2 May 2025

Financial Advice and Investment Regulation Unit
The Treasury
Langton Crescent
Parkes ACT 2600

Email: FinancialAdvice@treasury.gov.au

Dear Sir/Madam,

Submission on Delivering Better Financial Outcomes exposure draft legislation

The Institute of Financial Professionals Australia (**IFPA**) welcomes the opportunity to provide this submission on tranche two of the Delivering Better Financial Outcomes exposure draft legislation.

We welcome the Government's intent to improve the accessibility, affordability, and client-centricity of financial advice through the Quality of Advice Review (**QAR**) reforms. This second tranche introduces a range of measures, including the ability to charge advice fees via superannuation, permitting superannuation funds to send targeted member prompts, and replacing Statements of Advice (**SOA**) with Client Advice Records (**CAR**).

However, we are concerned that the draft legislation does not go far enough in addressing the structural issues that currently impede advice delivery. In some respects, it introduces further complexity rather than streamlining the system.

We are very concerned that the proposed "new class" of adviser and the modernised best interest duty (**BID**) have been omitted from this tranche. Without clarity on how the revised BID will operate – especially its interaction with advice documentation requirements – makes it challenging to provide an informed response and assess the practicality of the proposed changes.

To assist in refining the legislation, we have set out our key concerns and practical recommendations below for your consideration.

Collectively charged advice through superannuation

The exposure draft legislation permits superannuation trustees to collectively charge members for advice where it directly relates to the superannuation product held within the fund, provided trustees meet key obligations such as acting in members' best financial interests and fairly distributing the cost across the fund's members.

To define the scope of collective charging, the draft Bill includes lists of "allowed" and "disallowed" advice topics, as well as "allowed circumstances" for applying this charging model. While the permitted topics are generally tied to a member's superannuation interest, many also reference broader financial considerations such as household income and cashflow, assets outside superannuation, a spouse's financial situation, debt levels, and eligibility for government support.

These broader elements may be relevant to the context of superannuation advice but their inclusion within a collectively charged model creates risks. Specifically, it creates the impression that members are receiving full personal or holistic financial advice. This blurs the line between intra-fund advice and comprehensive personal advice. This is a problem when members believe they are being offered a wide-ranging service when in fact it is limited to the fund's own products and options.

We appreciate that the draft legislation appropriately excludes certain topics such as external assets or financial products, holistic financial planning, estate planning, and tax planning from collective

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charging. These services must be provided on a personal basis and charged directly to the member. We also recognise Minister Jones' confirmation that the new class of advisers will not be authorised to provide comprehensive advice, and that further guidance will be provided through supporting materials.

Nonetheless, the breadth of advice permitted under the collective model risks creating confusion. If advice appears 'comprehensive' but is limited in scope, there is a risk that members will overestimate the advice being provided.

More importantly, allowing such advice to be funded collectively raises equity concerns – members who do not use or need the advice, or who receive advice elsewhere, will subsidise the cost of advice for other fund members. This could inadvertently replicate the "fee for no service" issue that used to exist in the past.

Recommendation

To improve both transparency and fairness, we recommend adopting a fee-for-service model under which members pay only when they receive advice. This ensures that advice is delivered on a needs basis and prevents members from being charged for services they neither use nor value.

Additionally, to avoid confusion about the nature and scope of the advice provided under the collective charging model, we recommend that trustees be required to include clear, prominent disclosures explaining the limitations of the advice. These disclosures should make it explicitly clear that the advice is limited to the fund's products and does not constitute comprehensive or holistic financial advice.

Super fund prompts and cohorting

The draft legislation introduces a new mechanism for superannuation funds to engage members through targeted "nudges" at key life stages. This approach allows trustees to offer advice to cohorts of members based on shared characteristics, rather than tailoring advice to individual circumstances. When delivered in line with prescribed processes, these prompts will be treated as "general advice" or "superannuation product advice" rather than classified as "personal advice."

The concept of life-stage nudges is well-intentioned but its practical application raises concerns. Without access to key personal information – such as a member's income, relationship status, or homeownership – it will be challenging for funds to segment their membership in a meaningful way or provide advice that is relevant and appropriate. Relying on broad group-level characteristics risks delivering advice that appears personalised but fails to reflect an individual's actual circumstances.

