identify any gaps in client's objectives</b></p>
<ul style="list-style-type: none"> <li>- Adviser needs to use professional judgement and skill to identify multiple needs and how they will be prioritised and addressed.</li> <li>- <b>Adviser needs to be honest and frank.</b></li> <li>- <b>Is the adviser's advice consistent in the client's purpose in seeking advice?</b></li> </ul>	<p><b>Adviser to ask more questions about what motivates or drives the client's objectives.</b></p>
<ul style="list-style-type: none"> <li>- Does it appear that the client has withheld information?</li> <li>- <b>Is the advice in the best interest of the client or simply what the client wants?</b></li> </ul>	<p><b>Demonstrate that the adviser has sufficient information based on the scope of advice. If not, then enquire and if sufficient information is not provided then do not provide advice.</b></p> <p><b>If client wants a particular product and not in their best interest then do not provide the advice.</b></p>
<ul style="list-style-type: none"> <li>- <b>Scaled or scoped advice</b> - it is important to ensure that the advice covers all client goals and objectives within the scope of the advice. <b>If the scope is limited, you need to ensure you factor in everything that might be relevant to giving that limited advice.</b></li> <li>- <b>Will the recommendations and advice improve the client's well-being?</b></li> </ul>	<p>Be sure to confirm the subject matter and scope of your advice with the client and make appropriate notes.</p> <ul style="list-style-type: none"> <li>- Subject matter and scope Identified</li> </ul> <p>It must be clear to all parties that the advice will include and exclude. If subject matter relevant to the client is to be scoped out of the advice, the reason must be clear and reasonable. The subject matter which is scoped out must not impact or effect the advice being provided.</p>
<p><b>Questions for Adviser</b></p>	
<p>Was there further questions the adviser needed to ask? If so, what additional information was obtained?</p>	
<p>Is the adviser qualified to provide advice in all areas of client's needs? If not must refer and be BID.</p>	

<p><b>What advice isn't being provided and why?</b></p> <p>eg. Insurance or insurance through super – health history loadings etc. Explain why not relevant or to be included in advice needs.</p>	
<p><b>BID – The adviser should take into account their client's express wishes, BUT these do NOT override the adviser's duty to give advice that is in the client's best interests.</b></p>	<p><b>Refer First Appointment file note</b></p> <p><b>Do not provide advice if client insists on a particular product that your investigations show is not appropriate – The risk of Execution only advice</b></p>
<ul style="list-style-type: none"> <li>- <b>Confidentiality</b> – Adviser must not share or disclose client information (except required under law) without client's consent and store securely. Licensee standards assists with Privacy Act requirements, client ID, Risk Classification etc.</li> </ul>	
<ul style="list-style-type: none"> <li>- <b>Clients to be treated in respectful &amp; professional way.</b> Is there any specific needs of the client such as social, cultural, spiritual &amp; sexual &amp; gender diversity that needs to be identified and addressed.</li> </ul>	
<ul style="list-style-type: none"> <li>- <b>Communication Skills</b> – Effective communication is contextual. That is, the competent communicator is one who is able to accomplish their interaction goals while also adhering to situational standards of proper conduct. Fair share of adviser's attention, skill &amp; time to each client.</li> </ul>	
<ul style="list-style-type: none"> <li>- <b>Client's likely future circumstances</b> – ie. Downsizing/Retirement Village/Aged Care – Discuss the clients age and situation to determine why investment recommendations are suitable.</li> <li>- <b>If New Client</b> <b>Any relevant Family history</b> <b>Special needs</b></li> </ul> <p><b>Demonstrate how adviser meets this.</b></p> <ul style="list-style-type: none"> <li>- Peace of mind</li> <li>- Understanding advice documents</li> <li>- Identifying any communication barriers.</li> <li>- Confirmation your client understands strategy and product recommendations.</li> </ul> <p>Remain objective (fairness &amp; impartial)</p>	<p><b>Refer to Plan presentation file note</b></p>

<b>Questions for Adviser</b>	
Is client present for appointments? If not, Why Not?	Client was present via facetime phone appointment. Could not meet in person because of Virus restrictions
Can clients read & understand English?	Yes. <del>xxxxxx</del> has lived in Australia all of his life and can speak fluent English.
Does the client need a family member or interpreter?	No
<b>BID overall Test – How does your advice &amp; recommendations improve client’s wellbeing.</b> <ul style="list-style-type: none"> <li>- Match goals to outcomes</li> <li>- Identified any further needs through Fact find process</li> <li>- Additional Centrelink</li> <li>- 100% capital protection for funds</li> <li>- Lifetime income streams and/or flexible ABP</li> <li>- Appropriate super fund with features required ie. Market protection, TD, ASX options etc</li> <li>- Other</li> </ul>	Refer to Plan presentation file note



### Standard 3

#### Conflicts of interest

Must disclose any conflicts of interest and NOT act.

e.g - Cannot receive referral fee for referring client to another professional ie. Accountant or other specialist such as SMSF advice.

The Code prescribes that when considering whether an adviser has an actual conflict, advisers need to consider their remuneration in the context of the whole of the Code and satisfy themselves that this remuneration does not impact their ability to provide advice that meets the provisions of the Code, including that:

- The advice is in the best interests of the client;
- The fees and charges (regardless of type) are fair and reasonable and represent value for the client and are fully understood by the client;
- The client understands the benefits, costs and risks of the recommendations made; and
- The advice and fee structure are appropriate to the client.

In order to aid you in assessing whether you have a conflict of interest or duty, FASEA has developed a 'standard for judgement' that is familiar in law and is consistent with that applied in other professions.

The 'standard for judgement' for determining if an arrangement is conflicted and therefore prohibited is that if:

1. A disinterested person (an unbiased third party with nothing to gain or lose from how the question of conflicts is resolved),
2. who knows all of the facts,
3. would reasonably conclude (that is, has good reasons that other reasonable people would find convincing),
4. that the arrangement could induce the adviser to act other than in the best interests of the client then, that arrangement gives rise to a conflict and is prohibited.

In making this assessment the adviser is to imagine standing in the shoes of an ordinary person – not the client, not a consumer advocate, not another adviser, not a regulator, just an ordinary person in the street with ordinary intelligence and good judgement.

