



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 90

Example Statement of Advice: Scaled advice for a new client

August 2013

About this guide

This guide is for Australian financial services (AFS) licensees, authorised representatives, and advice providers who give information and advice to retail clients.

It explains how and why we have developed an example Statement of Advice (SOA). The example SOA was developed in consultation with stakeholders, and we acknowledge their valuable contribution throughout the process.

About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This guide was issued in August 2013 and is based on legislation and regulations as at the date of issue. The guide was revised to include technical updates.

Previous versions:

- Superseded guide *Example Statement of Advice (SOA) for a limited financial advice scenario for a new client*, issued August 2005, rebranded as Regulatory Guide 90 on 5 July 2007.

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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A Overview

Key points

The example Statement of Advice (SOA) in Appendix 2 is the focus of this guide. The guide explains and highlights the various parts of the example SOA.

The example SOA is based on a hypothetical limited financial advice scenario that does not require a full financial plan. It illustrates a clear, concise and effective SOA in 20 pages or less. Our aim was to develop a worked example of good disclosure practice for a particular financial advice scenario that satisfies a basic level of disclosure and complies with the law. It is not meant to illustrate the giving of suitable or best advice.

The example SOA should not be construed as showing what ASIC considers to be best advice. It is purely intended to show how an adviser could produce a complying SOA that is not a lengthy or complex document.

Scope of this guide

- RG 90.1 The example SOA in Appendix 2 is the focus of this guide. The guide briefly runs through the aims of the example SOA, then explains and highlights the various parts of the example SOA, explaining what these sections should contain and why.
- RG 90.2 We designed the example SOA based on what we think is good disclosure practice (not best disclosure practice) for an SOA dealing with a comparable financial advice scenario. The example SOA is not intended to be used as a template, so it is very unlikely that an adviser could use it without significant modification.
- RG 90.3 We suggest that advisers consider the style, content and layout of the example SOA in light of the particular SOA they are producing. We recognise that the style, content, layout and length of an SOA will vary depending on various matters, including the complexity of the advice.
- RG 90.4 You may reproduce all or any part of this guide, in hard copy and/or in electronic format without asking for further permission from ASIC.

Aims of the example SOA

- RG 90.5 The purpose of an SOA is to communicate to the client important and relevant information about the advice. Section B details the legislative

requirements that apply to SOAs, and what we think needs to be included in an SOA to enable a client to be able to make an informed decision about whether to act on the advice. The example SOA and this guide are underpinned by our existing policy guidance on the SOA requirements, including the requirement for clear, concise and effective disclosure.

- RG 90.6 We have developed and designed the example SOA as a communication tool that sets out and explains the advice. It has not been designed for use as:
- (a) a compliance tool;
 - (b) a mechanism to protect the providing entity against liability;
 - (c) a complete record of all information which you would expect to find in the client file (i.e. the information kept about the advice provided to the client in order); or
 - (d) a place to include additional information not required by law (e.g. educational material).
- RG 90.7 The example SOA is premised on the assumption that the adviser is maintaining information on a client file. This client file is assumed to show that the adviser meets the best interests obligation and related obligations in Pt 7.7A of the Corporations Act.
- RG 90.8 Clients and their advisers will have discussed a broad range of matters over the course of their relationship, which will help provide the background to the advice that is eventually provided. This information does not necessarily need to be included in the SOA, but can be provided to the client in other ways: see RG 90.36.

Sections of the example SOA

- RG 90.9 Section C explains what information we have included in the example SOA and why. Table 1 summarises the sections included in the SOA.

Table 1: Sections of the example SOA

Front cover	Sets out basic information the client needs to know before they read the contents of the SOA, including the name of the providing entity and their contact details, what the SOA is about, and why the client should read it.
Summary of my advice	Highlights the important information of the example SOA and indicates where more detail can be obtained.
Section 1: Important information about you	Summarises details from the client's personal and financial profile that are relevant to the advice being provided and the basis of the advice.
Section 2: My advice to you	Clearly and concisely sets out what the advice is and the basis for the advice.

Section 3: What else you need to know	Addresses the conflicts of interest of the adviser and the licensee, as well as some of the other key questions the clients might have about the advice.
Authority to proceed	Generally, standard industry practice is to include some kind of document giving the adviser an 'authority' to proceed according to the advice. We have included this along with a checklist of important things the clients should make sure have been done before acting on the advice.

- RG 90.10 The last part of Section C details what is not included in the example SOA and why. The sections we have not included are:
- (a) a table of contents;
 - (b) disclaimers and warnings;
 - (c) product information;
 - (d) financial services provided; and
 - (e) additional information not material to the advice or the basis of the advice.

Financial advice scenario

- RG 90.11 We have designed the example SOA based on a hypothetical and limited financial advice scenario (i.e. one that does not require a full financial plan) developed in consultation with stakeholders. This scenario is set out in Appendix 1.
- RG 90.12 It deals with personal advice about investing in managed funds and basic deposit products and personal insurance, given to a new client (i.e. not in an ongoing advisory relationship). The advice we developed is one of a number of possible outcomes.
- RG 90.13 While we have tried to ensure that the financial advice scenario is as realistic as possible, we recognise that there might be disagreement with some aspects (e.g. the fact that the scenario does not deal with general insurance). Our aim in releasing the example SOA is to illustrate clear, concise and effective disclosure and not to illustrate the giving of suitable or best advice.

Example SOA

- RG 90.14 We have released the example SOA to illustrate a clear, concise and effective SOA in 20 pages or less: see Appendix 2. Our aim was to develop a worked example of good disclosure practice (but not necessarily best practice) for a particular financial advice scenario that satisfies a basic level of disclosure and complies with the law.

