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Improving access to affordable and quality financial advice: Submission by Super Consumers Australia

May 2, 2025

Super Consumers Australia is the advocate for people on low and middle incomes in Australia's superannuation system. We were founded to fight for an accountable and fair super system that delivers great service and great financial outcomes in retirement. Formed in 2013, we are an independent, not-for-profit organisation and a leading voice for consumers of superannuation products and services.

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Introduction

Australia's retirement income system is not delivering an adequate standard of living for all retirees. For some people, this is driven by the complexity of converting their accumulated superannuation into an income, and a lack of accessible guidance and safe default products to make this easy. Other people simply do not have enough resources, and face disadvantage and poverty in retirement.

Financial advice may be helpful for some people in planning for retirement - but without access to high quality, fit for purpose retirement products, the outcomes consumers ultimately achieve will not change. The accumulation phase of super has a suite of in-built safeguards, including default products, performance testing, and compulsory saving. However, equivalent safeguards are almost entirely absent in the retirement phase. The value of any advice a member gets from a super fund about retirement products will be limited to the quality of the options actually available in that fund.

Further, consumers should not have to become superannuation experts or seek comprehensive financial advice to receive good outcomes in retirement. Consumers should also have access to free, independent and accurate information and guidance to assist them with retirement planning.

After 30 years of compulsory superannuation, most super funds have failed to deliver high quality, useful guidance and support to their members. Funds are conflicted, and will not help their members to shop around to find a better deal. The Government needs to make the retirement system safer for everyone by:

- introducing mandatory minimum requirements for retirement products, similar to MySuper products, to ensure that all consumers have access to a high quality, fit for purpose retirement products;
- extending the annual performance test to account based pension products;
- providing an independent retirement product comparison tool, as it has in the energy and private health insurance markets;
- establishing an independent, one-stop-shop service modelled on the United Kingdom Money and Pension Service that people can turn to for free guidance when they need it.

The proposed reforms to how advice is provided by super funds do provide greater clarity on when they can provide their members with simple and cost-effective advice about retirement products, but this is only helpful in the context of a retirement system that is itself capable of delivering good outcomes. On that basis, we support the reforms only on the condition that the Government introduce a broader package of necessary reforms to safeguard Australia's retirement framework.

Summary of Recommendations

Recommendation 1: The Government should introduce mandatory minimum requirements for retirement products.

Recommendation 2: The Government should extend the annual performance test to account-based pension products.

Recommendation 3: The Government should fund an independent retirement product comparison tool through ASIC's Moneysmart website using data collected by APRA.

Recommendation 4: The Government should establish an independent, one-stop-shop service that people can turn to for free advice and guidance modelled on the United Kingdom Money and Pensions Service.

Recommendation 5: The Government should task an independent agency to connect up and promote the existing suite of government services through a single portal.

Recommendation 6: ASIC should provide detailed guidance about client advice records, including sample client advice records which are consumer tested.

Recommendation 7: Consumers should have the right to request a client advice record where a financial adviser is not required to provide one to them proactively.

Recommendation 8: Financial advisers should be required to advise consumers of their right to request a client advice record if they are not providing one proactively.

Advice through superannuation

We support the proposed reforms to section 99F of the Superannuation Industry (Supervision) Act 1993 (SIS Act) on the basis that they provide greater legal certainty about the scope of advice that can be provided under a collective charging model. However, the proposal does not permit “simple and cost-effective advice about retirement” (para 1.21 of the Explanatory Memorandum) - it permits advice about retirement *products*. Because most funds only offer one retirement product, this reform just rubber stamps funds using the intrafund advice model to drive product sales and trap members in poorly performing products. Advice about retirement products is only helpful if members have meaningful choice among a range of high-quality products - but that is not the current reality.

Reforms drive retirement sales not advice

The proposed reforms will allow funds to provide advice about a range of specified topics in specified circumstances. The proposed “allowed list” includes advice about retirement products and drawing down from those retirement products. This is not retirement advice - this is product advice.

Funds cannot provide advice about retirement topics outside of super and they will not provide advice recommending a member take up a product offered by another fund. That means they are only providing advice about their own retirement products. Since 69% of the funds that offer open retirement products only offer one product (usually an account-based pension - see Table 1), the only possible recommendation a member could get through this model is to move into that one product, which might not be appropriate for every member (e.g. if they wanted longevity risk protection). That’s not advice - that’s sales.