Questions for adviser	
Has the adviser referred to another professional? If so, why? <b>The Code prohibits you from personally recommending one practitioner over the other and as such, the client will need to decide for themselves which of the two whose details you provided, the client would prefer to go with.</b>	Confirmation that no referral fee or other benefit has/will be given. If so, then two names and numbers to be provided.
- Is there any trail commission payable? If so, why is it in client's best interest.	Yes/No – If Yes, then refer to 4 points above to ensure it meets BID.
- If couple, are they divorcing? If so, adviser cannot look after both clients.	Yes/No
- Has adviser referred client to Mortgage broking services that adviser has an interest in?	Yes/No

<p>If so, adviser to demonstrate value for money fair &amp; reasonable fees for the services that compare to market fees.</p> <ul style="list-style-type: none"> <li>- Mortgage broking business has the competence and expertise to provide advice in this area.</li> </ul> <p>Client has provided free, prior &amp; informed consent on the mortgage broking referral.</p>	
<ul style="list-style-type: none"> <li>- Has adviser received or provided a referral to solicitor referral source?</li> </ul>	<p>Confirmation that no referral fee was paid or expectations of back referrals or other benefits.</p>

## Client Care – Standards 4-6

### Standard 4

**For new advice engagements (i.e. for new and/or existing clients), before acting for the client you should consider explaining clearly and simply and ensure the client understands and consents to:**

**This means that, before you start to act, you must have explained to your client, clearly and simply:**

- what services will be provided; and
- the terms on which they will be provided; and
- the records that will be made of the services, and the privacy and confidentiality arrangements applicable to them.

In receiving free, prior and informed consent, the adviser will likely avoid client dissatisfaction where advice and services do not meet client expectations and clients will be less likely to dispute the fees they are required to pay, irrespective of the fee structure.

The adviser is required to use their professional judgement to satisfy themselves that they have reasonable grounds to be satisfied that the client has provided free, prior and informed consent.

**Free consent requires reaching a mutual understanding between the client and the adviser free from, amongst other things, any form of coercion, undue influence, fraud or pressure either from the adviser or another party**

<b>Adviser Actions – Provide</b>	<b>Everything below has been provided to clients</b>
Current FSG, Adviser profile & Privacy form	FSG Part A dated 11 Jan 2021 & Part B dated 6 May 2021 emailed/posted/handed to client.
Adviser CVP information (if available)	Not Available at this stage
Risk Classification form	(if applicable by your licensee)
Client ID (licence, Passport etc)	Certified Copy Held
On-going service agreement	New agreement prepared and signed by client/Existing agreement in place and is current.

This must then be followed up by documentary evidence of the clients' agreement, for example, a signed Letter of Engagement/Informed consent. Clients' must also consent to your remuneration arrangements with including all initial fees that will be charged.

**The consent requirements apply to both new and existing clients.**

## Informed Consent

“Informed” consent requires that the client understands and agrees to the arrangements. You will need to be satisfied of this and have reasonable grounds to be satisfied.

For ongoing advice to existing clients, there are two components to this Standard.

The first part is “**if required**”. If you have already received the client’s free, prior and informed consent, Standard 4 has been met.

If you haven’t, you will need to work out a practicable timeframe for doing so. This will be influenced by a number of business factors including the number of clients you are required to contact and the next scheduled contact for each client.

**In assessing whether you have received informed consent from an existing client, you may consider the following:**

- **The timeframe and approach in receiving informed consent**
- **The service offering i.e. How often do you contact the client as part of agreed service requirements and fee structure?**
- **Does the client clearly understand and consent to the service they are receiving, and the fees they are paying? In assessing when is the appropriate time to contact an existing client to seek informed consent, you may consider whether:**
  - **you have an upcoming engagement with the client**
  - **you have an upcoming review meeting with the client as part of your service offering For existing clients who do not have a scheduled upcoming engagement or review, you should develop a plan and schedule to gain informed consent.**

Adviser to demonstrate informed consent by	Refer First appointment file note
<p>Considering client’s experience, language skills, literacy &amp; numeracy.</p> <ul style="list-style-type: none"> <li>- <b>Discussed Big 3 Financial Literacy Questions</b></li> </ul> <p><b>1) Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?</b></p> <ul style="list-style-type: none"> <li>-More than \$102</li> <li>-Exactly \$102</li> <li>- Less than \$102</li> <li>-Do not know Refuse to answer</li> </ul> <p><b>2) Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, how much would you be able to buy with the money in this account?</b></p> <ul style="list-style-type: none"> <li>- More than today</li> <li>- Exactly the same</li> <li>- Less than today</li> <li>- Do not know Refuse to answer</li> </ul>	<p><b>Client has signed the letter of engagement/Informed Consent form</b></p> <p><b>I confirm that I discussed these questions with all clients.</b></p> <p><b>Client answered all questions correctly/refused to answer/made a mistake but understood after further discussion.</b></p> <p><b>The client has completed Year 10/12/Tertiary</b></p>

<p><b>3) Please tell me whether this statement is true or false.</b>  <b>“Buying a single company’s stock usually provides a safer return than a Managed fund.”</b></p> <ul style="list-style-type: none"> <li>- True</li> <li>- False</li> <li>- Do not know Refuse to answer</li> </ul> <p><b>Numeracy</b></p> <p><b>Having the confidence and competence to use numbers and data in everyday life to make good decisions, including financial ones</b></p> <p><b>Financial Capability</b></p> <p><b>A person’s ability to manage money well, both day to day and through significant life events, and to handle periods of financial difficulty.</b></p> <p><b>It is driven by personal skills, knowledge, attitudes and motivations, and made possible by an inclusive financial system and supportive social environment.</b></p>	<p>The client has previously prepared a budget and have a basic/detailed understanding of debits and credits.</p> <p>Clients own their own house/other investments/super</p> <p>Clients have no debts/debt is manageable with large amount of equity.</p> <p>Clients have savings in the bank.</p>
<p>Demonstrating the SOA is understood by clients, written in simple terms in logical sequence.</p> <p><b>Use your advice documents as an educational tool with your clients. Explain key concepts related to your advice in simple and easy to understand terms. Test your clients understanding of these concepts and file note their response to demonstrate their understanding of the advice.</b></p>	<p>Using CIQ &amp; SOA as an educational tool with your clients.</p> <p>Explain key concepts related to your advice in simple and easy to understand terms.</p> <p>Test your clients understanding of these concepts and</p> <p>Use file note here to their response to demonstrate their understanding of the advice.</p>
<p>Adviser comments of the use of Teach-back or show me methods to have client explain advice provided and/or on-going advice agreement in <b>their</b> own words.  This includes:</p> <p>Caring tone of voice</p> <p>Comfortable body language &amp; eye contact</p> <p>The adviser clearly explains the importance of advice and understanding</p>	<p>You need to ensure clients sufficiently understand the scope of advice, the recommendations and their implications (including costs) made to them before the client may provide informed consent to proceed.</p>

## FASEA Questions & Answers – Standard 4

### **Q) Does the Code of Ethics require advisers to seek annual renewal of the consent for all clients?**

**Answer:** The Code of Ethics does **not** require advisers to seek annual review of the consent of all clients. An adviser needs to use their professional judgement to determine the appropriate engagement for each client. The adviser is required to ensure that the client understands and consents to the renewal approach. Advisers must also comply with the requirements of the Corporations Act

### **Q) What format is required when obtaining consent from my clients?**

**Answer:** An adviser will need to ensure they receive signed consent from their clients. This may be using existing forms e.g. engagement letter, Ongoing Service Agreement, Initial Service Agreement, Authority to Proceed with Advice, etc. For clients that do not have an ongoing service arrangement, eg. Insurance only client the adviser may consider a simple format detailing the conversation and signed by the client.

