



FAAA Pre-Budget Submission 2026

January 2026



Pre-Budget Submission 2026-27

The Financial Advice Association of Australia (FAAA) is the leading professional association for financial advice professionals. The FAAA's 2026-27 Budget submission focuses on practical measures that will increase the supply of professional advisers, improve the quality of advice and cut red tape, while not compromising consumer protection. This submission complements other policy submissions the FAAA has made.

Context and key recommendations

Our population is living longer, with the median age expected to reach 40 in the next 10 years, and the size of the population aged 85 and over is projected to increase by 506% by 2065/66¹. These factors are driving what is expected to be the largest transfer of intergenerational wealth in history – estimated at up to \$5.4 trillion over the 20 years up to 2050².

Professional financial advisers will play a critical role in supporting people to navigate this seismic shift and be resilient in the face of financial shocks. This is critical to minimise the impact of Australians living longer on the social security system.

Our 2024 "Value of Advice" research showed that professional financial advice is a key driver of financial wellbeing and peace of mind. The challenge? The "advice gap" which has reached a critical point, is leaving millions of Australians to manage complex financial decisions and financial shocks without the support they need or worse still, turning to unregulated social media, or internet searches for solutions.

Recent research by *Investment Trends* suggests the following:

- 11.8m Australians have unmet financial advice needs.
- 80% of unadvised Australians believe financial advice could have benefits for them.
- 1.3m people with unmet advice needs intend to seek advice within the next 2 years.

The need for professional financial advice has never been greater, and yet it has never been harder to find. Growing Australia's financial advice profession will improve retirement outcomes, financial resilience and long-term well-being. It will also ensure our world-leading superannuation system meets its objective *"to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way."*

¹ Australian Government Centre for Population, *2025 Population Statement*

² JB Were, *The Bequest Report*, July 2024

Our recommendations are:

1. Increase the supply of professional financial advisers across key career points.
2. Provide ATO portal access to professional advisers.
3. Simplify and enhance the tax deductibility of advice.
4. Lower the ASIC levy.
5. Make the CSLR sustainable.

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Increase the supply of professional advisers across key career points

Australia's financial adviser numbers have been in rapid decline over the past seven years, reducing from almost 30,000 at the start of 2019 to just over 15,100 in January 2026. With the structural uplift in education and professional standards now behind us, growing the number of professional advisers needs to be a priority – but this has been a challenge for some time, and the pipeline of new entrants is currently insufficient to rebuild the profession.

We propose a package of reforms that will help increase the supply of professional financial advisers and ensure we retain talent at key career points (university, mid-career transitions, parental leave etc). Government action is required to clear critical roadblocks that hinder adviser entry and retention into the profession:

Education standard

The FAAA supports a high standard of education to enter the profession. However, the rigidity of the current financial adviser education requirements set in the Corporations (Relevant Providers Degrees, Qualifications and Courses Standard) Determination 2021 has resulted in a significant reduction in the provision of relevant courses by education providers. It also deters potential new entrants from such study with little recognition of prior learning, reducing uptake from career changers. [The education standard policy statement by the former Assistant Treasurer and Minister for Financial Services on 10 February 2025](#) must be implemented to increase the flexibility in the course content of the tertiary degree for new entrants to the financial advice profession. This can be implemented quickly and would maintain high professional standards, while significantly improving the pipeline of advisers to help meet consumer demand for financial advice.

Support the Professional Year for new entrants

The education standards require a significant time and financial commitment from both new entrants themselves, and their Australian Financial Services Licensee (AFSL) and employer. Due to the exit of the institutions in the wake of the Royal Commission, the financial advice sector is now highly fragmented and primarily consists of small and micro businesses – with an average of only 2.6 advisers per practice – which have a limited ability to undergo the substantial investment required to support Professional Year candidates. The PY for the financial advice profession should be considered for Government funded grants which are currently available to support apprenticeships.

Reinstate the Women in Finance scholarships

Women are significantly under-represented in the financial advice profession, making up only 22% of financial advisers³. We call for the reinstatement of the Government's Women in Finance and Economics scholarship grants, a very successful program which was run under the former Women's Leadership and Development Program, to offer financial support for female students undertaking study in an approved degree, under the financial advice education standard, to stimulate an increase in enrolments.

³ Australian Wealthdata, October 2024

Migration policy

As highlighted in our recent submission to the Joint Standing Committee on Migration, the FAAA supports a migration system that will help provide for the financial advice needs of Australians. A migration process that supports offshore training in approved Australian degrees, and offshore practical training (professional year), is critical to enable skilled migrants to arrive and commence work in their area of skill immediately. Allocating 5 points in the migration points test for the completion of the Work and Training Professional Year Standard for financial advisers; and permitting study completed in an Australian degree at an Australian university (either on or offshore) as meeting the criteria for sponsored and graduate visas, would greatly assist in addressing the financial adviser shortage, improve the diversity of the financial advice profession and ensure high retention rates.