- RG 90.15 We will continue to monitor developments in SOA disclosure (e.g. any issues that might affect SOA disclosure arising from the implementation of the Future of Financial Advice (FOFA) reforms and ongoing feedback from stakeholders) to adapt and improve the example SOA over time.
- RG 90.16 For further example SOAs, see the appendix to Regulatory Guide 244 *Giving information, general advice and scaled advice* (RG 244). These examples are designed to illustrate the differences between factual information, general advice and scaled advice. They are intended to be helpful illustrations of our high-level guidance in RG 244. They are not intended to be scripts that advisers follow. For brevity, some factors are only touched on briefly whereas in a real advice situation, it is likely that the issue would be dealt with in more detail.
- RG 90.17 The advice in the example SOA should not be construed as ASIC giving what we consider best advice. The example SOA is purely intended to show how an adviser could produce a complying SOA that is not a lengthy or complex document. It is important to remember this purpose when considering the example SOA.
- RG 90.18 We consider that the example SOA demonstrates that advisers can produce clear, concise and effective SOAs without incurring unrealistic or uncommercial costs. In addition to information specific to the clients, the example SOA contains substantial generic information that would be included in every SOA produced by the adviser, including those recommending:
- (a) personal insurance produced by the adviser; and
 - (b) investment in managed funds produced by the adviser.
- RG 90.19 In our example, our adviser only receives commissions from the issuers of the income protection insurance, because this is excluded from the conflicted remuneration provisions: reg 7.7A.12A of the Corporations Regulations 2001. While the ban on conflicted remuneration and other banned remuneration in Divs 4 and 5 of Pt 7.7A of the Corporations Act bans many benefits that an adviser can receive, some commissions are still allowable where they are excluded from the conflicted remuneration provisions. If an adviser does receive allowable commissions, you will need to provide details of this in the SOA: s947(2)(d).
- Note: For further guidance on complying with the conflicted remuneration and other banned remuneration provisions, see Regulatory Guide 246 *Conflicted remuneration* (RG 246).
- RG 90.20 Our general approach to compliance with the SOA requirements is set out in Section D of Regulatory Guide 175 *Licensing: Financial product advisers—Conduct and disclosure* (RG 175). We will continue to assess SOAs against the existing law and our existing policy. The example SOA is an illustrative

aid. We encourage industry to consider it in preparing clear, concise and effective disclosure. We do not intend to assess any SOAs against the example SOA in a compliance review.

B Aims of the example SOA

Key points

The example SOA is intended to help advisers comply with the SOA requirements in Pt 7.7 of the Corporations Act. This section sets out the relevant legislative requirements and also provides a brief overview of how the best interests duty impacts on the content of SOAs: RG 90.21–RG 90.24

As well as providing clear, concise and effective disclosure, we believe SOAs should communicate to the client important and relevant information about the advice, so that they can make an informed decision about whether to act on the advice. This should include clearly, concisely and effectively summarising the advice and the reasoning that led to the advice: RG 90.27.

Over the course of the relationship between a client and their adviser, they are likely to consider and discuss a broad range of matters that help provide the background to the advice that is provided. While these may provide a context and background for the advice, the SOA may not need to include information about all of them in detail or even at all: RG 90.33–RG 90.36

Legislative requirements

- RG 90.21 We consider that the example SOA will help advisers comply with the SOA requirements in Pt 7.7.
- RG 90.22 Under s947B, 947C and 947D, an SOA must contain:
- (a) a statement setting out the advice (s947B(2)(a) and 947C(2)(a));
 - (b) information about the basis on which the advice is or was given (s947B(2)(b) and 947C(2)(b));
 - (c) a statement setting out the name and contact details of the providing entity and, where relevant, the authorising licensee (s947B(2)(c) and 947C(2)(c)–(d));
 - (d) information about remuneration, commission and other benefits capable of influencing the providing entity in providing the advice (s947B(2)(d) and 947C(2)(e));
 - (e) where the personal advice is based on incomplete or inaccurate information, a statement setting out the warning required by s961H (s947B(2)(f) and 947C(2)(g));
 - (f) where the personal advice recommends the replacement of one financial product with another financial product, the additional information required by s947D; and

- (g) any other statements or information required by the regulations (s947B(2)(g) and 947C(2)(h)).

RG 90.23 These requirements are subject to two general limitations, as set out in Table 2.

Table 2: General limitations on requirements

Level of detail	The level of detail for each matter is generally what a person would reasonably require for the purpose of making a decision about whether to act on the advice as a retail client: s947B(3) and 947C(3).
Clear, concise and effective	The statements and information in an SOA must be worded and presented in a clear, concise and effective manner: s947B(6) and 947C(6). Note: For guidance on clear, concise and effective disclosure, see RG 175.186–RG 175.190.

RG 90.24 Part 7.7A contains a series of obligations that financial advisers must follow in providing advice, which are designed to reduce conflicts of interest and ensure the adviser gives priority to their client's interests. This includes a best interests obligation for financial advisers, which requires them to act in the best interests of their clients and to place their clients' interests ahead of their own when providing personal advice to retail clients: s961B(1) and 961J(1).

RG 90.25 The adviser is deemed to have satisfied this duty if they can prove they have taken the steps set out in s961B(2). One way for an adviser to prove they have satisfied this duty is to ensure the client file reflects that the adviser has taken these steps. However, this is not the only way an adviser may demonstrate they have acted in the best interests of a client.

Note: See Section E of RG 175 for more guidance on our expectations for complying with the best interests duty and related obligations.

Purpose of an SOA

RG 90.26 The purpose of an SOA is to communicate to the client important and relevant information about the advice, so that they can make an informed decision about whether to act on the advice. The example SOA and this guide are underpinned by our existing policy guidance on the SOA requirements, including the requirement for clear, concise and effective disclosure.

Note: See Section D of RG 175 and the Good Disclosure Principles in Section C of Regulatory Guide 168 *Disclosure: Product Disclosure Statements (and other disclosure obligations)* (RG 168).

- RG 90.27 As outlined in RG 175, we consider that an SOA should clearly, concisely and effectively summarise for the benefit of the client:
- (a) the advice; and
 - (b) the reasoning that led to the advice, including:
 - (i) a concise summary of the client's relevant circumstances, as ascertained after making the inquiries required by s961B;
 - (ii) the scope of the advice;
 - (iii) the subject matter of the advice that has been sought by the client;
 - (iv) a generic description of the range of financial products, classes of financial product or strategies considered and investigated for the purposes of s961B;
 - (v) a concise statement of how the provider has acted in their client's best interests. We consider that it is good practice to set out the basis on which a reasonable advice provider would believe that the advice is likely to leave the client in a better position if the client follows the advice; and
 - (vi) a concise statement of the reasons why the advice and recommendations were considered appropriate, including in light of the alternative options considered, and the advantages and disadvantages for the client if the client follows the advice.

Note: In RG 175.143, we say that the SOA is a document that helps a retail client understand and decide whether to rely on personal advice. For further guidance on preparing and providing an SOA, see Section D of RG 175.

- RG 90.28 Consistent with this purpose, we have developed and designed the example SOA as a communication tool that sets out and explains the advice. It has not been designed for use as:
- (a) a compliance tool;
 - (b) a mechanism to protect the providing entity against liability;
 - (c) a complete record of all information which you would expect to find in the client file (i.e. the information kept about the advice provided to the client in order); or
 - (d) the place to include additional information not required by law (e.g. educational material).