### **Q) I have a number of existing insurance only clients who I have irregular contact with. These clients received an advice document and signed an authority when I presented the original advice a number of years ago. Do I need to contact them to obtain consent?**

**Answer:** If an adviser is receiving an ongoing fee (including insurance commissions) which is directly related to the financial product advice recommendation for their client and has not contacted that client for a number of years, it would be appropriate to do so to confirm there are no changes in their personal circumstances which would impact the financial product advice recommendation and to confirm the clients ongoing consent to act.

### **Q) As an adviser, I have, over the course of 2018 and 2019, contacted my existing clients as the renewal of their Ongoing Service Agreement was required. Do I need to re-contact these clients after 1 January 2020 to seek their consent again?**

**Answer:** An adviser who has recently received consent from an existing client for the service and fees they will be paying, does not need to re-contact the client to receive consent post 1 January 2020. **The next renewal period is sufficient.**

## Standard 5

### BID for advice & product and satisfied of client understanding

All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client's individual circumstances.

**Introduces an objective test requiring you to be satisfied that the clients understand:**

**You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied.**

This Standard also emphasises the importance of the client properly understanding the advice and recommendations you give, and their implications. It requires you to be satisfied that the client understands:

- the advice and recommendations you give; and
- the benefits of the recommended products; and
- the costs involved in acquiring, holding and disposing of the recommended products; and
- the risks involved in acquiring, holding and disposing of the products, and how you recommend they be managed

**This means that the advice must be clear and understandable by the person for whom the advice has been prepared. The adviser may need to consider different ways to communicate to individual clients – and to be able to demonstrate the basis on which they have established reasonable grounds for believing that the client understands the advice.**

**The intent of Standard 5 is to emphasise the need for advisers to ensure that advice and product recommendations are appropriate to each client's individual circumstances. Advisers have a duty to be aware of available products in the market and it may be necessary for product recommendations to go beyond what is currently on a Licensees' approved product list (APL) if the adviser is aware of a product that would be in the client's best interests.**

How Adviser demonstrates Standard 5	
Adviser provides summary of advice highlighting the relevance to each client's circumstances.	<b>Disclosed and explained in SOA with summary provided</b>
Further tailored explanations and provides additional client education where he has any doubt about the client's understanding of the statement of advice.	<b>Additional information provided to client in this regard or references to obtain further information</b> <b>. Refer to plan presentation file note.</b>
<ul style="list-style-type: none"> <li>• Have I asked all relevant questions leading to a detailed understanding of the client's circumstances?</li> <li>• Have I been made aware of any new products (may or may not be on my Licensees APL) that I need to consider in forming my advice?</li> <li>• What is the best way to communicate with this client, to satisfy myself that they have understood the advice?</li> <li>• How am I satisfied the advice is in the best interests of the client?</li> </ul>	<p><b>Yes</b></p> <p><b>New/No new products on APL that are relevant.</b></p> <p><b>Adviser needed to ask further questions being .....</b></p> <p><b>Best way to communicate with this client is via reading/overheads/graphs/tables.</b></p> <p><b>Adviser is satisfied he is acting in BID</b></p>

**Adviser consideration to Behavioural finance – inherit biases that clients may bring to table.**

These include:

**Cognitive Bias**

- Over-confidence** – Clients advise they understand where in reality they do not.
- Present- Bias** – Weight benefits right now higher than benefits in the future
- Loss Aversion** – Value something more when in our possession than when we don't
- Status quo** – Bias – Individuals do nothing or continue with current decisions.
- Default Bias** – The option that occurs when the client does nothing.

**Adviser comments re any Cognitive Bias**

Adviser observed and could not identify any Cognitive bias.

**Emotional Bias – Decisions based on emotions**

- Integral emotions** – Client's decision making that can lead to poor financial choices.
- Incidental emotions** – Carried over from other unrelated situations.

**Adviser comments re any Emotional Bias**

No changes to strategy recommended and client did not demonstrate any emotional bias.

<p><b>Obtaining signed authority to proceed does not cure the failure to gain client understanding.</b></p> <p><b>Further steps for adviser to take to test Client's understanding before proceeding.</b></p>	
<ul style="list-style-type: none"> <li>- insisting on a longer time for the client to make a decision and on the client taking the advice away before committing;</li> <li>- encouraging the client to seek input from a trusted friend or family member with no conflicting interest in the outcome, and offering to meet and explain the recommendations to the family member;</li> <li>- encouraging the client to ask questions of the adviser;</li> <li>- asking the client to explain back key elements of the advice to the adviser;</li> <li>- asking the client to explain diversification and market risk in their own words.</li> <li>- asking questions of the client to test the client's level of understanding of the recommendations being made and the basis for making them;</li> </ul>	<p><b>Adviser previously sent SOA to client before the phone appointment, so xxxxx had a good chance to read our advice. The adviser offered for client to consider our advice after our phone appointment, however xxxxx advised that he was happy to proceed.</b></p> <p><b>The client is single/married with adult children, so Adviser had no other family members to consult.</b></p> <p><b>Client explained my advice in their own words and the adviser is satisfied that client understood the advice provided.</b></p> <p><b>Defensive investment strategy with a 100% capital guaranteed investment recommended as per current investment strategy and knowledge.</b></p> <p><b>Growth strategy for remainder of funds in super/pension, including Sustainable fund.</b></p> <p><b>The adviser's investment strategy is more conservative than balanced (due to the amount invested in annuity)</b></p>



<ul style="list-style-type: none"> <li>- presenting lower risk options to the client in the advice to facilitate comparison and effective choice in the client’s decision-making;</li> <li>- ensuring as far as possible that the client feels equally free to reject the recommendation - to reduce the risk that the client may be substituting trust in the adviser for rational decision-making;</li> <li>- recommending client education tailored to the client’s capacity to understand.</li> </ul> <p>If you cannot be satisfied your client understands your advice and the benefits, costs and risks of the financial products that you recommend, <b>you must not proceed.</b></p> <p><b>xxxxx</b> understands the nature of <b>the Challenger annuity</b> by confirming it provides a regular income stream and incurs no product fees. <b>The client also understands that should they need to withdraw their annuity before maturing they will incur an exit fee and will likely receive back less money than originally invested.</b></p>	<p><b>however, the non-annuity funds have been invested in more higher growth assets to allow for diversification.</b></p> <p><b>Adviser provided alternatives in the SOA with cashflow projections to compare. Options that adviser mentioned included 100% of funds in an annuity, or an ABP or remain in super. However, our recommendations provide a combination of all these strategies and products to help provide investment flexibility and meet the clients stated goals and objectives and maximise Centrelink once eligible.</b></p> <p><b>xxxxx also understands super &amp; Pension and investment strategy as they currently have xxxxxxxxx in the Defensive/Balanced/Growth strategy and acknowledges they are prepared to accept short term risk for potential long- term capital gains.</b></p> <p>Demonstrate how you have used your advice documents as an educational tool with your clients.</p> <p>Explain key concepts related to your advice in simple and easy to understand terms.</p> <p>Test your clients re understanding in their own words.</p>
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## Standard 6

You must take into account the broad effects arising from the client acting on your advice and actively consider the client's broader, long-term interests and likely circumstances.