Moreover, because these nudges will not be considered personal advice, they will not be subject to the same legal and ethical obligations. This opens the door to advice being presented as general, when in reality it may blur into personal advice, creating confusion and potential risk for both members and trustees.

Recommendation

We acknowledge the potential of targeted engagement strategies, however, high-quality financial advice must be personalised to be truly effective. The diverse and complex needs of fund members will not be met with a broad segmentation model.

Accordingly, we recommend that the scope of advice trustees are permitted to provide under this model be clearly defined. This will help trustees understand when a member's needs fall beyond their remit and should be referred to a licensed financial adviser.

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It is also recommended that any superannuation prompts or cohort-based communications clearly disclose that the information provided is general in nature. Members should be encouraged to seek personal financial advice before acting, to ensure their decisions are properly aligned with their individual goals, needs

Replacing SOAs with CARs

The final QAR report recognises that SOAs have become overly complex, expensive to produce, and ineffective for consumers. These documents are often drafted to satisfy compliance requirements to demonstrate adherence to the BID, safe harbour steps or avoid regulatory scrutiny rather than serve clients. As a result, SOAs are long, overly legalistic, and largely inaccessible to the very people they are meant to help.

IFPA supports the introduction of CARs as a positive step, particularly the proposal that CARs be technologically neutral and not required to take the form of a formal written statement. This flexibility allows advisers to tailor how advice is delivered to best meet client needs.

However, we are concerned that the proposed CAR framework, while aiming to reduce paperwork, may not deliver meaningful reform. CARs still require advisers to include all the core elements of SOAs – such as the advice given, the rationale, fees, and adviser details. This raises questions about whether this reform will truly simplify advice documents or lead to the much-needed efficiency gains. Without a shift toward a genuinely principles-based model, this risks becoming a rebranding exercise rather than a reduction in red tape. In our view, the draft legislation fails to meet the government's goal of delivering "clear, concise, and fit-for-purpose" advice records.

A more principles-based approach was expected in the draft legislation, one that reduces prescriptive requirements and places greater trust in professional judgement. Unfortunately, this intent has not materialised in the current draft legislation, which is a disappointing outcome after years of consultation aimed at making quality financial advice more accessible and affordable.

More troubling is the discrepancy in obligations between advisers and other advice providers. Superannuation funds, for example, will be able to provide advice without meeting the same regulatory standards, such as preparing a CAR or fully considering individual member circumstances. This raises the risk of conflicted advice and undermines the intent of the reforms. If, as expected, the new class of advisers are also exempt from ASIC levies and compensation scheme of last resort contributions, this would create an uneven playing field and potentially lay the foundations for another Royal Commission.

Recommendation

To achieve genuine reform and reduce the cost of advice, we recommend reworking the SOA/CAR framework to remove unnecessary regulatory prescription. Advisers should be able to deliver advice without being bound to existing rigid compliance requirements that offer little value to consumers.

In line with Ms Michelle Levy's final QAR recommendations, we support a model where advisers:

- Maintain complete records of the advice provided, and
- Provide written advice upon request, in a format that suits the client's preferences.

Alternatively, if written advice is mandated, it should be a practical, user-friendly document, free from legalistic language and compliance-driven content. The purpose must be to inform and support the client, not to tick legal boxes.

Importantly, this flexibility already exists in other professions. Accountants and lawyers routinely provide complex legal and tax advice without having to produce formal advice documents. If financial

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advisers are to be recognised as professionals, they must be afforded the same level of professional judgement and discretion.

Finally, we strongly oppose the proposal to apply a civil penalty under section 1317E of the Corporations Act for failure to provide a CAR. This adds to the compliance burden without doing anything to enhance the availability or quality of advice.

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If you have any questions in relation to this submission, please contact Natasha Panagis on (03) 8851 4535 or n.panagis@ifpa.com.au.

Yours faithfully,

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About the Institute of Financial Professionals Australia (IFPA)

The Institute of Financial Professionals Australia (originally known as Taxpayers Australia, and more recently Tax & Super Australia) has been serving members for over 100 years and is a leading financial professionals association dedicated to fostering excellence and professional development in the tax, accounting, superannuation, financial planning, and advisor fields. With a membership and supporter base of over 22,000 practitioners and a strong commitment to advancing knowledge, promoting ethical practices, and providing valuable resources, the Institute of Financial Professionals Australia empowers professionals to excel in their careers and make a significant impact in the industry.

This submission is made by us on behalf of our members' interests.

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