Note 1: For guidance on preparing and providing suitable personal advice, see Section B of RG 175 and Sections D–F of RG 244.

Note 2: For guidance on including additional information in an SOA and the clear, concise and effective disclosure requirement, see RG 175.157–RG 175.200.

- RG 90.29 We impose a licence condition requiring AFS licensees to keep (or cause to be kept) a copy of every SOA and Financial Services Guide (FSG) provided

by the licensee or by any authorised representative of the licensee to a retail client. The copies must be kept for at least seven years from the date that the SOA or FSG is provided to the client.

Note: We have provided guidance on the record-keeping obligations in Section D of RG 175. We released Consultation Paper 214 *Updated record-keeping obligations for AFS licensees* (CP 214) on 31 July 2013.

- RG 90.30 The information we require to be kept under the record-keeping obligation will help to demonstrate that the adviser has satisfied the best interests duty and related obligations.
- RG 90.31 We have developed the example SOA on the basis that the adviser in our financial advice scenario is maintaining information on a client file. We have assumed that this information shows that our adviser meets the best interests obligation and related obligations.
- RG 90.32 We have not included in the example SOA all of the information we would usually expect to find in the client file. For example, the example SOA does not include information about the alternative products and strategies considered but rejected by the adviser in providing the advice. However, we would expect that this information would be clearly set out in the client file.

Other communications with a client

- RG 90.33 In developing the example SOA, we considered what information could be excluded based on both the disclosure requirements and the purpose of the SOA in the context of the whole adviser–client relationship.
- RG 90.34 The SOA is intended to communicate to the client particular information at a particular point in time. Over the course of their relationship, however, an adviser and client will consider and discuss a broad range of matters that help provide the background to (and eventual basis for) the advice that is provided.
- RG 90.35 Some of these matters include:
- (a) the client's:
 - (i) personal circumstances (including their tolerance to risk);
 - (ii) financial circumstances; and
 - (iii) goals and objectives;
 - (b) financial concepts, including the concept of risk and return and what this means for asset allocation when investing;
 - (c) the financial services that the providing entity is authorised to provide (including the cost of those services and any limitations that apply to those services);

- (d) information about financial strategies and financial products; and
- (e) the advice itself (including its cost, advantages and disadvantages and alternative products and strategies that were considered but disregarded by the adviser).

RG 90.36 While these matters may provide a context to and background for the advice, the SOA might not need to include information about all of them in detail or even at all. Information about these matters could be provided to the client in:

- (a) other documents, including the FSG, Product Disclosure Statement (PDS) or promotional literature;
- (b) verbal communications, such as face-to-face meetings and telephone conversations; and
- (c) other written communications, such as emails, faxes and letters.

C Sections of example SOA

Key points

This section of the guide details what each section of the example SOA contains and why.

It also runs through some sections that may be appropriate in some SOAs, but that have been left out of our example SOA and why.

Our example SOA assumes that this particular adviser only receives commissions from the issuers of the income protection insurance she recommends, as while many forms of commission are now banned under the conflicted remunerated provisions, income protection insurance is excluded. In practice, advisers may continue to receive other commissions that are excluded from the conflicted remuneration provisions. In all cases, the SOA will need to provide information detailing the remuneration, commissions and other benefits the providing entity (and other persons specified in s947B(2)(d) or s947C(2)(e)) will, or reasonably expects to, receive for the advice.

Front cover

- RG 90.37 The front cover sets out basic information the clients need to know before they read the content of their SOA. This includes:
- (a) the fact that the document is called a Statement of Advice or an SOA;
 - (b) the name of the providing entity and their contact details;
 - (c) the name of the authorising licensee and their contact details; and
 - (d) what the SOA is about and why the clients should read it.

Summary of my advice

- RG 90.38 Consistent with our existing policy on clear, concise and effective disclosure, we have included a ‘summary’ in the example SOA. The summary highlights the important information of the example SOA and indicates where more detail can be obtained. It sets out:
- (a) the advice;
 - (b) why the advice is appropriate;
 - (c) the risks of the advice;
 - (d) any fees and commissions (i.e. conflict of interest information); and
 - (e) the steps the clients should take to act on the advice.

Section 1: Important information about you

- RG 90.39 This section of the example SOA summarises details from the clients' personal and financial profile that are relevant to the advice being provided and the basis of the advice.
- RG 90.40 Details we considered relevant to summarise were:
- (a) the clients' goals and objectives as described by them;
 - (b) the clients' personal circumstances;
 - (c) how much money the clients have to invest;
 - (d) what the clients' assets and liabilities are; and
 - (e) the clients' attitude to risk.
- RG 90.41 While the relevant client file would contain more detailed information about the personal and financial circumstances of the clients, we did not consider it necessary to include all of this information in the example SOA in this instance. We recognise that the level of relevant personal and financial information included in an SOA may vary depending on the scope and complexity of the advice being sought and the circumstances of the particular client.

Section 2: My advice to you

- RG 90.42 This section of the example SOA clearly and concisely sets out what the advice is and the basis for the advice. We have limited the information in this section to relevant information the clients need to know in order to:
- (a) understand what the advice is; and
 - (b) decide whether to rely on the advice.
- RG 90.43 This information is under five separate headings, which pre-empt the questions we think the clients are likely to have about the advice. The information under each heading is sufficient to answer the question posed. However, we recognise that the types of questions a client may have and the level of information provided in an SOA may vary depending on the advice being sought and the circumstances of the particular client.

Table 3: Example headings for advice

Heading	Explanation
What is my advice?	We have not included a detailed discussion of any of the recommended financial products because this will be in the relevant PDS. We have assumed that no PDS is required for the high-interest at-call joint-deposit account. We have also assumed that the adviser will provide relevant information about deposit accounts.