The intent of Standard 6 is to ensure that, before giving advice, advisers have determined whether or not the advice is consistent with the client's broader long- term interests and likely circumstances.

**The requirement to actively consider client interests and circumstances applies regardless of whether the advice is intra-fund, scoped, limited, single issue and/or comprehensive advice. However, the depth and detail of the enquiry and determination should reflect the scope of the advice sought.**

You must make an independent, professional assessment as to whether scoping the advice is in the best interests of the client (and not just in accordance with their preference or instruction) and it is important that you consider the longer-term requirements and/or any broader considerations for the client within the scope of the advice provided.

**Limited scope engagement and/or scaled advice can be highly effective in meeting a client's immediate needs. Such limited advice scenarios may include: SMSF, insurance, stockbroking, investment and intra-fund advice. The Code is not seeking to prohibit this type of advice – only to ensure that it is only provided where appropriate.**

Question for Adviser to ask.	Refer to plan presentation file note
Where your clients indicate they only wish to invest in ethical or responsible investments, you will need to consider whether limiting your product recommendations in this manner is appropriate.	Yes/No
<b>You are not expected to complete a holistic risk assessment or fact find for limited scope advice but would be expected to conduct sufficient information gathering to be satisfied the advice is in the client's best interests as it relates to that scope.</b>	Adviser to explain why limited or scope advice appropriate for the client. That scoped advice isn't ignoring possible longer- term implications.
<b>Questions for adviser to ask</b>	
- Downsizing/Retirement Village/Aged Care – Discuss the clients age and situation to determine why investment recommendations are suitable.	
- Have alternative funding options for your advice been considered or put in place for future needs?	Covered in Alternative strategies in SOA
- Funding strategies for wealth creation	
- Manage expenses (cashflow)	
- Insurance protection premiums affordability	Includes full insurance assessment – If under/over insured.
- Lifestyle & asset plans	

<ul style="list-style-type: none"> <li>- Income for now and in retirement/Centrelink</li> </ul>	
<ul style="list-style-type: none"> <li>- Next generation wealth transfer – Estate Planning</li> </ul> <p>You need a good understanding of those close to them such as their dependants or next of kin.</p> <p>For example, you will need to know to whom the client plans to leave their assets to in the case of their passing away.</p> <p>Further to this you will need to know some basic information about the potential beneficiaries such as age, health, dependency status and their very general financial situation (such as if they are working, retirement or a Centrelink recipient to gauge potential taxation implications) so that you may factor this into your recommendations for the client.</p>	<p>List of Beneficiaries</p> <ul style="list-style-type: none"> <li>- Son/Daughter/family/friend and their situation Ie. Working/Centrelink/dependent</li> </ul>

## Quality Process – Standards 7-9

### Standard 7

The client must give free, prior and informed consent to all benefits you and your principal will receive in connection with acting for the client, including any fees for services that may be charged. If required in the case of an existing client, the consent should be obtained as soon as practicable after this code commences.

Except where expressly permitted by the *Corporations Act 2001*, you may not receive any benefits, in connection with acting for a client, that derive from a third party other than your principal.

Standard 7 extends the obligation of informed consent set out in standard 4 and requires financial advisers to disclose information regarding fee, monetary and non-monetary benefits, and charges that arise from acting for a client. This means transparency.

**If you have already received a client’s free, prior and informed consent post 1 January 2018, Standard 4 and the first part of Standard 7 will be met.**

**This must then be followed up by documentary evidence of the client’s agreement, for example, a signed letter of engagement or Authority to Proceed. It should be noted that the consent requirements require clients’ to ‘sign off’ on your remuneration arrangements with said clients. This can be achieved by the aforementioned documents.**

<p>Adviser must also be satisfied that your client understands and agrees to these arrangements, and you must have reasonable grounds to be satisfied.</p> <p><b>Existing Clients who have consented</b></p>	<p><b>Standard 7 will be satisfied if your client has consented within the last two calendar years (from 1 January 2018 onwards) before the Code came into effect. In the case of existing clients, the Code allows for consent to be demonstrated by way of:</b></p> <ul style="list-style-type: none"> <li>- Signed Service Agreements;</li> <li>- Signed Renewal Notices that are current and unexpired; and/or</li> </ul>
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	<p>- Authorities to Proceed from SOAs which include service entitlements, all ongoing fees, 'grandfathered' commissions and trail commissions.</p> <p><b>I confirm that the xxxxxxxx form have been signed since 2018.</b></p>
<p><b>Existing clients who have not consented</b></p> <ul style="list-style-type: none"> <li>- to fees and service levels since 1 January 2018 will need to <b>'reconsent'</b> post the commencement of the Code by way of:</li> </ul>	<ul style="list-style-type: none"> <li>- Accepting their next Renewal Notice if attached to an FDS disclosing service level entitlements and all ongoing fees, 'grandfathered' commissions and trail commissions</li> <li>- Authorities to Proceed for SOAs and ROAs disclosing service entitlements, all ongoing fees, 'grandfathered' commissions and trail commissions;</li> <li>Resigning their Service Agreement;</li> <li>- Signing a new Service Agreement; or</li> <li>- Signing a Capstone fee consent form which discloses their service entitlements.</li> </ul>
<p><b>–Informed Consent for all new clients</b></p> <ul style="list-style-type: none"> <li>- The use of Letters of Engagement/Informed Consent for all new clients detailing the scope of your advice and all initial fees that apply for the provision and/or implementation of that advice;</li> <li>- Documentary evidence that clients have accepted the terms of engagement in the form of the signed Letter of Engagement; and</li> <li>- The use of file notes to record discussions with clients in this respect.</li> </ul>	<p><b>Letter of engagement/Informed Consent has been signed by clients.</b></p>
<p><b>– Consent for upfront fees, upfront and ongoing insurance commissions and implementation fees</b></p> <p><b>Ad hoc and SOA fees</b></p> <p>In the case of ad hoc fees charged to existing clients such as SOA fees or additional service fees, these fees must be consented to in writing before the fees are incurred.</p> <p><b>Implementation fees</b></p> <p>If implementation fees will be applicable, these too must be disclosed to the client and consented to before work is commenced on the advice which would incur the implementation fee.</p>	<p><b>Upfront and implementation fees have been disclosed in the FF and SOA.</b></p>
<p><b>Upfront and ongoing insurance commissions</b></p> <p>Many advisers choose to charge commissions in lieu of fees for insurance advice, as a means of assisting clients access such advice. In such cases, advisers, before acting</p>	<p><b>Commission/Fee structure applied.</b></p>

