

Advice fees in superannuation

Recommendation	Existing law	Summary of proposed reform	Comments
<p>Recommendation 3.2 – No deducting advice fees from MySuper accounts</p> <p>Deduction of any advice fee (other than for intra-fund advice) from a MySuper account should be prohibited.</p> <p>Recommendation 3.3 – Limitations on deducting advice fees from choice accounts</p> <p>Deduction of any advice fee (other than for intra-fund advice) from superannuation accounts other than MySuper accounts should be prohibited unless the requirements about annual renewal, prior written identification of service and provision of the client's express written authority set out in Recommendation 2.1 in connection with ongoing fee arrangements are met.</p>	<p>The sole purpose test in the SIS Act prohibits advice fees from being paid from superannuation accounts unless it is advice related to the retirement benefits of fund members.</p> <p>Fees for advice that are not prohibited under section 99F of the SIS Act (ie intra-fund advice) can be paid out of superannuation accounts.</p>	<p>In respect of choice products, trustees must not pass on the cost of financial product advice (except intra-fund advice) to a member, unless the member has both provided written consent and:</p> <ul style="list-style-type: none">• if the arrangement is an OFA, the consent is consistent with the annual renewal requirements that will be implemented to action Recommendation 2.1; or• if the arrangement is not an OFA, the consent complies with any requirements determined by ASIC. <p>In respect of MySuper products:</p> <ul style="list-style-type: none">• the ability to charge “advice fees” under the charging rule in SIS Act sections 29VA(5) and 29VA(6) (which permit charges to be imposed on all members to which the advice relates) would be repealed;• intra-fund advice fees that are charged collectively to all members of the MySuper product (under SIS Act sections 29VA(2) to (4)) would still be permitted.	<ul style="list-style-type: none">• This increases the documentation requirements for trustees that permit deduction of advice fees from superannuation accounts (ie trustee is required to have a copy of the relevant consent to deduct).• This also narrows the scope of fees and the sole purpose test in the context of MySuper – even in cases where a member consents to deduction of advice fees from their superannuation account and such fees are consistent with the sole purpose test, such fees cannot be deducted. Accordingly, the member will need to arrange for payment of such advice fees directly to their adviser.