Heading	Explanation
Why is my advice appropriate for you?	<p>We have summarised why each recommendation is appropriate for the clients in our financial advice scenario under 'What is my advice?'. We have limited the information to key points we think the clients need to know about each recommendation to understand why the advice meets their goals and objectives in Section 1.</p> <p>We have not included a detailed analysis of each of the recommended insurance products. We consider that the example SOA provides sufficient information for the clients to understand why the type and amount of insurance cover has been recommended. However, we have assumed that the adviser in our financial advice scenario has sufficient information on the client file, in accordance with the record-keeping obligation.</p>
Does my advice have any disadvantages?	<p>We consider that a discussion about the appropriateness of the advice (and its advantages) should be followed by clearly pointing out the key disadvantages and risks of the advice, so that the clients have all the information they need to make a decision. We have deliberately not included generic information about risk (e.g. generic references to inflation risk or currency risk). We have tailored the information to the particular clients and recommendations. One disadvantage in our financial advice scenario is that the selected products will not achieve the clients' objective of doubling their money in 10 years. A risk is that the value of the managed funds may decrease.</p>
What are the consequences of replacing one financial product with another?	<p>This question addresses the disclosure obligation in s947D of the Corporations Act. Section 947D applies where personal advice is, or includes a recommendation, to replace one financial product with another. We consider the example SOA satisfies s947D for our financial advice scenario.</p>
What doesn't my advice deal with?	<p>This question highlights any gaps in the advice and reminds the clients that the adviser can provide them with further advice if they want it, at an additional cost. This gives the clients enough information to make them aware of other matters they might need to consider sometime in the future. It also shows the limited scope of the advice. We have deliberately drafted this information so it is not a disclaimer or warning.</p>

Section 3: What else you need to know

- RG 90.44 The information in this section of the example SOA addresses the conflicts of interest of the adviser and her licensee. It also addresses some of the other key questions the clients might have about the advice.
- RG 90.45 As in Section 2, we have used headings to pre-empt possible questions. We recognise that the types of questions a client might have and the level of information provided can vary depending on the advice being sought and the circumstances of the particular client.
- RG 90.46 The key questions and information we consider that the clients in our financial advice scenario need to know about include:
- (a) any fees for the advice and for preparing the SOA;

- (b) any commissions the adviser and the licensee will receive if the clients decide to follow the advice and what this means for the advice being provided;
- (c) the product costs the clients will pay if they purchase or invest in the recommended financial products;

Note: For further guidance on disclosure of product costs, see RG 90.48.

- (d) whether the adviser is restricted to an approved product list and what this means for the advice being provided;
- (e) whether the licensee is associated with any of the recommended investments;
- (f) whether the adviser guarantees the investments that have been recommended;
- (g) whether the clients can change their minds about any of the purchases and investments after they have invested their money;

Note: It is important that the clients know about their cooling off-rights. Because the example SOA refers the clients to the PDS for each financial product rather than providing detailed information in the SOA, we have assumed for this purpose that the adviser has explained to the clients the importance of their cooling-off rights and has shown them where that information is located in the PDS.

- (h) whether the advice has a time limit; and

Note: We have included this information to highlight that the advice has a time limit and that the clients shouldn't act on it after a certain date. It is important for the clients to know that the advice is only appropriate for them at this point in time, based on their personal and financial circumstances and other factors such as products currently on the licensee's approved product list.

- (i) whether the clients' personal information is protected.

RG 90.47 In disclosing fees, commissions and product costs, we believe that the SOA should explain to the clients why they need to know this information. We have also tried to be very clear about what the fee for the advice is, what the commissions are and what the cost of each product is.

RG 90.48 We consider that, given our financial advice scenario, information about the cost of the managed funds is required by s947D. We have included these product costs here, and used cross-references to this information in Section 2, so that all the fee-related information is in one place in the SOA. We have also referred the clients to the PDS for each product for more information. We encourage you to consider when information about product costs should be disclosed in an SOA even if it is not required by s947D. We consider that, generally, a consumer would be interested to know about product costs when deciding whether to act on personal advice and such information would be disclosed as a matter of good practice.

- RG 90.49 In recommending specific financial products, it may be necessary to consider whether the licensee ought to be benchmarking these products on a regular basis against similar products in the market, in order to be certain that they are appropriate for you to recommend to your clients. This may be desirable to fulfil the requirements of the best interests duty: s961B(2)(e).

Note: For further guidance on market benchmarking, see RG 175.318–RG 175.320.

Authority to proceed

- RG 90.50 We have noted that, generally, standard industry practice is to include some kind of document giving the adviser an ‘authority’ to proceed according to the advice. We have included an ‘Authority to proceed’ along with a checklist of important things the clients should make sure have been done before they act on the advice.

What’s not included in the example SOA

Table of contents

- RG 90.51 Because the example SOA is only 13 pages (including the authority to proceed), we decided not to include a table of contents. The beginning of each section clearly summarises the information included in that section and we have used navigational tools (e.g. pointer icons) to highlight important information we want clients to consider. As outlined in our existing policy, we think that a table of contents might be necessary in a longer document.

Note: For further guidance about using navigational tools in an SOA, see RG 175.190.

Disclaimers and warnings

- RG 90.52 Consistent with its purpose as a communication tool (and not a mechanism to protect against liability), we have not included any of the usual disclaimers or warnings in the example SOA. This means that the SOA can focus on setting out and explaining the advice.
- RG 90.53 We have excluded this information because it is not designed to help the clients understand (and decide whether to rely on) personal advice. We think it would be more appropriate to include this type of information in other documents (e.g. documents that establish the legal relationship between the adviser and the clients, such as the FSG or the letter of engagement).

Product information

- RG 90.54 We have not included detailed information about the recommended financial products in the example SOA because this information will be in the PDS for each product. We have assumed, however, that the adviser has drawn the clients' attention to the relevant information in each PDS.
- RG 90.55 The PDS is the point-of-sale document that sets out the significant features of a financial product, including its risks, benefits and cost. Its broad objectives are to help consumers compare and make informed choices about financial products.

Note: For further guidance about complying with PDS requirements, see RG 168.

Financial services provided

- RG 90.56 We have not included information about any of the other financial services provided by the adviser because this information would be available in the FSG. We have assumed, however, that the adviser has drawn the clients' attention to the relevant information in the FSG.
- RG 90.57 Under the Corporations Act, the FSG must include (among other things) information about the kinds of financial services that the adviser is authorised to provide: s942B(2)(c) and 942C(2)(d).

Note: For further information and guidance about what must be included in an FSG, see Section C of RG 175, particularly RG 175.96–RG 175.113.

Additional information

- RG 90.58 We believe that an SOA should be confined to explaining the advice and the basis of the advice. This means we have not included any information in the example SOA that does not satisfy this purpose.
- RG 90.59 In this context, we have taken the view that it might be more appropriate for additional information not material to the advice or the basis of the advice to be given to, and discussed with, clients through some other means (e.g. in other documents like promotional material, or in face-to-face meetings). In developing the example SOA, we have assumed that the adviser has told the clients that they can provide additional information on request.
- RG 90.60 While we recognise that the SOA may have some educational value, its primary purpose is as a disclosure document. We consider that it is not realistic for the information in an SOA to be used to fully educate a consumer about investing their money. This means we have not included additional educational information.

