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# Being Compliant and Efficient – How Hard Can It Be?

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# What are we covering off on today

- What should be included in the Statement of Advice (SoA)
- The relationship with the adviser and paraplanner
- The Record of Advice (RoA) and what should go in it
- To RoA or not to RoA – that is the question



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# What needs to be in an SoA

- Let's start with why people are confused?
- Why do people get it wrong?
- Is it a lack of knowledge?
- Is it poor communication between the adviser and paraplanner?



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# Where can I get help?

- Corporations Act sets out what must be in an SoA, sections 947C and 974D
- Section 946B – Situation when SoAs are not required
- Regulatory guides sets out what should be in an SoA, see RG 90, RG 175
- Advice policy documents from dealer groups – get your hands on an audit question set and use it to test your advice
- Engaging a professional to help



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# A closer look at the SoA and what to include

- Title – “Statement of Advice” on the cover page or near the front
- Name and contact details of the providing entity, eg licensee details and AR details if applicable including a statement that the providing entity is authorised to provide the advice
- Statement setting out the advice – why is it appropriate, the risks of the advice and what the client should do next
- Information about the basis on which the advice is given – eg goals, circumstances, attitudes to risk, consequences, replacement advice



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# A closer look at the SoA and what to include

- Information about remuneration, commission and other benefits that the providing entity expects to receive or might be reasonable of receiving
- Referral fees
- Details of any interests or associations
- Warnings where the advice is based on inaccurate or incomplete information



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# Is that it?

- You can add other things which are not legislated
- Executive summaries are good
- Projections to help explain the advice
- Avoid templates – eg not relevant
- Please proof read your advice



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# Communication with paraplanners

- Why should you care?
  - It is **YOUR advice** = the SOA should accurately reflect your advice
  - Tailored SOA to your client's situation = **Better client experience**
  - Paraplanning **efficiency** ↑ = SOA costs down ↓
  - Help with your **compliance**
  - Inclusive process = happy paraplanners = **less staff turnover**

**Remember... your advice document is as good as the information you give to your paraplanner.**



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# Communication with paraplanners

- Common issues with paraplanning requests...
  - Unclear **scope of advice**
  - Lack of / unclear **client's objectives** recorded
  - Not sufficient **link between recommendations and the client's objectives** and needs (incl. no proper product investigation done)
  - **Illegible** file notes and documents (e.g. handwritten, badly scanned)
  - Information is **not provided in a orderly manner** (e.g. drip feed, multiple versions of the same document)
  - **Too much** irrelevant information or **too little** information based on the advice being provided.



Paraplanner ← **timewasting communication** → Planner

**Some are also compliance risks**



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# Communication with paraplanners

## ✓ Good request example

- Fully completed fact find with **clear scoping, client objectives** (S.M.A.R.T.)
- Fully completed **product due diligence & insurance quotes**
- Clear **recommendations** (strategy & product) and **basis of advice** linked to the client's objectives.
- Only **relevant statements**
- **File note** providing additional client info and strategy formulation reasoning.
- Fully completed **paraplanning request form** (if used)
- All info saved in **one place** (e.g. Xplan, COIN, OneDrive etc.)

## ★ Ideas for improvement

- Use **checklists & flow charts** until the process becomes your second nature.
- Create/update **templates** (fact find, file note, due diligence, SOA, paraplanning request) to record info **in a comprehensive yet clear & concise manner**.
- Store all relevant info **digitally** in **one centralised location** (e.g. Xplan) & use a **naming convention**.
- **Delegation**: data entry by admin/ assistant staff (not paraplanner)
- **Involve your paraplanner** in the advice process (e.g. taking file notes, strategy formulation discussion)
- Meaningful **Timewasting** communication

# What is an RoA?

- What is an RoA and how to use one is probably an area advisers struggle with most – there are different rules for different types of products and no prescribed format
- RoAs were introduced in December 2005 –
- Advisers can provide SoA or RoA only when providing personal advice
- RG 175.146 – “Where an SoA is not required” and RG 175.150 – “Obligations the apply to further advice”



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# When can I use an RoA – 946B

Further market related advice if:

- You have previously given the client an SoA which sets out the client's relevant personal circumstances; and
- You have checked that client's relevant circumstances have not significantly changed since the earlier advice
- The basis on which the further market related advice is given is not significantly different from the basis on which the previous advice was given



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# Other times you can use an RoA

- Providing advice in relation to basic deposit products/cash management facility
- Financial investments whose value does not exceed \$15,000 This exemption does not generally apply to advice about derivatives, general insurance products or life insurance products.
- You are a licenced market participant in and meet the requirements of 946B



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# When should you not use an RoA?