<p>for clients, are required to satisfy themselves that they do not have an actual conflict by for example demonstrating the following:</p> <ul style="list-style-type: none"> <li>- The advice and product recommendations are in the best interests of the client;</li> <li>- The commission received is fair and reasonable and represents value for the client and is fully understood by the client;</li> <li>- The client understands the benefits, costs and risks of the insurance advice;</li> <li>- The advice and fee structure are appropriate for the client; and</li> <li>- A disinterested or unbiased person, in possession of all the facts, would reasonably conclude that the remuneration would not lead the adviser to prefer the interests of someone (including their own) over the client's best interest.</li> </ul>	<p>The adviser has recommended the appropriate insurance provider based on features and benefits/premium costs/based on the client's goals and objectives.</p> <p>The adviser will not receive any other benefit from the product provider.</p> <p>Commission allows the client to not pay an upfront fee to adviser/adviser only receives payment if the insurance is implemented and maintained for 24 months.</p> <p>The insurance process involves</p> <ul style="list-style-type: none"> <li>- Insurance recommendation advice is based on full analysis</li> <li>- Complete application forms/online</li> <li>- Underwriting</li> <li>- Phone calls to Doctors (if app)</li> <li>- Revised Terms (if app)</li> <li>- Claim (if app).</li> <li>- This test is satisfied as the client is in a better position by obtaining new/increase insurance cover that was not held before and provides protection for themselves and family.</li> </ul>
<p><b>Except where expressly permitted by the <i>Corporations Act 2001</i>, you may not receive any benefits, in connection with acting for a client, that derive from a third party other than your principal.</b></p> <p>Adviser to confirm that no third- party referral fee was provided or received.</p>	<p><b>Adviser confirmed</b></p>

**You must satisfy yourself that any fees and charges that the client must pay to you or your principal, and any benefits that you or your principal receive, in connection with acting for the client are fair and reasonable, and represent value for money for the client.**

**What is Fair & Reasonable?**

<p><b>Adviser to determine how fees are fair &amp; reasonable by considering and explaining the following:</b></p>	<p><b>Refer to plan presentation file note</b></p>
<p>The level of skill, experience &amp; specialisation – Number of advice areas.</p>	
<p>The level of complexity</p>	
<p>The labour and responsibility.</p>	
<p>The circumstances in acting for clients ie. Urgency &amp; time spent researching and preparing the advice.</p>	

<p>Determine the real cost you incur to run your business.</p> <p><b>This will encompass your overarching costs of doing business such as staff wages, Licensee fees, business premises rent, utilities, staff amenities etc. This may result in your base cost or price floor per client which would need to be charged.</b></p>	<p>Calculation attached to show the cost of providing advice as breakeven and with a profit margin which relates back to the number of hours worked.</p>
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## Value for Money

**Tangible value – measured in dollar terms**

**Ask yourself, how do you add value to their lives? How will your advice leave the client in a better position?**

<p>This includes:</p> <ul style="list-style-type: none"><li>- Tax savings</li><li>- Centrelink benefits</li><li>- Market/capital protection</li><li>- Lifetime income stream – Mortality risk</li><li>- Lower insurance premiums</li><li>- Risk profile – investment returns</li><li>- Client affordability – cost/benefits</li></ul>	<p><b>Refer to plan presentation file note</b></p>
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## Intangible value

<p>This includes</p> <ul style="list-style-type: none"><li>- Peace of mind</li><li>- Sleep test</li><li>- Reduce or eliminate client's making poor decisions ie. Immediately selling down investment due to adverse market conditions.</li></ul>	<p><b>Refer to plan presentation file note</b></p>
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## Standard 8

You must ensure that your records of clients, including former clients, are kept in a form that is complete and accurate.

Adviser is transitioning their client files from paper based to electronic for a period of 10 years as per licensee requirements.

Additionally, Standard 8 also interacts with the Australian Privacy Principles insofar as you must ensure clients' privacy and confidentiality in your record keeping arrangements.

<b>Records to be kept as per existing licensee standards include signed:</b>	<b>All the information and records below have been scanned and uploaded into Xplan</b>
The advice document (SOA, ROA etc)	
File notes	
Correspondence	
Working papers	
Fact find	
Licensee material	



## Standard 9

**All advice you give, and all products you recommend, to a client must be offered in good faith and with competence and be neither misleading nor deceptive.**

**All financial product advice, and all financial products, offered to a client be offered in good faith.**

This means that you must act honestly, and in the best interest of the client, in giving the advice and making the recommendations. Adviser must refer if specialist advice is required which they are not qualified to advise.

### **Adviser to confirm Know your Product**

You will not be acting in good faith if there is something you are aware of, or ought to be aware of, that would lead to the conclusion that your advice is not in the clients' best interests, taking into account the broad effects arising from the client acting on your advice and the broader, long-term interests and likely circumstances of the client

Adviser to be competent by:	
<ul style="list-style-type: none"> <li>• Ensuring adviser does everything necessary in product review and act efficiently/honestly/Fairly with no conflicts.</li> <li>• All providers have an ethical obligation to ensure that advice provided is offered in the spirit enshrined in the values of the Code.</li> <li>• As per the <i>Corporations Act 2001</i> Best Interest Duty, Capstone advisers are required to undertake and have sufficient evidence of research and investigations of the strategies and products recommended.</li> <li>• Additionally, you must also be able to show you have sufficient knowledge of the products and strategies you review or recommend.</li> <li>• Have I undertaken sufficient research and investigation of the product that I am considering for the client?</li> <li>• Do I understand the risk, benefits, cost and customer implications of the product that I'm recommending?</li> <li>• Do I have the knowledge, skills and experience to give the advice or should I seek assistance from a specialist?</li> <li>• Have I acted at all times in good faith in the interests of the client?</li> <li>• Have I identified risks to the client and discussed these openly and honestly with the client?</li> <li>• <b>If required, the client has been advised that the Challenger funds can be assessable should the client's situation change (although an exit penalty would apply if funds are withdrawn from the annuity early) and the client has been advised that they are likely to receive less money than when the investment began.</b></li> </ul>	<p><b>Full product review and comparison done with several other options. The recommended annuity and AMP My North Super/Pension meet client's needs with a diversified portfolio incorporating Defensive security, regular income, potential Centrelink advantages and Growth investments including Sustainable fund to provide potential long- term capital growth.</b></p> <p><b>Risk researcher/Wealth solver comparisons held on file with strategy notes and additional technical information from BDM's Technical services etc.</b></p> <p><b>Adviser confirms he has sufficient knowledge to provide advice in these areas/adviser needs to refer to a specialist.</b></p> <p><b>The adviser cannot identify any conflicts of interest.</b></p>

