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**MEDIA RELEASE
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Congratulations on the overhaul of adviser charging

The Australian Investors Association (AIA) congratulated Chris Bowen, Minister for Financial Services, Superannuation and Corporate law on the reforms to charging by financial advisers.

‘It’s an end to the structural corruption that has plagued the sector and cost investors. This is a major step towards impartial financial advice at a reasonable cost,’ said Jolyon Forsyth, President of the AIA, as he welcomed the removal of commission and volume-based payments on retail investment products. We regret that when it happens in 2012 it will only apply from then on and trailing commissions established between now and then will carry on.

Each year investment horror stories are reported to the AIA. People have lost hard won savings, not because they were greedy or stupid, but because of commission-based incentives for the financial advisory industry and the lack of independent information.

‘A comfortable retirement is within the means of every working Australian but only if they can get the information they need to make good decisions. And now they’ll be able to,’ Mr Forsyth added.

The announcement of the reforms is the government response to the Ripoll Inquiry into Financial Products and Services.

As part of the reforms, a statutory fiduciary duty on Australian Financial Services Licensees will be introduced which will require them to act in the best interests of their clients. Under no circumstance will it be permissible for advisers to place their own interests ahead of their clients’ interests.

'We welcome the new product neutral adviser charging regime. The AIA has been fighting for these changes for a long time,' said Mr Forsyth.

Under the new arrangements advisers will be required to agree their fees directly with clients and disclose the charging structure in a clear manner and advisers will only be able to charge ongoing advice fees if the client renews the service.

In a direct response to the Storm Financial collapse, 'assets under management' fees will only be able to be charged on ungeared products and investment amounts. This will avoid the situation where advisers are incentivised to recommend borrowings to increase funds under management and hence fees.

'Australians should take individual responsibility for their own lives and make their own financial decisions, but they need independent information about financial and investment matters,' he said.

Mr Forsyth dismissed the concerns expressed by adviser bodies.

'Investors need good advice and a satisfied client will be willing to pay a reasonable fee when they believe they are receiving good advice and service.'

The AIA is a not for profit organisation dedicated to investment education that has long argued for grass roots changes to the financial products and services industry.

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