

## Media release

### **TURN OFF THE RIVERS OF GOLD, RAISE THE BAR AND WILL THE REAL FINANCIAL PLANNERS PLEASE STAND UP**

**Sydney, 4<sup>th</sup> September 2009:** Quantum Directors Tim Mackay and Claire Mackay appeared as expert witnesses at the Joint Parliamentary Committee into Financial Products and Services in Australia.

Below is the text of their introductory remarks to the Committee.

#### **Introductory remarks from Tim Mackay**

“Thank you for the opportunity to appear before your committee. My name is Tim Mackay and with my colleague Claire we represent Quantum Financial Services.

Quantum is an independently owned, successful and growing financial planning firm and training organisation.

We are both Certified Financial Planners and Chartered Accountants and between us hold bachelors and masters degrees in Commerce, Economics, Law and Business Administration. Claire is also admitted to the NSW Supreme Court.

Australians today are concerned about the financial planning industry. And rightly so. They have seen recurring examples of rampant abuse of consumers and lack of professionalism shown by the advisors they trusted.

From Townsville to Geelong to Perth, if you were not personally impacted then you will know someone who was.

The focus of our submission is recommending practical reforms. With your help, we can boldly reform the financial planning industry so that consumer confidence and our profession will emerge stronger than ever.

#### **It's time for financial planners to be honest with themselves**

As financial planners we regret the actions of those financial planners who have abused their client's trust.

As financial planners we take charge of our own destiny today by proudly and loudly pleading with you to give us an explicit statutory fiduciary duty to our clients.

We know that many in our industry are skeptical of how, and whether, an explicit fiduciary duty will work. There are many complicated issues to resolve but as professional financial planners we can make it work.

#### **It's time to empower consumers and increase competition by turning off the rivers of gold**

It is a sad fact that in financial planning “he who pays me is my boss”. No one would consider allowing lobby groups to pay fees to politicians. Yet we allow product manufacturers to pay financial planners and dealer groups.

By rivers of gold we mean commissions and ANY other type of financial arrangement between product providers, platforms, dealer groups and advisors. The only parties who resist this reform are those who financially benefit from the rivers of gold. We recognise that it will be hard, unpopular and costly for many in our industry to undertake this reform. We do not accept that voluntary industry codes are sufficient. This reform is not about helping financial planners – it's about helping consumers.

I will hand over to Claire who, if you were wondering, is also my sister.”

## Introductory remarks from Claire Mackay

“Quantum’s financial planning business specialises in strategic investment, retirement planning and superannuation advice. We advise our clients, we do not sell products.

### It’s time to call the sales people what they are, sales people

In the interests of consumer transparency and protection, there should be a clear distinction between independent advisors and financial product sales people. Furthermore, there should be no difference in the standard to which either is held to – they should both have a fiduciary duty to their client. The aim of this is to provide clarity for consumers, not to make it easier for sales people to sell their products.

### It’s time for the real financial planners to stand up

We propose the establishment of a Professional Standards Board which is independent, self funding with compulsory membership that sets high and uniform professional and ethical standards.

Only members can call themselves financial planners or financial advisors. Consumers will then have professional titles they can recognise and trust. We estimate the cost to clients of this reform at 1 cent per day. We are happy to discuss this further.

### It’s time to raise the bar

We call on you to raise financial planning education and experience entry standards. We are proud that our submission was one of the few to recommend how you can implement this. We are happy to discuss this further.

As financial planners with a long future in the industry before us we are passionate and proud of the value we provide our clients. We are honoured to be our clients’ trusted advisor. We are the second generation to advise Quantum’s clients and we want the next generation to be proud of the profession we, with your leadership, reformed today.”

## Quantum’s blue print to reform the financial planning industry

On 9<sup>th</sup> June 2009 Quantum submitted a 7 point blue print to the Parliamentary Joint Committee’s Inquiry into Financial Products and Services in Australia. Quantum’s aims were to reform the financial planning industry and to rebuild consumer trust. Quantum’s 7 key recommendations are as follows:

- ❑ **Recommendation 1:** Introduce regulatory changes to prohibit product providers from setting remuneration terms for intermediaries and require intermediaries to set their own remuneration arrangements with consumers.
- ❑ **Recommendation 2:** Empower consumers by enabling them to stop paying financial planning advice related commission and/or fees at any time, at their discretion.
- ❑ **Recommendation 3:** Introduce regulatory changes to ensure consumers can distinguish between independent investment advice and sales driven financial product sales.
- ❑ **Recommendation 4:** Regulate and restrict the use of the titles ‘financial planner’ and ‘financial advisor’ (we use these two terms interchangeably).
- ❑ **Recommendation 5:** Enforce and review existing disclosure rules regarding the term ‘independent’ and ensure the compulsory full and clear disclosure of all related parties.
- ❑ **Recommendation 6:** Increase financial planning education and experience entry standards.
- ❑ **Recommendation 7:** Establish a new, overarching Professional Standards Board, with similar powers to standards boards in other professions; membership of which is compulsory.

The full text of Quantum’s submission to the PJC is available here:

[http://www.aph.gov.au/senate/committee/corporations\\_ctte/fps/submissions/sub56.pdf](http://www.aph.gov.au/senate/committee/corporations_ctte/fps/submissions/sub56.pdf)

## About Quantum

Quantum is an independently owned Australian financial planning firm and training organisation. Established in 1994, Quantum is a successful and growing family business.

Quantum's financial planning division, Quantum Wealth Advisors, provides comprehensive wealth creation, protection and succession advice. Clients include many individual and families who are successful business owners and executives.

Quantum's training division, Quantum Financial Training, provides specialist training and assessment services to leading Australian and global organisations. Specialising in providing customised solutions to experienced candidates, Quantum Financial Training's long standing clients include fund managers, investment banks and clients of Australia's leading legal and accounting firms.

## Media Contacts

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