Table 1: Number of retirement products per registrable superannuation entity (RSE)

Number of products per RSE	Open retirement products	All retirement products
1	45 (69%)	39 (55%)
2	14 (22%)	19 (27%)
3-10	6 (9%)	11 (15%)
More than 10	0 (0%)	2 (3%)
Total	**65 (100%)**	**71 (100%)**

Source: 30 December 2024 APRA Quarterly Superannuation Products Publication - Product Structure, Table 1a on [APRA’s website](). RSEs that do not offer any retirement products are excluded.

If we had a system in place - like we do for MySuper products - to ensure that all retirement products were high quality, there would be significantly less consumer harm in funds advising a client to take up their product over a competitor’s - but we don’t have that system. There is *considerable* consumer harm in a member getting conflicted advice to move into a poorly performing, expensive product - particularly given that it is impossible to get out of some retirement products after the cooling off period (typically products that have longevity protection).

Advice won't help make the retirement system safer

Super Consumers Australia research reveals that there are broadly three types of people when it comes to retirement planning (see Table 1 below). The retirement phase of superannuation lacks safeguards for the roughly 38% of Australians who are disengaged with superannuation (the Disengaged). These people are more likely to have lower levels of wealth, home ownership, and feel less confident about navigating the retirement income system. Providing more financial advice, information and guidance is not a sound solution for this group, because they are unlikely to take advantage of it.

The system also lacks safeguards for more engaged consumers, including the roughly 37% who are engaged and may be seeking to assess the quality and performance of retirement products themselves (the Engaged DIYs), and the 25% who are engaged but may be looking to default options to help them manage their super (the Engaged Delegators).

Table 2: Three types of "retirement planners"

The Disengaged (38%)	This group is less engaged with financial decision making, in part because they tend to have limited means. They will require the support of default options and a targeted social safety net to assist with their retirement.
The Engaged DIYs (37%)	This group is highly engaged with their finances but want to make decisions themselves. They are less likely to trust others to make decisions for them, including financial planners. Instead they require quality, independent information and nudges. This group is underserved by the current system and could benefit from tools that help them understand their retirement needs and find products that meet them.
The Engaged Delegators (25%)	This group is engaged with their finances, but look to others to make decisions for them, including financial advisers or default options. People in this group will require professional financial advisers offering quality advice, backed by appropriate default options and nudges.

Source: Survey of 1,451 Australians aged 45-80 in 2021. See Super Consumers Australia, Retirement Planning Survey Results (2021).

Policy settings need to cater for all three groups. For example, some people will not undertake their own research and product comparisons, so policy solutions based on improving information and disclosure will not benefit them. Similarly, many people will not be willing to pay for comprehensive financial advice to help them navigate the retirement system, so measures intended to improve the accessibility and affordability of financial advice will not impact them.

Australians should not have to become superannuation experts or seek comprehensive financial advice to receive decent outcomes in retirement. The accumulation phase of super has a suite of in-built safeguards, including default products (backed by the MySuper authorisation regime), performance testing, and compulsory saving (the Superannuation Guarantee). However, equivalent safeguards are almost entirely absent in the retirement phase.

The Government needs to make the system safer by design, such that there are good options for financial advisers to recommend and so that people who do not get advice (because they do not want it or cannot afford it) are not left out in the cold. In addition to these advice reforms, the Government should:

- introduce mandatory minimum requirements for retirement products, similar to MySuper products, to ensure that all consumers have access to high quality, fit for purpose retirement products;
- extend the annual performance test to account-based pension products, given that balances are typically largest at the point of retirement and super fund members pay more fees during retirement than they do in the entire accumulation phase: see Retirees pay more in superannuation fees, Rainmaker (13 October 2022);
- fund an independent retirement product comparison tool, as it has in the energy and private health insurance markets, through the Australian Securities & Investments Commission's (ASIC) Moneysmart website using data collected by the Australian Prudential Regulation Authority (APRA).

Recommendations

Recommendation 1: The Government should introduce mandatory minimum requirements for retirement products.

Recommendation 2: The Government should extend the annual performance test to account-based pension products.

Recommendation 3: The Government should fund an independent retirement product comparison tool through ASIC's Moneysmart website using data collected by APRA.

Targeted superannuation prompts

Retirement planning is one of the most difficult challenges that most people will face. Behavioural interventions such as prompts or 'nudges' can sometimes be an effective way to encourage people to consider their options as they approach retirement (or other key moments) provided they are done safely. There is some evidence that proactive prompts can modestly increase engagement with super and retirement planning. For example, researchers found that fund members who were provided with retirement income projections were 1.2% more likely to make voluntary contributions and 13% more likely to engage with their fund, though this impact dropped off over time: see G. Smyrnis et al, [Motivated saving: The impact of projections on retirement saving intentions] (2020). This result is consistent with international research (which is acknowledged in the paper).