We believe these initiatives will help foster a stronger pipeline of well-trained advisers which will in turn assist with increasing the affordability of financial advice.

2

Provide ATO portal access to professional advisers

Financial advisers, 89% of whom are Qualified Tax Relevant Providers⁴, play a vital role in ensuring that their clients' financial plans are both tax-effective and compliant. However, unlike registered tax agents, financial advisers cannot currently access the essential client tax information they need to do their jobs, through the ATO portal.

The FAAA proposes the introduction of a new, read-only class of access to the ATO portal for licensed financial advisers and as a first step, recommends that it provide funding to the ATO to support a business case and privacy review.

Accurate, up-to-date information (including taxable income, superannuation balances, contribution history and transfer balance account records) is crucial for preparing, implementing and maintaining financial plans that serve clients' best interests. Currently, financial advisers often face delays, additional costs and cybersecurity risks due to the need to source this information from accountants or individual superannuation funds, as clients themselves may not possess or understand how to access these critical details. As put by one of our members:

"Last year, our practice spent an obscene amount of time trying to assist our clients (many of whom are retired, no longer use a tax agent and are not technologically proficient) attempt to access this information for us. If we had read-only ATO access, this information would be at our fingertips."

The December 2024 'Review of tax regulator secrecy exceptions' discussed the potential for financial adviser access to the ATO portal. [The FAAA, as part of a broader group of associations, strongly supported the Government pursuit of this pathway.](#)

Improved access would follow a similar framework to that used by tax agents, linking to the financial adviser's tax (financial) advice services designation registered on the ASIC Financial Adviser Register (FAR) and allowing clients to authorise their adviser directly. Crucially, this access would be limited to information retrieval only, with no capacity for making changes to the client's data on the portal – minimising the risks of the proposal.

By enabling this streamlined process, the government would reduce delays in and the cost of providing financial advice, ultimately supporting better outcomes for Australian consumers seeking financial advice.

⁴ Extract from Financial Adviser Register, January 2026

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Simplify and enhance the tax deductibility of financial advice

The FAAA has long argued that financial advice should be fully tax deductible, given the significant benefits that it delivers to consumers and the high cost of financial advice driven by the substantial regulatory obligations.

The September 2024 Tax Determination on the deductibility of financial advice fees has resulted in greater clarity around the ability of clients to claim a deduction for tax financial advice (Section 25-5 of the *Income Tax Assessment Act 1997*). However, the practical implementation of the interpretation is highly complex for financial advisers. What is deductible varies by type of advice and what tax laws it relates to, requiring careful apportionment of costs. A portion of a fee which is not deductible under section 25-5, may be deductible under section 8-1, however this depends upon whether it relates to generating taxable income and whether it is initial advice, which is generally treated as a capital expense. In many circumstances, there is an overlap between the portions of fees deductible under section 25-5 and section 8-1, which further complicates the overall apportionment process for financial advisers.

The FAAA proposes simplifying the deductibility of financial advice fees by removing this complication and providing full tax deductibility of financial advice fees, both initial and ongoing, where it relates to the generation of taxable income or involves tax financial advice. Alternatively, the FAAA proposes fixed percentage deductibility for certain categories of financial advice, based on the typical percentage that would otherwise be deductible under sections 25-5 and 8-1. Providing fixed percentage deductibility via a specific deductibility provision in the ITAA97 will reduce complexity and compliance costs for both financial advisers and the ATO, whilst effectively passing on the benefits of tax deductibility under the existing law to financial advice clients.

Without these changes, it will remain extremely time-consuming for financial advisers to navigate the complexity of the tax laws to apply the Tax Ruling to their fees, which undermines the Government's objectives to improve the affordability of financial advice for consumers.

4

Adjust the ASIC cost recovery levy

Critical to improving access to financial advice is affordability. The significant issues with the current ASIC cost recovery model serve to drive up the cost of advice for consumers.

We acknowledge the ASIC levy for financial advisers has declined marginally in the last two years, but the FAAA remains deeply concerned about the ongoing high cost of the ASIC levy to financial advisers and lack of transparency on sub-sectors charging, especially when combined with other levies such as the CSLR. We are particularly concerned about the treatment of the costs of ASIC's enforcement action related to the Shield and First Guardian matters, which will be substantial and which is related to a broad range of sectors.

To address these concerns, the FAAA offers several recommendations:

1. The government should review and implement [Treasury's 2023 recommended changes to the ASIC Industry Funding Model \(IFM\)](#) before finalising the next financial year's levy.
2. ASIC and the Government should not profit from cost-free enforcement actions – as under the current funding model, all costs of ASIC enforcement actions, whether successful or not, are funded by industry. Proceeds from successful enforcement should offset costs before compliant businesses are charged, rather than going into Consolidated Revenue.
3. The Government should cover the cost of ASIC's investigation and enforcement of the Shield and First Guardian matters, ensuring that the financial advice profession is not forced to fund this cost.
4. Costs for action against fraudsters and unlicensed advice providers should be shared across the entire financial sector, as the entire industry benefits from consumer confidence when such individuals and businesses are prosecuted.
5. ASIC must disclose more detailed information about its spending and cost allocations, to ensure transparency and accountability, which will foster confidence and help address misallocations.