Note: On the front cover of the example SOA, we have referred the clients to the providing entity's website and MoneySmart (ASIC's consumer website) for more information.

Design and layout

RG 90.61 We have used simple design and layout techniques in the example SOA (e.g. pointer icons, tables and headings) to help highlight key information and make the document easier to read. We have clearly cross-referred to other parts of the document, as well as other disclosure documents, instead of repeating information.

RG 90.62 The example SOA is formatted in a common word processing package and uses language that is appropriate and likely to be easily understood by the clients. We have deliberately used simple, plain English. Our aim was to develop a disclosure document that could be read and understood by anyone, regardless of their level of understanding about financial products.

RG 90.63 We designed the example SOA so that it consisted of three separate sections with each section covering a different topic. In our view, the layout of the example SOA reflects the process of giving advice, including a discussion of:

- (a) the goals and objectives of the clients;
- (b) the personal and financial circumstances of the clients;
- (c) the risk profile of the clients;
- (d) the advice;

Note: The example SOA does not include information about the alternative products or strategies that are considered but that do not form part of the final recommendation given by the adviser. However, we would expect that this information would be maintained on the client file in accordance with the record-keeping obligation: see RG 90.29–RG 90.31.

- (e) why the advice is appropriate;
- (f) the disadvantages of the advice;
- (g) the consequences of replacing one product with another;
- (h) what the advice doesn't cover (e.g. its scope);
- (i) the conflicts of interest of the providing entity and the licensee including, fees, commissions and product costs; and
- (j) what the clients should do next.

Commissions

RG 90.64 We have assumed that this particular adviser only receives commissions from the issuers of the income protection insurance she recommends, as while many forms of commission are now banned under the conflicted remunerated provisions, income protection insurance is excluded: reg 7.7A.12A. In practice, advisers may continue to receive other commissions

that are excluded from the conflicted remuneration provisions. In all cases, the SOA will need to provide information detailing the remuneration, commissions and other benefits the providing entity (and other persons specified in s947B(2)(d) or s947C(2)(e)) will, or reasonably expects to, receive for the advice.

Note: See RG 246 for more information about what forms of commission are banned and the benefits that are not conflicted remuneration.

Key terms

Term	Meaning in this document
advice provider	A person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply when providing personal advice to a client. This is generally the individual who provides the personal advice. However, if there is no individual that provides the advice, which may be the case if advice is provided through a computer program, the obligations in Div 2 of Pt 7.7A apply to the legal person that provides the advice (e.g. a corporate licensee or authorised representative)
AFS licence	An Australian Financial Services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services Note: This is a definition contained in s761A.
AFS licensee	A person who holds an AFS licence under s913B of the Corporations Act Note: This is a definition contained in s761A.
authorised representative	A person authorised by an AFS licensee, in accordance with s916A or 916B of the Corporations Act, to provide a financial service or services on behalf of the licensee Note: This is a definition contained in s761A.
best interests duty	The duty to act in the best interests of the client when giving personal advice to a client as set out in s961B(1) of the Corporations Act
best interests duty and related obligations	The obligations in Div 2 of Pt 7.7A of the Corporations Act
client	A retail client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of Ch 7 of the Corporations Regulations
client's relevant circumstances	The objectives, financial situation and needs of a client that would reasonably be considered relevant to the subject matter of advice sought by the client

Term	Meaning in this document
conflicted remuneration	<p>A benefit given to an AFS licensee, or a representative of an AFS licensee, who provides financial product advice to clients that, because of the nature of the benefit or the circumstances in which it is given:</p> <ul style="list-style-type: none"> • could reasonably be expected to influence the choice of financial product recommended by the licensee or representative to clients; or • could reasonably be expected to influence the financial product advice given to clients by the licensee or representative. <p>In addition, the benefit must not be excluded from being conflicted remuneration by the Corporations Act or Corporations Regulations 2001</p>
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
example SOA	The example SOA set out in Appendix 2
factual information	Objectively ascertainable information whose truth or accuracy cannot reasonably be questioned
financial product	<p>Generally a facility through which, or through the acquisition of which, a person does one or more of the following:</p> <ul style="list-style-type: none"> • makes a financial investment (see s763B); • manages financial risk (see s763C); • makes non-cash payments (see s763D) <p>Note: This is a definition contained in s763A of the Corporations Act: see also s763B–765A.</p>
financial service	Has the meaning given in Div 4 of Pt 7.1 of the Corporations Act
Financial Services Guide (FSG)	<p>A document required by s941A or 941B to be given in accordance with Div 2 of Pt 7.7 of the Corporations Act</p> <p>Note: This is a definition contained in s761A.</p>
FOFA	Future of Financial Advice
general advice	<p>Financial product advice that is not personal advice</p> <p>Note: This is a definition contained in s766B(4) of the Corporations Act.</p>
licensee	An AFS licensee
PDS	Product Disclosure Statement

Term	Meaning in this document
personal advice	<p>Financial product advice given or directed to a person (including by electronic means) in circumstances where:</p> <ul style="list-style-type: none"> the person giving the advice has considered one or more of the client's objectives, financial situation and needs; or a reasonable person might expect the person giving the advice to have considered one or more of these matters <p>Note: This is the definition contained in s766B(3) of the Corporations Act.</p>
Product Disclosure Statement	<p>A document that must be given to a client in relation to the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act</p> <p>Note: See s761A for the exact definition.</p>
providing entity	<p>A person to whom the obligations in Pt 7.7 of the Corporations Act apply. This is the AFS licensee or an authorised representative that provides the financial product advice</p>
Pt 7.7A (for example)	<p>A part of the Corporations Act (in this example number 7.7A)</p>
reg 7.7A.12A	<p>A regulation of the Corporations Regulations 2001 (in this example numbered 7.7A.12A)</p>
RG 175 (for example)	<p>An ASIC regulatory guide (in this example numbered 175)</p>
s961 (for example)	<p>A section of the Corporations Act (in this example numbered 961), unless otherwise specified</p>
scaled advice	<p>Personal advice that is limited in scope</p>
Statement of Advice (SOA)	<p>A document that must be given to a client for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act</p> <p>Note: See s761A for the exact definition.</p>

Related information

Headnotes

advice provider, best interests duty, best interests duty and related obligations, communications with a client, example SOA, factual information, financial advice scenario, financial product, financial product advice, Financial Services Guide, FSG, general advice, goals and objectives, PDS, personal advice, Product Disclosure Statement, retail client, risk profile, scaled advice, scope of the advice, SOA, Statement of Advice, subject matter of advice sought by the client, tolerance to risk.