**Adviser is not misleading or deceptive**

<p>Ensure the product is fit for purpose and correlates with goals and objectives &amp; risk profile. Adviser to confirm that the product is appropriate recommendation, otherwise could be misleading for client lead them into error.</p> <p>The use of better position statements in your advice documents is a means of demonstrating this requirement.</p> <p><b>The recommended products will ensure xxxx receives regular income in addition to their work income (especially) if they decide to reduce work hours and help maximise Centrelink when eligible (based on the current laws).</b></p>	<p><b>The recommended AMP My North super &amp; Pension and Challenger annuity meets xxxxx Balanced risk profile, with a good mix of Growth and Defensive assets.</b></p> <p><b>The recommendations are more defensive than the client's risk profile due to the amount invested in the Challenger annuity, however our advice includes large exposure in Growth assets which include investing in a Sustainable fund to help preserve the environment.</b></p> <p><b>xxxxx also prefers the option of some of his advice fees to be deducted from the product provider which both AMP &amp; Challenger allow.</b></p>
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## Professional Commitment – Standards 10-12

### Standard 10

**You must develop, maintain and apply a high level of relevant knowledge and skills.**

An adviser must have a bachelor or higher degree and equivalent qualifications approved by FASEA

To meet this standard you must undertake sufficient continuing professional training to maintain competence at a level appropriate for the professional services (including financial product advice) you provide, or intend to provide, and keep up to date with developments relevant to your practice.

At a minimum you must meet the requirements of the CPD standard (available here). In general, this requires completion of a minimum 40 hours of CPD each year across the following mandatory categories:

1. Technical – 5 hours
2. Client care and practice – 5 hours
3. Regulatory competence and consumer practice – 5 hours
4. Professionalism and ethics – 9 hours

The balance up to 40 hours must consist of qualifying CPD.

The adviser has completed the following as required under the code of ethics	<ul style="list-style-type: none"><li>- <b>Adviser is FASEA compliant.</b></li><li>- Completed Bachelor of Business (Accountancy) from RMIT.</li><li>- Passed Compulsory Exam</li><li>- Passed Compulsory Code of Ethics subject</li><li>- Completed required CPD points mentioned above.</li></ul>
The adviser has referred client to a specialist (if app)	N/A

### Standard 11

**This Standard imposes a positive duty on advisers to cooperate with any investigation of a breach or potential breach of the Code, by a monitoring body or ASIC. This duty applies in addition to related offences in sections 921M and 921P of the Corporation Act. ASIC also has the power to request Xplan passwords and seize relevant work tools like computers for forensic examination if they deem it appropriate.**

<b>You must cooperate with ASIC and monitoring bodies in any investigation of a breach or potential breach of this Code.</b>	As the Code Monitoring Body does not exist at the moment the adviser will provide full co-operation to their Licensee if information or investigation is required.
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## Standard 12

**Individually and in cooperation with peers, you must uphold and promote the ethical standards of the profession and hold each other accountable for the protection of the public interest.**

The standard encourages financial advisers to hold each other accountable including by demonstrating a willingness to challenge others who are not upholding the values and standards of the Code of Ethics.

<b>Where such breaches may impact the advice provided to a client by another adviser, the expectation is that the new adviser inform the client and then escalate the matter accordingly. The process at Capstone is to report such matters to Capstone's Professional Standards Team in the first instance.</b>	<b>Nothing to report at this stage.</b>
<b><i>Supplying clients with their file on request</i></b> Standard 12 also suggests that when a client requests a copy of their file, you have an obligation to provide this to the client in a timely manner. This is a reiteration of your obligations under the <i>Privacy Act 1988</i> .	<b>Provided to client (if requested)</b>

**Q) 1. I have a client who is transitioning to another Adviser. To minimise the impact on the client should I provide the client's file to the new Adviser?**

**Answer:** As with other professions it is best practice for professionals to provide the client file/documentation to the new professional adviser. There are basic principles that the new Adviser may follow, including:

- a. Ensure they have received written client consent to obtain the client file from the previous Adviser
- b. Formalise the request in writing to the previous adviser with your professional request of the client file and/or appropriate documentation
- c. Expect a reasonable time (ie. 2-3 weeks) for the previous Adviser to provide the client file and/or appropriate documentation.

**Q) 2. As an adviser reviewing the new clients file, I have some concerns that the client received advice that was not in their interests, what do I do?**

**Answer:** In identifying inappropriate advice or misconduct, the Adviser has a professional obligation to report for further investigation. Options include:

- a. Contacting the AFS Licensee and advising them of the situation and your concerns.
- b. If the inappropriate advice has caused harm to the client, refer the client to AFCA's complaint process.
- c. Finally, ASIC has existing process for the reporting of misconduct.

**Adviser Signature**

**Adviser name**

**Date**

## First Appointment File Note

<b>Client Name(s):</b>	xxxxxxx
<b>Date of Appointment:</b>	xxxxxxx
<b>Location / Time</b>	xxxxxxx

**FSG** Associations & relationships, privacy, complaints, fees, advice in relation to

X Provided client/s with FSG Part 1 Version 2 – 11 Jan 2021 & Part B Version 1 – 6 May 2021

X Recorded in Client Profile

**Clients Background** Motivation for seeking advice

X See below

Recorded in client profile document

Existing clients. xxxxxx has a Term deposit/Annuity/super fund with xxxxx Super/Pension.

Or if new client – background info

**Clients Goals & Objectives (In client's own words)**

X See below

Recorded in client profile document

**Definition – Integrity. Open, honest & frankness of all dealings with clients. Adviser cannot limit their inquiries to information provided by client.**

**What the client objectives are -**

Help the client work out what their needs & objectives need to be (including long-term interests)

Adviser needs to use professional judgement and skill to identify multiple needs and how they will be prioritised and addressed.

**Scaled or scoped advice** - it is important to ensure that the advice covers all client goals and objectives within the scope of the advice. **If the scope is limited, you need to ensure you factor in everything that might be relevant to giving that limited advice.**

**Questions for Adviser**

Was there further questions the adviser needed to ask? If so, what additional information was obtained?

**Further Information obtained (if App) .....**

Is the adviser qualified to provide advice in all areas of clients needs? If not must refer and be BID.

**The adviser has all the required skills & qualifications to provide the advice/Adviser needs to refer to another professional for ex SMSF, Direct Shares, etc**

What advice isn't being provided and why?

eg. Insurance or insurance through super – health history loadings etc. Explain why not relevant or to be included in advice needs.

**Be sure to confirm the subject matter and scope of your advice with the client and make appropriate notes.**

- **Subject matter and scope Identified**

**It must be clear to all parties that the advice will include and exclude. If subject matter relevant to the client is to be scoped out of the advice, the reason must be clear and reasonable. The subject matter which is scoped out must not impact or effect the advice being provided.**

**BID – The adviser should take into account their client's express wishes, BUT these do NOT override the adviser's duty to give advice that is in the client's best interests.**

**Confidentiality** – Adviser must not share or disclose client information (except required under law) without client's consent and store securely.