These recommendations will address a foundational issue with the levy involving the “moral hazard” embedded in a model where compliant small businesses must bear the cost of enforcement actions against a small number of non-compliant entities. This currently includes unlicensed businesses or those no longer operating.

Further to recommendation 3 above, advisers have no say regarding how their money is spent or transparency in how the levy is calculated. An example is the lack of transparency from ASIC regarding how sub-sectors are charged for its activities, particularly enforcement actions, that cover multiple sectors. The Shield and First Guardian investigations and enforcement activity will demonstrate this point. Previous requests for additional information on enforcement cost allocations have been consistently denied, eroding trust among regulated entities.

These recommendations are essential to create a fairer, more transparent funding model that does not unduly burden compliant small advice businesses or discourage the provision of affordable financial advice to consumers, and increases confidence and trust in the regulator. The ASIC levy costs should not be seen in isolation. Coupled with the costs imposed by the CSLR, both are acting in tandem to reduce financial adviser confidence in the system and drive up the cost of financial advice, and also present a significant disincentive for new entrants to join the profession.

5

Make the Compensation Scheme of Last Resort (CSLR) sustainable

The FAAA again strongly urges the government to address the growing inequities of the CSLR. The cost of the scheme has blown out substantially in comparison with the initial estimates provided by Treasury in early consultation. This has highlighted design issues and is challenging the sustainability of the CSLR as a whole.

This scheme - intended to protect consumers by compensating victims of financial misconduct - unfairly burdens small, compliant financial advice businesses with disproportionate costs to compensate the clients of bad actors they had nothing to do with and no control over.

Despite a July 2021 Treasury proposal paper on the CSLR estimating a cost for financial advice related claims of \$6.2m, the actual cost for 2024/25 was \$18.6m. This leaped substantially to \$67.3m for 2025/26 and the initial estimate for 2026/27 escalated further to \$127m. Importantly, this number is before accounting for any costs of Shield or First Guardian. Whilst the Government's decision to spread the \$47.3m 2025/26 special levy across a broad range of sectors provides some relief, with the collapse of the Shield and First Guardian funds, the future appears very bleak with skyrocketing costs being imposed on our sector apparently for many years to come.

These on-going costs are being imposed on the profession, despite the vast majority of financial advisers having no connection to the misconduct. This situation is unjust, risks crippling small advice firms, and undermines the availability of affordable financial advice for Australian consumers.

All of these collapses have highlighted the need for more to be done to recover funds from those responsible, including parent and related entities that generated substantial fees from their activities, yet have avoided paying compensation to those harmed. Critically, also, more needs to be done to reduce the prospect of these collapses in the future. These matters are expected to be the subject of upcoming Government consultation.

Sustainable levy model

Whilst we welcome the Government's decision to spread the 2025/26 special levy across the financial services industry, which collectively benefits from maintaining public trust, the financial advice profession will ultimately end up paying the majority of costs this financial year - \$30.4m of the \$67.3m total exposure for 2025/26, around \$2,000 each for every financial adviser in the country. As the Shield and First Guardian matters have demonstrated, there are many financial services sectors involved in the value chain, almost all of whom have contributed to the client losses. The Government's decision with respect to the 2026/27 levy will be particularly important and this remains a substantial threat for the financial advice profession.

The scale of potential future payments by the CSLR is a huge disincentive for new entrants to enter this profession or for existing businesses to employ new advisers. Action from the Government that provides confidence to potential new entrants and existing practices is essential. This cannot wait. The FAAA has otherwise provided many recommendations to ensure the CSLR is more sustainable.

Friend of CSLR

As a further measure to improve the sustainability of the CSLR, we propose the establishment of a government-funded 'Friend of CSLR' role.

In the relatively short life of the CSLR, we have already observed a number of financial firms going into administration or liquidation, leaving clients exposed to a loss of investments and an inability to make a claim to recover the loss. The CSLR has provided a pathway for these clients to seek remediation, however this places the CSLR in a position where they need to then seek recovery from the firms where funds may be available or recovery action may be possible against the firm, directors or officers. Pursuing this action often requires funding, and the administrators/liquidators seem very hesitant with respect to the pursuit of these matters. Equally, the CSLR may not be designed or resourced to undertake this activity. The outcome is that often those who are responsible go unchallenged, which ultimately undermines confidence in the system as a whole.

The pursuit of this recovery activity, including the availability of resources to investigate the underlying conduct, is important in seeking to minimise the cost to those who would otherwise need to contribute to the cost of funding claims paid by the CSLR. The Fair Entitlements Guarantee Recovery Program provides a strong example of the value of such a solution. We believe this role could be played by an entity established and funded by Government as a 'Friend of CSLR'.



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