Regulatory guides

RG 168 *Disclosure: Product Disclosure Statements (and other disclosure obligations)*

RG 175 *Licensing: Financial product advisers—Conduct and disclosure*

RG 244 *Giving information, general advice and scaled advice*

RG 246 *Conflicted remuneration*

Consultation papers

CP 214 *Updated record-keeping obligations for AFS licensees*

Information sheets

INFO 182 *Super switching advice: Complying with your obligations*

Legislation

Corporations Act, Ch 7, Pt 7.7, Pt 7.7A Divs 4 and 5, s942B(2)(c), 942C(2)(d), 947(2)(d), 947B, 947C, 947D, 961B, 961H; Corporations Regulations 2001, reg 7.7A.12A

Corporations Amendments (Future of Financial Advice) Act 2012

Appendix 1: Financial advice scenario

Joe and Sue Black ask for advice from a financial planner, Sally Strong, who is an authorised representative of Planforit Pty Ltd, the holder of an AFS licence. Sally is authorised to advise about superannuation, general and life insurance products, managed funds and deposit products.

Joe is 43 and Sue is 41. They are married with two children aged 10 and 7. Both children are at government schools and it is not expected that they will go to private schools in the future. Joe and Sue are both in excellent health and have standard private hospital cover.

Joe's job pays \$85,000 a year, before tax. Sue is a stay-at-home parent. They receive a family tax benefit from the Government of \$5442.

Joe and Sue have no real savings (they usually have less than \$5,000 in the bank). Joe and Sue jointly own a house valued at \$550,000, with a \$50,000 mortgage. They also own other assets valued at \$85,000. Joe has \$50,000 in an investment-linked industry superannuation fund (built up from employer contributions). Sue has \$12,000 in a superannuation fund.

Joe's mother recently died and Joe got \$150,000 under her will, which he has put in their joint access savings account. This raises the amount in that account to \$155,000.

Most of the money Joe earns goes to paying the mortgage and covering living expenses, but Joe and Sue want to start investing for their future. However, they do not want to put the \$155,000 in super just in case they need money to cover things like a new car, renovating the house or taking the family on a long overdue holiday (although they don't think they will be spending money on these things within the next four to five years).

Joe and Sue want advice about how to invest the \$155,000 in their joint savings account.

Joe and Sue suggest that they would like to double their money in 10 years. But Joe and Sue are both worriers and make it clear to Sally that, while it would be nice if the investment grew in value over time, they do not want to take too many risks. Joe tells Sally that he was told by a friend to invest the money in hedge funds because, the friend said, they offer strong growth with low risk.

Joe and Sue tell Sally that they want to make some arrangements to protect themselves and their family in the event that either of them should die or become sick or injured. They tell Sally they do not want trauma insurance. They also say they do not want any advice about general insurance.

Appendix 2: Example SOA

This example SOA (Version 2.0) is based on a hypothetical and limited financial advice scenario developed in consultation with stakeholders. The financial advice scenario deals with personal advice about investing in managed funds and basic deposit products and personal insurance, given to a new client (i.e. not in an ongoing advisory relationship). The advice we developed is one of a number of possible outcomes. The purpose of this example SOA is to illustrate clear, concise and effective disclosure and not to illustrate the giving of suitable or best advice.

Statement of Advice

prepared for
Joe Black and Sue Black
by Sally Strong
authorised representative (No. 45678) of

Planforit Pty Ltd

ABN 12 345 678 901
Australian financial services licence no. 12345
12 Monet Street, Melbourne, 3000
(03) 9280 3200
financialservices@planforit.com.au

1 August 2013

What this document is about

Joe and Sue, you have asked for my advice about how to invest the \$155,000 that you have in your joint-access savings account and how you can protect your family in case either of you should die or become sick or injured.

This document (called a Statement of Advice or SOA) explains my advice.

At the front of the SOA, I highlight the key points of my advice, but please make sure you read *each section* of the SOA.

A pointer icon like this  highlights something important.

My contact details

You can contact me on: **(03) 9280 3200**

My email address is: **sstrong@planforit.com.au**

Postal address: **12 Monet Street, Melbourne, 3000**

More information on investing

For general information about insurance and investing (including a managed funds calculator to help you understand the effect of fees and different investment options) go to **www.moneysmart.gov.au**.

You can also visit Planforit's website at **www.planforit.com.au**.

Summary of my advice

What my advice is

- I recommend that Joe gets:
 - \$950,000 of life and total and permanent disability (TPD) cover from his super fund
 - Bygones Income Protection Cover to cover 75% of his income if he is unable to work because of illness, accident or injury.
- I recommend that Sue gets \$350,000 life and TPD cover from her super fund.
- I recommend that you use the \$155,000 in your DMF Bank joint-access savings account as follows:
 - use \$50,000 to pay off your mortgage
 - invest \$25,000 in a high-interest at-call joint-deposit account with DMF Bank
 - invest \$40,000 in the Bluebottle Balanced Managed Fund
 - invest \$40,000 in the Balanced Alphabet Fund.
- I recommend that you do not invest in hedge funds.

Why my advice is appropriate

Having appropriate insurance will give you and your family protection in the event that either of you die or become sick or injured. The recommended investments are suitable for investors like you who want your money to grow over time and are prepared to take some, but not a lot, of risk. You can still withdraw your money from these investments if you need it. Paying off your mortgage means you will no longer be making repayments, which will save you money.

Risks in my advice

All managed funds (including the managed funds I have recommended) carry some risk. These investments are not like having money in the bank. There is a risk that their value might not go up as quickly as planned (or at all) and that their value might go down.

What my advice doesn't cover

My advice does not cover trauma insurance (i.e. a lump sum payable on diagnosis of a defined illness or injury), your general insurance needs (e.g. car and house insurance), the adequacy of your super for retirement, general tax issues or what you should do with the extra money you will have by paying off your mortgage.

Fees and commissions

The fee for my advice and for preparing this SOA is \$1450. Of this, Planforit will get \$580 and I will get \$870. Please pay this within 14 days of receiving this SOA. If you follow my advice, Planforit will be paid upfront and ongoing commissions for your purchase of the insurance products. I do not receive commissions for my recommendations to invest in managed funds. You will also be charged fees for purchasing and investing in some of the products I recommend.

Next steps

To decide whether to follow my advice, you should:


- make sure you understand my advice
- ask me any questions you have.

