Tel: +61(02) 9994 8930
Fax: +61(02) 9994 8008
Address: Suite 3.01, Level 3, 157 Walker Street North Sydney NSW 2060
Website: https://roarsoftware.com.au/
Linkedin: https://www.linkedin.com/company/myroarsoftware/
Facebook: https://www.facebook.com/myroarsoftware/

February 4, 2022

Advice and Investment Branch

Retirement, Advice and Investment Division

Treasury

Langton Cres, Parkes ACT 2600

AdviceReview@treasury.gov.au

Roar Software - Quality of Advice Review Draft Terms of Reference

Roar Software is an Australian company that provides a simplified and centralised technology platform to financial advice businesses. Our subscription-based platform features an Advice Marketplace that enables financial advisers to select from independent, best-of-breed technology solutions.

Over 1000 subscribers currently access functionalities including CRM, file notes and digital Statement of Advice (SoA) generation solutions via Roar's integrated Advice Marketplace.

Thank you for the opportunity to provide feedback on the Quality of Advice Review Draft Terms of Reference.

The ability to access high quality and affordable advice is one of the key fundamental drivers behind Roar's strategic development pathway. Our Executive team has deep roots in the financial planning industry and can appreciate the difficulties the industry faces, both in the past, present but also what's to come.

We strongly advocate for the issues this Review is looking to unpack and will continue to strive to develop solutions to assist in these worthwhile endeavours.

Our feedback is based on our experience working closely with advice businesses to implement and integrate technology to drive efficiencies and cost savings.

We believe a major key to making quality financial advice more accessible and affordable to Australians lies in giving people only the advice they want and need at a point in time, without requiring them to go through a costly, comprehensive process and pay for advice they do not wish to receive.

Consumers still cannot access simple, scaled advice, including advice on a single-topic or specific subject matter, despite an enormous amount of time, money and energy spent by the industry to design and build a commercially viable solution.

Whether a consumer wants simple, bite-sized advice or a comprehensive financial plan, the legislative requirements and onus on advisers are largely the same.

In order to fulfil their best interest duty and related obligations, advisers must delve into every facet of a person's life, gather extensive information, research multiple financial strategies, test each strategy against various alternatives, explain the advantages and trade-offs of each strategy to the client, recommend a strategy and document the basis of that recommendation.

They must explain and document the advice they give and the advice they did not give, including reasons why certain advice are out of scope and the risks of scoping out these advice areas.

This is why the activity of providing advice is often referred to as the advice process, suggesting there is only one way of doing things.

Tel: +61(02) 9994 8930
Fax: +61(02) 9994 8008
Address: Suite 3.01, Level 3, 157 Walker Street North Sydney NSW 2060
Website: https://roarsoftware.com.au/
Linkedin: https://www.linkedin.com/company/myroarsoftware/
Facebook: https://www.facebook.com/myroarsoftware/

If advice was truly driven by the needs of the client, and not regulation, the process and cost of getting advice would differ widely from person-to-person.

Advice would be tailored to a person's needs, more relevant and importantly more affordable to them.

We believe the review should investigate the reasons why scalable advice models, including robo-advice, have not been widely utilised, including:

- Looking at ways to either remove or limit the Best Interest provisions under section 961B of the Corporations Act 2001 for single-scope or limited advice;
- Expanding the circumstances and threshold amount where a Record of Advice (ROA) may be used instead of a SOA beyond those allowed under section 946AA for small investments not exceeding $15,000; and
- Promoting wider acceptance of online or virtual advice, including video SOAs and ROAs, digital client signatures and consent.

The additional compliance documentation required under the Best Interest provisions has no doubt increased costs, which are ultimately passed to the client and thereby making advice, even simple advice, unaffordable for many. The unintended effect of these provisions is that the adviser needs to conduct all-encompassing research which goes well beyond the agreed scope of advice regardless of whether the client wants this or not.