The modest impact prompts may have must be balanced against the risk of misuse or unintended consequences. For example, in the study above, an unintended consequence of the intervention may be that members decide they have enough super and choose to disengage. Alternatively, they may contribute more money to their super, but because they cannot access a high-quality retirement product, those additional contributions go to paying unnecessary fees. These risks would be mitigated, however, if the system were designed to provide safe and high-quality retirement products to all super fund members: for example, by introducing mandatory minimum standards and performance testing for retirement products.

Consumer protections should be strengthened

Despite the lack of protections for retirement products, the proposed prompt framework does provide a number of controls which are likely to prevent consumer harms that could arise from sending targeted prompts to members, including:

- unsolicited selling of superannuation products;
- unintended consumer behaviour in response to a prompt;
- changes in the needs of target members over time.

Consumer testing is an integral part of any effective consumer communications strategy. The framework could be improved by requiring superannuation trustees to consumer test prompts as part of the assessment framework obligations in order to ensure that the prompt is likely to be effective, safe and is not a waste of members' money.

While the framework prohibits trustees from recommending any particular product to a member, it does permit trustees to recommend 'kinds' of products. A 'kind' of product is not defined, but clearly means something more specific than 'class of beneficial interest' as it is used in section 10 of the SIS Act (i.e. MySuper, choice or defined benefit product). Given that most funds do not offer many different products, permitting trustees to recommend kinds of products may, in effect, allow them to recommend specific products. For example, a recommendation to move into a retirement product offered by a fund is a recommendation to move into a specific product if the fund only offers one retirement product, which 69% of funds do: see Table 1. We recommend that Treasury consider how a 'kind' of product can be defined to better address this harm.

Table 2: Number of retirement products per registrable superannuation entity (RSE)

Number of products per RSE	Open retirement products	All retirement products
1	45 (69%)	39 (55%)
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Source: 30 December 2024 APRA Quarterly Superannuation Products Publication - Product Structure published 11 March 2025, Table 1a on APRA's website. RSEs that do not offer any retirement products are excluded.

We support the prohibition on targeted prompts requiring the consumer to whom the document is given to act on the recommendation or statement of opinion within a specified period or before a specified time in order to avoid pressure selling. This is particularly important for prompts to which the anti-hawking prohibition does not apply (non-real-time communications).

Requiring consumers to take action in writing is an unreasonable barrier

The proposed reforms permit consumers to correct their information or to opt out of prompts - but only in writing. There is no justification other than convenience of the trustee for such a restriction.

Super funds have demonstrated on many occasions that they cannot handle members' information and data with care: see e.g. Super Consumers Australia, Why we need new laws on superannuation fund customer service (2 July 2024). Dealing with funds to correct member information is already difficult enough given the current level of customer service that funds are providing. Discovering incorrect data can also be distressing because it may raise concerns about the security of a person's data: see e.g. 9 News, Man discovers monumental mistake with superannuation account (10 September 2024).

Forcing members to request these corrections in writing when a phone conversation might better meet a member's needs is an unreasonable burden on consumers and serves only one purpose - making it easier for the trustee to keep a record of the request. This obligation should be replaced with a technology-neutral obligation for funds to keep a record of the request: multi-billion dollar super funds should be capable of making notes to a member file during a phone call - as they do for thousands of other interactions they have with their members. Funds should also be required to confirm the changes they have made in writing to the member, as is already common practice in the financial services industry when account details are changed. This confirmation serves the important fraud protection of alerting the member if the change was not made by them.

Likewise, trustees should also be required to keep a record of any request by a member to opt out of receiving prompts and to confirm the opt out in writing to the member (as most businesses already do for unsubscribe requests). There is no need to require members to make the request in writing.

Consumers also need access to independent advice and guidance

Prompts to encourage people to think about retirement planning will only be effective if people are given the right support, tools and guidance to navigate the decision-making process. Directing people to an independent guidance service can achieve this.

The government should establish an independent, one-stop-shop service that people can turn to for free advice and guidance when they need it. This would fill the gaps that currently exist between:

- existing government information sources—which are widely trusted but scattered, hard to navigate and generally underused;
- ‘free’ advice offered by super funds—which is conflicted, of limited helpfulness to fund members, and not generally trusted; and
- independent, professional financial advice—which is unaffordable and out of reach for most lower and middle income Australians.

The one-stop-shop service should be modelled on the successful Money and Pensions Service in the United Kingdom, which offers free telephone and in-person advice to help people with drawing down their retirement savings. This is backed up by digital comparison tools, calculators and guidance.