To follow my advice, complete the authority to proceed at the end of this document and return it to me.

Section 1: Important information about you

This section has information about you that I used in preparing my advice, such as your:

- goals and objectives
- personal and financial information
- risk profile and financial knowledge.

 Please tell me if you think this information is wrong or incomplete because it will affect my advice.

Your goals and objectives

We met on 12 July 2013 for the first time. At that meeting, you told me you wanted advice about how to invest the \$155,000 in your joint-access savings account, which includes the \$150,000 Joe inherited under his mother's will. You also told me that you:

- wanted to make some investments to provide for your future
- wanted to protect yourselves and your family in case either of you should die or become sick or injured
- were hoping to double the value of your investments in the next 10 years or so, but you didn't want to take too many risks
- wanted to be able to use the money if you needed it to pay for things like a new car, family holidays and house renovations. You are not expecting to make these purchases for at least four to five years
- didn't want to put the money into Joe's super because you don't want the money locked away until Joe retires
- were thinking of investing in hedge funds because a friend said they have strong growth and low risk.

Your personal information

<i>Joe</i>	<i>Sue</i>
43 years old	41 years old
Employed as a computer programmer. Currently has three months sick leave available	Stay-at-home parent and does not intend to go back to work on a full-time basis
Excellent health	Excellent health
No family history of hereditary diseases or early death	No family history of hereditary diseases or early death
Standard private hospital cover	Standard private hospital cover
Has a current will	Has a current will

You have two children: Katie is 10 and John is seven. They currently go to government primary schools. You do not expect that they will go to private schools.

Your financial information

What you earn and spend each year

Your yearly income before tax	\$85,000
Your yearly income after tax	\$65,603
Benefits (Family tax benefits from the Australian Government)	\$5,442
Your total yearly income after tax + benefits	\$71,045
Your total yearly expenses	\$70,200 (about \$1,350 a week)

This tells me that your income just covers your expenses, and doesn't let you save much.

What you own and what you owe

Asset	Owner	Value	Liabilities	Amount
House	Both	\$550,000	Mortgage	\$50,000
DMF Bank joint-access savings account	Both	\$155,000		
Superannuation—Data Industry Super Fund	Joe	\$50,000		
Superannuation—QRS Super Fund	Sue	\$12,000		
Other assets	Both	\$85,000		
	Total assets	\$852,000	Total liabilities	\$50,000

Your risk profile

Investing involves risk. Risk is the chance that an investment will not give you the returns you hoped for or that you will lose money. Almost all investments have risk, but some have more than others.

Generally, investments that are expected to pay higher returns involve more risk. While these investments are likely to produce higher returns over time than more conservative investments, over short periods they can fall in value and lose money.

From our discussions, I think you are 'balanced' investors. That is, you want your investments to grow in value over time and will take some risks to achieve this. I have explained that your goal of doubling your money in 10 years (even if achievable) would involve a much higher level of risk than you are comfortable with.

On this basis, I think an appropriate asset mix for you is:

- about 40% in income assets (such as, for example, deposit products)
- about 60% in growth assets (such as, for example, some managed funds).

The chance of a negative return for this kind of asset mix is about one year for every five years you invest.

Section 2: My advice to you

This section tells you:

- what my advice is and why it is appropriate for you
- any disadvantages of my advice
- the consequences of replacing one financial product with another
- the important things my advice does not deal with.

☞ Please read this section carefully and ask me if you have any questions.

What is my advice?

- Based on what you are prepared to spend, I recommend the following personal insurance products:

<i>Type of cover</i>	<i>Product*</i>	<i>Product provider</i>	<i>Amount of cover</i>
Life and TPD cover for Joe	Data Life & TPD Cover	Data Industry Super Fund	\$950,000
Income protection for Joe (paid to you in the event of sickness or injury to age 65)	Bygones Income Protection Cover with a three-month waiting period	Bygones Financial Services (Bygones)	\$5,312 per month (equal to 75% of your current monthly taxable income)
Life and TPD cover for Sue	QRS Life & TPD	QRS Super Fund	\$350,000

* I have enclosed a Product Disclosure Statement (PDS) for each of these products. The PDS will explain the cover (e.g. when you can make a claim).

- We discussed trauma insurance and you told me it was not a priority for you.
- I recommend that you close your DMF Bank joint-access savings account and use the money in the following way:
 - pay off the \$50,000 mortgage you have with DMF Bank
 - invest \$25,000 in a high-interest at-call joint-deposit account with DMF Bank
 - give the remaining \$80,000 to Sue to invest as follows:

<i>Amount</i>	<i>Use/investment*</i>	<i>Product provider</i>	<i>Investor name</i>
\$40,000	Bluebottle Balanced Managed Fund	Bluebottle Financial Services	Sue Black
\$40,000	Balanced Alphabet Fund	XYZ Financial Services	Sue Black

* I have enclosed a Product Disclosure Statement (PDS) for each of these products.

- I recommend you do not invest in hedge funds.

Why is my advice appropriate for you?

Personal insurance

You need personal insurance to protect your current financial situation and lifestyle should anything happen to either of you.

Joe needs life and TPD cover and income protection insurance because he earns the income. It is cheaper for Joe to get life and TPD cover from his existing super fund. The amount of life and TPD cover (if invested) would generate enough to replace what Joe currently earns. This would give protection to Sue and the children. The income protection is the maximum amount available to Joe. The amounts I have recommended take into account:

- Joe's current income
- cover under Joe's existing super
- your current assets including your savings, investments and super balance
- that you will have no debt if you pay off your mortgage
- whether Sue will go back to work in paid employment if Joe dies or becomes sick or injured.

Sue also needs some insurance in case she can't continue to look after things at home. The amount of life and TPD cover would pay for replacing Sue's home duties until the children are old enough to contribute (i.e. in about five to six years). It is cheaper for Sue to get this cover from her existing super fund. The amount I have recommended takes into account:

- the cost of hiring help to replace the work carried out by Sue
- your current assets including your savings, investments and super balance.

The \$350 you will save each month after paying off your mortgage gives you an annual saving of \$4200. The insurance I have recommended for you will cost \$3070.25 in the first year, which is more than offset by the savings from paying off your mortgage.

Paying off your mortgage

By paying off your mortgage, you will be better off than if you kept the mortgage and invested the \$50,000. Because you are no longer making mortgage repayments, you will have an extra \$350 a month to use.

Joe giving \$80,000 to Sue to invest

If Joe doesn't give the money to Sue, he will still own the investments (even if they are in Sue's name) and will have to pay the tax on the investment income at his marginal tax rate.

