

HEALTH WEALTH CAREER

# FINANCIAL ADVISERS ACT REVIEW

## SUBMISSION

MERCER (N.Z.) LIMITED

JULY 20 2015

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## **SUPPORT FOR THE REVIEW**

Mercer (N.Z.) Limited (Mercer NZ) supports the review of the Financial Advisers Act.

## **PURPOSE OF MERCER NZ SUBMISSION**

To suggest values and principles to apply to the review of the Financial Advisers Act in a clear, concise and effective way.

## **THREE THEMES AND PROPOSED ACTIONS**

- 1) Meeting the original objectives of the legislation
- 2) Removing barriers to entry for good advisers
- 3) Enhancing clarity (plain English) and quality.

# MEETING THE ORIGINAL OBJECTIVES OF THE ACT

- The overarching **purpose of the Act**:
  - ‘To promote the sound and efficient delivery of financial adviser and broking services, and to encourage public confidence in the professionalism and integrity of financial advisers and brokers’
- Aging demographic and growth of KiwiSaver creates a need for **accessible, easy to understand, high integrity and affordable financial advice**
- In our experience, members and the public are **confused by the current jargon and advice structures** - AFA, RFA, QFE, Class advice, Category 1 and Category 2 products, transactional advice, etc.
- We believe the **confusion leads to reduced access and demand for advice**
- The FAA and system must become more **consumer-focused**. Review it from a **customer perspective**
- Benefit from **lessons being learned in Australia**. Align where good outcomes - **trans-Tasman movement** of people and advisers makes this important.

# REMOVING BARRIERS TO ENTRY FOR GOOD ADVISERS

- Provide cost effective industry **structures and pathways** to remove the barriers to entry for good advisers
- Introduce greater relevant **CPD and training** requirements for non-AFA designations; have a tiered basis of CPD depending on designation
- All **investment advisers** should be degree and otherwise qualified
- Make **disclosure requirements more meaningful** – clearly disclose designation (Financial Planner, Life insurance, KiwiSaver, Investments) and competency
- The integration of **advisers and Robo advice** needs to work effectively for the consumer - disclosures and cohesion need to be customer oriented.

## ENHANCING CLARITY (PLAIN ENGLISH) AND QUALITY

- Re-write the **Act in plain English** (use similar language to the Code)
- Have **one** definition of Financial Adviser  
  
Have distinct designations according to type of advice. Using both AFA and RFA is confusing and can lead to misunderstanding around the level of advice
- Have clear, concise and effective **industry wide templates** for disclosure purposes. Plain English descriptions of: designation, competency, remuneration, limits and qualifications
- Require advisers to be **clear on remuneration** without being confusing. Discourage remuneration conflicts
- Increase provider requirements for financial education regarding the **value and availability** of financial advice in its various forms.