



## So We're Not That Different After All!

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I thought I should align this month's contribution with the theme of the edition and consider some of the challenges faced by the Industry Superannuation Fund movement ("Industry Funds") when it comes to providing financial advice to their members.

I did not have the pleasure of attending the "Financial Advice in Super Symposium" on 4 February but I read with interest Bernie Ripoll's speech, as well as the media reporting. I also had a discussion with one of my colleagues who attended the symposium.

Some readers will no doubt chuckle about the Industry Funds' search for professionalism in the provision of financial advice. Perhaps even more so when their sense of professionalism seems to be based on the ability to serve many clients in a compliant manner. Yet that is exactly what many dealer groups are aspiring towards: growth in the number of clients with a strong emphasis on compliant advice. This is just a superficial example of why the industry funds' challenges in financial advice are not that different to those faced by a typical PP reader.

More fundamentally, it appears that the strategic objective of the industry funds is to deliver financial advice very efficiently to as many members as possible. There is a belief in the power of intra-fund advice, neatly summarised by Bernie Ripoll:

"The new rules on providing intra-fund advice, together with the FoFA reforms, will ensure that members of superannuation funds have access to simple, low-cost financial advice about their retirement savings."

The danger will be that there is such a focus on the superannuation component that the more important behavioural challenges that many Australians face will simply be ignored. Again, dear reader, be careful about scoffing about this narrow focus on retirement savings. How many financial advice businesses have a narrow focus on providing investment advice or SMSFs or life insurance products? Their focus on these solutions is equally an impediment to providing sustainable, valuable advice. I don't think that we're that different after all.

Perhaps even more interesting is the path to the future that the industry funds seem to be forging. The quest for the capability to provide efficient advice appears to be following a seductive road map, one that is based on the allure of technology. Now I'm certainly in favour of cost-effective advice and I am excited about the power of 21<sup>st</sup> century technology. However, I have two main concerns about any strategy based on low cost and high tech:



1. The 21<sup>st</sup> century technology and/or pipelines change so rapidly that today's innovations quickly become passé. This means that customers/members soon look for something "new" and yet another expensive "cost-saving" investment is soon demanded.
2. Low cost delivery usually equates to supplying commodities that customers/members might (or might not) need. Bernie, in his speech, complimented industry funds on "offering new innovative, simple and cost-effective products".

It is this latter concern that I would like to expand upon. Again, readers might scoff at the products that Bernie is referring to. But just because you have more sophisticated products at your disposal doesn't mean that you are above this core problem. I believe that real financial advice is based on understanding your clients and their challenges – not in delivering products, however sophisticated. I think that this is the problem that both industry funds and financial advisers should put their energies into: how to cost-effectively understand their clients and their problems. And only then demonstrate expertise at helping them to solve them.

These are the best of times to focus on quality advice not quantity advice – whether you are an industry fund or a financial adviser.