When it comes to SOAs, there is no question that this type of document is not functional in its intent to inform the client. Although the requirement is to always keep it clear and concise, the Best Interest provisions mean advisers and licensees loathe leaving anything out for fear of not meeting their obligations. Expanding the use of ROAs could go a long way towards cutting costs, leading to better affordability.

Lastly, allowing better access to advice is not just about affordability. Having advice delivered in many different mediums (paper, digital, online, video, audio) can promote wider usage, especially for those not easily able to leave their home such as the elderly, incapacitated or visually impaired. Supporting the wider development and acceptance of these solutions will make advice more accessible.

The notion of "Advice is for those with money" needs to be eradicated. The review should examine the potential benefits of removing these impediments because unless they are addressed, scaled advice cannot be delivered in an efficient, cost effective and sustainable manner.

We believe that technology will play a key role in improving business efficiency, delivering cost savings and driving down the cost of advice.

We support the review's focus on opportunities to enable innovation and the development of technological solutions including the use of reg tech and digital advice.

We are pleased that the Terms of Reference includes plans to investigate how technology and digital advice might enable mass market adoption of low-cost advice, particularly by young consumers, those with low account balances and disengaged consumers.

Meaningful retirement income projections for better client engagement

We urge the government to help increase member engagement with their superannuation by making it simpler and easier for super funds and platform providers to incorporate retirement income projections into superannuation member statements.

The current guidance on how retirement projections can be communicated by super fund trustees as outlined in Regulatory Guide 229, which requires the use of a standard annual rate of return of 3%, is too generic and does not take into account investment risk factors.

Tel: +61(02) 9994 8930
Fax: +61(02) 9994 8008
Address: Suite 3.01, Level 3, 157 Walker Street North Sydney NSW 2060
Website: https://roarsoftware.com.au/
Linkedin: https://www.linkedin.com/company/myroarsoftware/
Facebook: https://www.facebook.com/myroarsoftware/

For people who have a financial adviser, the projections contained in their member statement (if provided) often differ significantly to the projections in their advice documents, which are based on how their funds are being invested, their personal circumstances, needs and objectives.

Applying the same rate of return to a person in their 20s who has a longer time span and tends to be less risk averse, as someone in their 50s on the verge of pre-retirement, does not provide realistic outcomes, given their different stages in life and willingness to accept risk.

The review should examine the guidelines for incorporating projections into member statements and enable more consistency with any advice a member may be receiving. We recommend that guidance in RG 229 be reviewed, and more importantly encourage more super fund trustees to make these projections available on member statements.

The review should also consider ways of communicating people's superannuation as an expected income stream rather than a capital sum. If people can see much earlier the likely income their superannuation will provide, this will help with two key benefits:

- It will increase the likelihood of people contributing to superannuation earlier; and
- Reduce the likelihood of people withdrawing their super as a lump sum at retirement.

As outlined in the Retirement Income Review Final Report 2020, people value meaningful retirement projections to help them understand whether they have saved enough for retirement. The report cited ASIC data that in 2019, 6% of the population aged 45-65 had used the ASIC Retirement Planner calculator on the MoneySmart website.

Realistic projection allow people to gauge how likely they are to achieve the income stream they need or want. This would more likely be the catalyst for them to seek advice earlier.

It would also give people still in the workforce a clearer, more meaningful indication of how long their superannuation is likely to last, which could be seen as a form of free advice to the masses.

Roar supports the government's Quality of Advice review, which was a recommendation of the Financial Services Royal Commission, however, we recognise that not everyone will seek professional advice, regardless of affordability and accessibility.

Adding more flexibility to how retirement income projections are prepared and provided would give workers valuable information on their superannuation and insights into their retirement to aid informed decision-making. It may provoke them to engage more with their superannuation.

We would be happy to discuss or clarify any of the issues raised in this submission, if required.

Kind regards,

Kevin Liao

CEO, Roar Software