The first step in delivering this one-stop-shop service is for the government to task an independent agency to connect up and promote the existing suite of government services through a single portal. Awareness of some of these services is currently low, and they are spread out over multiple locations making it harder for people to find and access them. Some also have information that is hard to locate, lacking in depth, or difficult to understand.

Providing better support and guidance, along with targeted prompts, would help people to consider when to move their super into the retirement phase and start drawing an income.

Recommendations

Recommendation 4: The Government should establish an independent, one-stop-shop service that people can turn to for free advice and guidance modelled on the United Kingdom Money and Pensions Service.

Recommendation 5: The Government should task an independent agency to connect up and promote the existing suite of government services through a single portal.

Client advice records

We support financial advisers providing a “clear, concise and fit-for-purpose advice record” to their clients; however, it is unclear whether the proposed reforms alone will change financial adviser practice.

More guidance is needed to make client advice records useful for consumers

Statements of advice (SOAs) have traditionally served two purposes: disclosure and transparency. Both are important, but they are very different:

- Disclosure assists a consumer to make a particular financial decision at a particular time. To be effective, it needs to be in plain language, contain relevant information, avoid unnecessary detail and provide clear explanations. Good disclosure is attractive and easy to navigate.

- Transparency allows people to scrutinise decision-making and supports accountability. Good transparency is detailed and comprehensive. In the advice context, transparency allows a person to assess whether the adviser has complied with their obligations, whether conflicts of interests or other incentives undermine the independence of the advice and whether the advice was good value for money.

It is often difficult to achieve both objectives in the same document. Historically, advisers have prioritised transparency over disclosure - that is, they have focussed on documenting their own compliance over communicating their actual advice to their clients. This has increased costs and undermined the usefulness of the information provided.

We support the proposed client advice record (CAR) requirement because it prioritises disclosure - helping members make particular financial decisions - over adviser record-keeping obligations. We also support the requirement for plain English in the proposed CARs as well as the guidance in the Explanatory Memorandum that CARs should be tailored to the advice provided, i.e. that simpler advice should have a simpler, shorter CAR. We support the flexibility in permitting CARs to be provided in different formats, which is important for accessibility.

However, we are concerned that without further guidance, financial advisers will continue their current practice. Early reactions from the financial advice industry indicate that they see no substantive difference between the current SOA obligations and the proposed CAR obligations - this is a possible indication that they do not intend to change their approach to recording advice and do not understand that the purpose of the obligation is to support consumer decision-making.

It is important that ASIC provides sufficient guidance to industry on how to implement these obligations in order to ensure that advisers implement the reforms consistent with the policy intent. In particular, ASIC should provide sample CARs (akin to its guidance in RG90 Example Statement of Advice: Scaled advice for a new client) to demonstrate how CARs can be scaled. These sample templates should be consumer tested to ensure that they can best achieve the objective of assisting consumers to understand the advice they have been provided. Compliance with the new CAR obligations should be tested by ASIC following commencement with a thematic surveillance and enforcement action, where appropriate, to ensure that the new obligations are being complied with and that implementation is consistent with Treasury's policy intent.

Client advice records should always be provided if requested

Financial decisions - even fairly straightforward ones - can be complicated for people. Remembering complicated information is difficult, especially if you have other things on your mind. Having a record of the advice that has been provided allows you to think about the advice - to revisit it, to be reminded of the detail, to make sure you properly understand it. People may ingest information better in different media and giving people a record supports them to access information in their preferred format. Most people will benefit from being provided with a CAR documenting the advice they have been given, even if the advice is fairly short and simple.

A CAR should always be required to be provided to a consumer if they request it, even in the circumstances where there is no requirement currently to provide an SOA. The circumstances where there is no requirement to provide an SOA currently (and which there would be no requirement to provide a CAR) are all situations where it would not be onerous to provide a CAR (particularly given the new flexibility) if a consumer wanted one. The draft legislation should be amended to provide consumers with the right to request a CAR if there is no obligation to otherwise provide one (sections 946AA (small investments), 946B (further personal advice), 946BA (basic deposit products) and 946BB (no purchase or sale recommended)). Consumers should be required to be advised of their right to request a CAR if one is not provided.

Recommendations

Recommendation 6: ASIC should provide detailed guidance about client advice records, including sample client advice records which are consumer tested.

Recommendation 7: Consumers should have the right to request a client advice record where a financial adviser is not required to provide one to them proactively.

Recommendation 8: Financial advisers should be required to advise consumers of their right to request a client advice record if they are not providing one proactively.