**Adviser can confirm that Licensee standards assists with Privacy Act requirements, client ID, Risk Classification etc.**

**Clients to be treated in respectful & professional way.** Is there any specific needs of the client such as social, cultural, spiritual & sexual & gender diversity that needs to be identified and addressed.

**The adviser did not identify any specific needs/Adviser identified the following specific needs and as a result made the following.....**

**Communication Skills** – Effective communication is contextual. That is, the competent communicator is one who is able to accomplish their interaction goals while also adhering to situational standards of proper conduct. Fair share of adviser's attention, skill & time to each client.

**Adviser confirms that interaction with client is understood and communicated in their own words and with questions being asked (explain if app) the discussion .....**

**Client's likely future circumstances – ie. Downsizing/Retirement Village/Aged Care** – Discuss the clients age and situation to determine why investment recommendations are suitable.

- **Ensure clients are ready for this discussion/must make decision due to medical incident.**

**If New Client**

-Any relevant Family history

-Special needs

-Special needs child/family member

- Have no contact with certain family members/family fallout.

- Previous relationships/children

**Goals & Objectives Identified (By Adviser)**

See below

Recorded in client profile document

- Leave matured money in cash.

- Review existing xxxx Pension fund.

- Review Estate Planning needs

- Review Centrelink.

**Scope**

Adviser & client must agree on scope, where limited identify reasons why & detail any other key areas you offered to provide advice on, or referred the client to a specialist

See below

Recorded in Client Profile document

Managing my income and everyday spending

Managing my debt (Mortgage, Investment Loans, Credit Cards)

Protection of my family and assets

Investment Advice (Shares, Managed Funds, Direct Property)

Gearing

Entity Advice (SMSF, Company, Trust, Partnership)

Planning for Retirement (Superannuation and Pensions)

Estate Planning

Social Security

### **Clients data relevant to the advice**

Have you collected all data relevant to the scope of advice? Do you need to verify any incomplete or inaccurate data? Provide warnings where appropriate

Limited information Warning

Declined to provide advice

**Risk Profile** Evidence your discussions around timeframe/volatility/growth/income/ liquidity etc.

See below document

See attachments

Recorded in Client Profile

### **Clients Product Cost Sensitivity**

Client preferences to product costs vs. features/benefits, keeping in mind there may be a trade-off between the two

See below

Recorded in Client Profile document

Priority for clients is to minimise product costs. Our existing recommendations have no product fees. Challenger annuities do not incur a fee and xxxxxx super/pension is invested in TD which does not incur a fee/low fee.

### **Free, Prior & Informed Consent**

I, Lee Forde, Financial Planner have explained to my existing clients and new clients:

- what services are or will be provided; and
- the terms on which they will be provided; and
- the records that will be made of the services, and the privacy and confidentiality arrangements applicable to them.

#### **The Adviser has obtained and provided the following to each client**

Current FSG, Adviser profile & Privacy form

Adviser CVP information (if applicable)

Risk Classification form & Risk based assessment

Client ID

On-going Service Agreement (if existing client)

**“Informed” consent requires that your client understands and agrees to the arrangements. You will need to be satisfied of this and have reasonable grounds to be satisfied. This includes the clients fee for advice to be provided.**

**Adviser has demonstrated informed consent by**



- Considering client's experience, language skills, literacy & numeracy.  
**XXXX can read and understand the English language.**

**Discussed the Big 3 Financial Literacy Questions/Numeracy & Financial Capability (please refer to FASED code of Ethics Guide file note for further Explanation)**

- Demonstrating the SOA and/or Ongoing Service Agreement is understood by clients, written in simple terms in logical sequence.

**Xxxx is an existing client who is already on an ongoing review package.**

- Adviser comments of Teach-back or show me methods to have client explain advice provided and/or on-going advice agreement in their own words.

-

**XXXX explained to the adviser in their own words what advice is being provided and the importance of the goals & objectives. The adviser is satisfied with the explanation and understanding.**

This includes the following characteristics:

Caring tone of voice

Comfortable body language & eye contact

The adviser clearly explains the importance of advice and understanding

### **Client Signatures**

**X** All parties have signed the Client Profile. Where one party to a trust or company signs on behalf of others you must have evidence of the nomination in the file.

**Adviser Name -**

**Signed**

**Date**

**XXXXXX**

# File Note: Plan Presentation

<b>Client Name(s):</b>	XXXXXXXXXXXXXXXXXX
<b>Date of discussion:</b>	XXXXXXXXXXXXXXXXXX
<b>Location / Time</b>	XXXXXXXXXXXXXXXXXX

<b>About You</b> Discussion Points - Current Situation / Risk Profile / Goals & Objectives / Scope
- <b>Reviewing/Reconfirming existing advice provided to clients under previous licensee (if changed licensees and doing foundation SOA.</b>
- Add any new recommendations.....
- Confirmed current secure risk profile. Clients do not wish to invest any funds in the market. <b>100% capital guaranteed</b> investment still appropriate with regular income. Clients do not seek capital growth opportunities.

<b>Recommendations</b>
Discussion Points - Strategy Advice / Strategy & Product Risks (e.g. innocent non-disclosure for insurance, investment protection risks) / Alternative Strategies / Cash Flow / Product Advice / Asset Allocation & variance
- <b>xxxxxxx</b> to re-invest his <b>xxxxxxxxxxx super/Pension</b> term deposit for a further 6 months as per current strategy.
- <b>xxxxxxx</b> to maintain his current <b>Challenger annuity</b> .
- Review existing Estate planning with solicitor

<b>Product Replacement</b> Discussion Points - Product Comparison / Replacement
Investment Replacement Template <input type="checkbox"/> Comparison Table <input type="checkbox"/> N/A
Insurance Replacement Template <input type="checkbox"/> Comparison Table <input type="checkbox"/> N/A
<b>Included in SOA – Any further info If app.....</b>

**Service Agreement**

- Embedded within SOA
- Stand Alone
- No Ongoing Arrangement

**Advice Fees / Disclosure** Discussion Points - Advice Fees / Product Fees / Commissions / Bundling / Offset, Related Party Disclosure, Other Benefits and Interests

- Upfront Adviser fee of .....
- Confirmed existing on-going advice agreement
- Confirm new on-going advice agreement.