- Advice in relation to a new type of product
- Significantly changing the basis of your advice, eg the client has a new risk profile
- Advice in relation to life insurance
- Your advice is general in nature



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# What should an RoA contain

Details of your advice ( See 947B(2) or (947C(2) in particular:

- A brief description of your recommendations and your basis for the advice, including a clear statement that the information about the clients relevant circumstances is set out in a previous SoA;
- Information about costs and charges including remuneration;
- ASIC recommends you keep records of your client conversation;
- Information about potential conflicts



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# Practical Exercise

Read these examples and try to determine if you can give the client an RoA or not?



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# SoA or RoA

Hi Rhett,

We have new clients who have come in to see us and the SOA we provided didn't have any needs built around Life insurance as they have no major debts. So based on their needs, they only required TPD, Trauma and IP cover.

However, since talking with their estate lawyer (that we referred them to) the wife has come back and wants some Life insurance to equalise her Estate for her 2 Children, based on what their estate lawyer has advised. They are both on their 2nd marriage as well - so these are part of the blended family considerations.

However, given the SOA we presented and ATP that was signed does not have any recommendations around Life cover I was wondering if an SOA was the only way forward from here to get it included?

We would look to use the same insurance provider for which we have disclosed % fees already. Furthermore, the decision is coming from the client and so it's not necessarily direct advice from us. So I was curious to know if a no advice letter may an option in this case?

As always, your input here would be much appreciated..



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# SoA or RoA

Hi Rhett,

Quick question for you. When providing records of advice (RoA) to clients to sell an investment, do we need to disclose CGT gain/losses or can we just manage this throughout the year?

Many of the Team here think that we need to, but [REDACTED] and I seem to think that this not necessary and is not done across the broader industry, especially in bigger firms with a large number of clients. We would like to send RoAs in bulk to all clients holding a specific investment with the intention to become more efficient as our business grows. However, if we need to disclose CGT then all RoAs will need to be client specific (as per the current process).

Any insight would be great.

Thanks,



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# SoA or RoA

Hi Rhett,

Due to the change in platform administrator for Wealthtrac, client's insurance premiums are no longer automatically met by Wealthtrac selling down managed funds according to a client's Model portfolio.

Macquarie now require our office to ensure that there is enough available cash for the premiums.

Where clients hold a Model (up to eight managed funds) we have to sell across the board according to the asset allocation.

Do we need to provide an advice document (RoA) to the client or can we just sell down the insurance premium amount like Wealthtrac used to do in the good old days?



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# SoA or RoA

Hi Rhett and Charlie,

Can you please provide some guidance around how to best tackle a change of insurance provider, immediately after having client sign off of their initial SOA?

In this example the client has signed off on the ATP and then, through the implementation and underwriting process, the insurance provider comes back with some exclusions. However, we have now identified another insurance provider who will look more favourably with regard to providing cover and so we would like to now use a different provider than that outlined in the original SOA.

While a change in insurance provider would normally require us to generate a new SOA, is there a more efficient way to deal with this during initial implementation, something that may be more pragmatic than producing a new SOA immediately after already providing the clients with their first SOA?



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# SoA or RoA

Hi Rhett

█ would like your advice on this grey area!! (of course). We have a client █ who took out child Trauma for his children in 2007. The eldest has now turned 20 and is no longer deemed by Asteron be under his parents policy for child trauma. █ has received the attached letter from Asteron advising him that his son █ can now take up Trauma Stand alone. None of this has been recommended by us. Here is the dilemma. █ (or his parents) want him to take up this stand alone insurance policy and his parents are willing to pay these insurances by their credit card. I have called Asteron and because it comes under █ adviser code he will receive an upfront and also an ongoing adviser fee. We are not sure if this can be a ROA on the back of the original SOA advice to █ or whether it needs to be an SOA to █ even though we have not given advice but due to his age he has now become a client and we will be receiving ongoing adviser fees etc.

Have a lovely evening.



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# SoA or RoA

Hi Rhett,

Could you please advise whether the following scenario requires an RoA or an SoA.

Our client has previously accepted an RoA recommending a change of managed fund investment in her Asgard product. She currently has access to core investments for a certain administration fee, however the new investment option requires an expansion of the investment choice for an increased fee. Overall the client will be better off with the new investment as the MER is reduced compared to her current investment. The product still remains the same.

Our query is whether additional advice is required because of the expanded investment option and the change of administration fee.

Kind regards,



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# In Summary

- Invest in yourself
- Just because a dealer group says one thing does not mean it is always right
- Paraplanners remind advisers you cannot make a silk purse from a sow's ear
- For help on RoAs see our ready reckoner on our website:  
[www.integritysg.com.au](http://www.integritysg.com.au)



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# Questions



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