Opt in for long-term profits

Financial planners should seize this chance to develop professionalism, write **Tim Mackay** and **Claire Mackay**.

As young financial planners we want to be proud of our chosen profession. The government's future of financial advice reforms provide a practical framework to protect consumers and drive increased professionalism in financial advice.

From July 2012, consumers will be prompted every two years to consider whether they are receiving value for money for the fees they pay. While medicine, law and accounting embraced the concept of opt-in, the emerging profession of financial planning has not.

Constant industry opposition to opt-in prevents the shift from a sales-based approach to an advice-based profession. However, our industry must recognise that if consumers don't want to pay for ongoing advice, they should not be forced to do so.

Of course, there will be long-term winners and losers from these reforms. The competent, transparent and professional advisers will win and the mediocre salespeople who rely on volume bonuses and commission kickbacks will lose.

Advisers who engage with clients, who show they provide value-adding advice, will survive and thrive. Advisers flogging products and relying on passive income streams will struggle. That is a great result for consumer protection and increased professionalism.

We are disappointed the government has compromised by allowing the continuation of the 130 per cent upfront life insurance commission model in superannuation. Commissions paid on individual life policies held in a self-managed super fund or in a choice fund will continue in perpetuity. Only members in a MySuper or default super fund will be commission free. This will increase the perceived benefits of MySuper for Australians keen to maximise their super savings.

The industry argues that opt-in will add to costs, complexity and consumer confusion. Actuarial experts Rice Warner estimate opt-in will cost just $11 per client, compared with the industry's claims of $100 to $250 per client.

Additionally, the government is providing significant flexibility in how advisers can meet their opt-in obligations via online forms, phone calls, meetings or mail. This is a major win for reducing administrative costs. Clearly the industry claims of increased costs, complexity and confusion do not stand up to detailed scrutiny.

One industry win is that opt-in will only protect consumers who become new clients after July 1, 2012. It will not apply to existing clients and consumers.

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Advisers relying on passive income streams they have either bought or built up over many years will not be affected by this reform. Under grandfathering provisions their revenue streams can continue in perpetuity. From July 2012, there will be two tiers of consumers – new clients who receive higher protection under opt-in and existing clients who do not. While truly professional financial planners will provide this higher protection to all clients, others may not.

Our advice to consumers: use opt-in as an opportunity to renegotiate your current service to ensure you are better protected. If your adviser or life insurance agent does not offer you the opt-in protection, then in July 2012 opt out from the old system and opt back in under the new rules. So, either engage another financial planner under the new rules or, if you are satisfied with your adviser, renew your service with them.

We hope the industry will redeploy the significant resources being used to fight regulatory reform to the more constructive task of developing a true profession.

Our profession has wonderful growth prospects underpinned by Australia's compulsory super system. The professional, commercial and consumer benefits that arise out of these reforms are significant. They will enable consumers to identify who are professional advisers and who are mere salespeople.

Implementing these reforms is our profession's challenge and greatest opportunity. Professional financial advice will always be worth paying for.

■ *Tim Mackay and Claire Mackay are advisers at Quantum Financial.*

When shades of green turn grey

Sally Scott

"Greenwashing" by manufacturers and retailers has become a serious problem. Suggesting a product is "environmentally friendly" or "green" risks misleading consumers and there are significant legal consequences for making false or misleading green claims.

The Australian Competition and Consumer Commission, consumers and competitors can take legal action if an environmental claim potentially breaches the Competition and Consumer Act by making false or misleading claims.

The ACCC holds extensive powers, including penalties up to $1.1 million for companies and up to $220,000 for individuals.

In response to greenwashing claims by ABC TV's *Foreign Correspondent*, Officeworks has dumped its copy paper supplier Sumatra-based Asia Pacific Resources International (APRIL).

While APRIL's paper products are packaged in the colour green and feature a plantation-timber logo, the paper is made of 84 per cent tropical rainforest fibre, says a report commissioned by a privately funded environment group, Markets for Change.

To counter greenwashing practices, the ACCC released *Green Marketing and the Trade Practices Act*. It provides a checklist for marketers and businesses to consider when making green claims for products and services, and the legal consequences of false claims.

Credit card criminality hard to prove

Complex legal issues mean the Craig Thomson controversy is unlikely to lead to a conviction,