**Confirmation of No Conflicts of Interest**

Questions for adviser	
<p>Has the adviser referred to another professional? If so, why?</p>	<p>Confirmation that no referral fee or other benefit has been given.</p>
<p>- Is there any trail commission payable? If so, why is it in client's best interest.</p>	
<p>- If couple, are they divorcing? If so, adviser cannot look after both clients.</p>	
<p>- Has adviser referred client to Mortgage broking services that adviser has an interest in? If so, adviser to demonstrate value for money fair &amp; reasonable fees for the services that compare to market fees.</p> <p>- Mortgage broking business has the competence and expertise to provide advice in this area.</p>	

<p><b>Client has provided free, prior &amp; informed consent on the mortgage broking referral.</b></p>		
<p>- Has adviser received or provided a referral to solicitor referral source?</p>	<p><b>No referral fee was paid or expectations of back referrals.</b></p>	

**Client Questions/Reactions**

- Confirmed clients are still happy with recommendations as per signed documents.

- Following changes have been made (if app)

**Confirmation of Best Interest Duty (BID)**

**BID for advice & product and satisfied of client understanding**

All advice and financial product recommendations that you give to a client must be in the best interests of the client and appropriate to the client’s individual circumstances.

You must be satisfied that the client understands your advice, and the benefits, costs and risks of the financial products that you recommend, and you must have reasonable grounds to be satisfied.

This Standard also emphasises the importance of the client properly understanding the advice and recommendations you give, and their implications. It requires you to be satisfied that the client understands:

- the advice and recommendations you give; and
- the benefits of the recommended products; and
- the costs involved in acquiring, holding and disposing of the recommended products; and
- the risks involved in acquiring, holding and disposing of the products, and how you recommend they be managed

How Adviser demonstrates BID	
<p>Adviser provides summary of advice highlighting the relevance to each client's circumstances. Including advice fees.</p>	<p>Our recommendations can demonstrate that client is likely to be in a better position after implementation of our strategies. <b>By demonstrating the following.</b></p> <p>Our recommended fund provides 100% capital guarantee/TD/Market protection as required</p> <p><b>The risk of annuity type investments was discussed with clients as interest rates are currently at very low levels and may not keep pace with inflation (CPI). This means that the purchasing of your funds reduce over time.</b></p> <p><b>From our analysis term deposit rates for the equivalent term are between xxxxx%. After the agreed adviser payment upfront and ongoing the interest rate is xxx%. This provides a xx% higher/lower rate guaranteed for the next xx years, whilst also providing an additional \$xx additional Centrelink benefits while xxx continues to work. Centrelink will increase further once fully retired (based on the current Centrelink rules). xxx will still have access to his funds should something unexpected occur within the next xx years.</b></p> <p><b>The adviser has ensured that clients have significant funds in the bank and xxx has some funds invested in the market in their xxx super/pension fund as per their risk profile.</b></p> <p>Our strategy will allow the clients to maximise their centrelink benefits based on current laws.</p> <p>Our recommendations and cashflow projections will allow clients to meet their income needs <b>now/in retirement</b> and provide them with peace of mind against adverse market returns. <b>We can demonstrate that the clients can live off cash based returns, however they always have the option to invest some of your funds in the market.</b></p>

	<p>Our recommendations will lower your fees as our recommended fund has <b>no product fees/lower product fees.</b></p> <p>AS agreed with client, the upfront Fee for advice is to be \$..... This allows for approx.. <b>XX hours</b> at \$.... <b>hourly rate to work/analysis/scope/complexity &amp; preparation.</b></p> <p>Clients have agreed that the total fee will be payable <b>partly by direct debit and partly through product implementation fee.</b></p> <p>The Plan preparation fee payable by Direct Debit/Credit Card as we have included Centrelink review and advice (if app).</p> <p>Implementation fee payable through product provider/ direct debit etc</p> <p>Overall, further to the above discussion with my client/s, I, Lee Forde am satisfied that the client understands my advice, benefits, costs &amp; risks.</p>
<p>Further tailored explanations and provides additional client education where he has any doubt about the client's understanding of the statement of advice.</p>	<p>The Adviser has informed client that further resources are available from Government websites, courses through Centrelink and other financial literature to help provide further understanding regarding their financial advice provided.</p> <p>Centrelink also has seminars where a FIS officer can provide general information into some common financial information.</p> <p>Most importantly, through the on-going advice package the adviser is available to the client to provide on-going advice and education.</p>

**Adviser to consider Client's broader, long-term interests**

How has adviser considered (if app)

Questions for adviser to ask

Downsizing/Retirement Village/Aged Care – Discuss the clients age and situation to determine why investment recommendations are suitable.

Funding strategies for wealth creation

Have alternative funding options for your advice been considered or put in place for future needs? Refer to Alternative strategies in SOA.

Manage expenses (cashflow)

Insurance protection premiums affordability/Full insurance analysis

Lifestyle & asset plans

Income for now and in retirement/Centrelink

Next generation wealth transfer – Estate Planning

Demonstrate good understanding of those close to them such as their dependents or next of kin.

For example, you will need to know to whom the client plans to leave their assets to in the case of their passing away.

Further to this you will need to know some basic information about the potential beneficiaries such as age, health, dependency status and their very general financial situation (such as if they are working, retirement or a Centrelink recipient to gauge potential taxation implications) so that you may factor this into your recommendations for the client.

List of Beneficiaries

Son/Daughter/family/friend and their situation ie. Working/Centrelink/dependent

## **Demonstrating Fair & Reasonable & Value for Money**

You must satisfy yourself that any fees and charges that the client must pay to you or your principal, and any benefits that you or your principal receive, in connection with acting for the client are fair and reasonable, and represent value for money for the client.

### **Adviser to determine how fees are fair & reasonable by considering and explaining the following:**

The level of skill, experience & specialisation – Number of advice areas.

The level of complexity

The labour and responsibility.

The circumstances in acting for clients ie. Urgency & time spent researching and preparing the advice.

### **Determine the real cost you incur to run your business.**

This will encompass your overarching costs of doing business such as staff wages, Licensee fees, business premises rent, utilities, staff amenities etc. This may result in your base cost or price floor per client which would need to be charged.

### **Adviser to determine how fees are Value for money by considering and explaining the following**

**Ask yourself, how do you add value to their lives? How will your advice leave the client in a better position?**

#### **Tangible value – measured in dollar terms**

This includes:

- Tax savings -
- Centrelink benefits -
- Market/capital protection -
- Lifetime income stream – Mortality risk -
- Lower insurance premiums -
- Risk profile – investment returns –
- Client affordability – costs/benefits

#### **Intangible value**



This includes

- Peace of mind -
- Sleep test -
- Reduce or eliminate client's making poor decisions ie. Immediately selling down investment due to adverse market conditions. -

### Client Signatures

Client Profile (all parties)

Authority to Proceed

Service Agreement

### Client Instructions

Client accepted the recommendations

Client requested the following changes:


New ROA Required

New SOA Required

### More Information

Electronic Documents consent recorded in file

Supporting Information     Hard Copy                       Electronic

PDS & Unique Identifier     Hard Copy                       Electronic

### Warnings Provided

N/A

Limited information Warning

Non- Approved products

**Implementation**

Client NPW

Applications Signed

**Adviser Name**

**Signed**

**Date**

XXXXXXXXXXXX