Putting the investments in the managed funds in Sue's name

This means you will both pay less tax overall, because Sue doesn't earn any income at the moment. Any income she does earn would be either tax-free or taxed at a very low rate. The income from the investments will not affect your entitlement to the \$5,442 family tax benefit.

Putting \$25,000 in a high-interest at-call joint-deposit account

This gives you access to extra cash if you need it, without any withdrawal costs. The high-interest at-call joint-deposit account at DMF Bank is on Planforit's approved product list. It offers a competitive interest rate similar to other high-interest deposit accounts, and has the convenience of being with your current bank.

Investing in the managed funds I have recommended

This spreads your investments across a number of different classes of assets that suit your goals and objectives. Bluebottle Balanced Managed Fund and Balanced Alphabet Fund invest in an asset mix of about 40% in income assets and 60% in growth assets. These funds are both on Planforit's approved product list as suitable for balanced investors. By investing in two managed funds rather than one, you reduce your investment risk, in case one fund performs badly.

Not investing in hedge funds

Hedge funds aren't on the Planforit approved product list so I can't recommend them. In any case, they are unlikely to be an appropriate investment for you because they normally adopt investment strategies more suited to investors willing to take more risks.

How this advice is in your best interests

Following this advice should put you in a better position than your current position, as:

- you will save money on mortgage repayments
- the money you save on mortgage repayments can cover the insurance premiums you need to pay for insurance to safeguard your current financial position and lifestyle
- by dividing your savings between two managed funds and a high-interest at-call account, you can expect your investment to grow more over the long term but you will still be able to access funds should the need arise in the short term. While your goal of doubling your money is not realistic given I have assessed your risk tolerance as that of balanced investors, this strategy should give good growth without exposing you to high risk.

As you indicated your priorities were to make some arrangements to protect yourselves and your family in the event you die or become sick or injured, and how you could best invest your \$155,000, without taking too many risks, the strategies outlined above achieve this.

Does my advice have any disadvantages?

Personal insurance

The amount of cover recommended for Sue's life insurance is only sufficient to replace her contribution to the household for approximately five to six years.

Paying off your mortgage

Because you are paying off your mortgage early, you might be charged a discharge of mortgage fee and legal fees. You should contact DMF Bank about these fees.

Putting \$25,000 in a high-interest at-call joint-deposit account

You must keep at least \$5,000 in this account. Because this account will replace your current joint-access savings account, you will also have to arrange for any automatic deposits (e.g. salary) or transfers (e.g. bill payments) to link to the new account.

Investing in the managed funds

You can withdraw money if you need it, but you must keep at least \$2,000 in each fund to keep it open. While you can withdraw your money, if you do so within a short period of time (e.g. three years) you might find that the amount of money you can withdraw is less than the amount of your original investment. You will pay a fee for adding to or withdrawing money, and on your account balance each month: see Section 3. Managed funds involve some investment risk and do not guarantee your returns. The value of your investments might not increase as you would like (i.e. they might not give you the return you want), and their value might fall. Changes in financial markets might change the value of your investment from day to day.

Consequences of replacing one financial product with another

Putting \$25,000 in a high-interest at-call joint-deposit account

The high-interest at-call account offers a higher interest rate than your existing account. There are no charges for withdrawing money from your existing account, and no charges for opening the new one. However, you have to keep a balance of at least \$5,000 in that account whereas there is no minimum amount for your joint-access savings account.

Investing in the managed funds

These funds charge higher fees than your joint-access savings account, including fees on any money you put in: see Section 3. For the fund that I have recommended, you will have to pay a 2% contribution fee and a 1.5% management fee in the first year. In effect this means your balance will decrease by 3.5% in the first year, offset by any earnings of the fund.

As you have indicated your desire to increase your money without taking on too many risks, managed funds are an appropriate investment tool for you to consider as, over the longer term, you can reasonably expect a higher return from these investments (although this cannot be guaranteed). While investing in managed funds carries some risk, because of the diversified nature of the funds, the risk is not high. Investing in two managed funds also reduces your investment risk in case one fund performs badly.

The value of your investments in the managed funds can change from day to day and might fall. Accounts like your joint-access savings account or a high-interest at-call deposit account offer more stability on a day-to-day basis. You will pay a product fee to invest in the managed funds I have recommended: see Section 3.

What my advice doesn't deal with

What to do with the \$350 extra you will have each month if you pay off your mortgage

Some of this money can be used to pay for the insurance products I have recommended. Some other uses are:

- saving the money in the DMF Bank high-interest at-call joint-deposit account
- putting extra money into the managed funds products I have recommended.

I can give you advice about this if you want me to, but at an additional cost.

Whether you have enough of the right insurance

You told me that you didn't want any advice about general insurance (e.g. car and house insurance), so my advice does not deal with your general insurance needs. You also told me you didn't want any trauma insurance so my advice doesn't cover that either. I have pointed out how important it is to have the right insurance. I can give you advice about general insurance and trauma insurance if you want it, but at an additional cost.

Tax issues

I am not a tax adviser and can only give you limited advice about tax. You may be entitled to a tax deduction for premiums paid on income protection insurance. I can refer you to a qualified tax adviser about this and other tax issues.

Superannuation

My advice does not consider whether you have enough superannuation for your retirement. I can give advice about this if you want it, but at an additional cost.

Section 3: What else you need to know

This section:

- tells you about fees and any commissions I will get
- explains what product fees you will pay
- answers other questions you might have about my advice.

☞ Please also make sure you read the Financial Services Guide (FSG) and ask me if you have any other questions.

What are my fees?

I will charge you a fee of \$1450 (including GST) for my advice and for preparing this SOA. Of this, Planforit will get \$580 and I will get \$870. Please pay this fee within 14 days of receiving this SOA.

What commissions will I get?

I do not receive commissions for the managed funds products I have recommended.

If you follow my advice, the issuers of the personal insurance products I have recommended will pay commissions to Planforit. I will get a share of those commissions. Some products pay a higher commission than other products. The products I have recommended are suitable for you. However, there might be other suitable products that pay a lower commission.

Commissions paid by the product issuer: Personal insurance products

<i>Product</i>	<i>Premium</i>	<i>Upfront commission paid to Planforit</i>	<i>My share of the upfront commission</i>	<i>Ongoing commission paid to Planforit</i>	<i>My share of the ongoing commission</i>
Bygones Income Protection for Joe	\$850.25 for the first year	\$1020.30 (equal to 120% of the premium for the first year)	\$918.27 (90% of the upfront commission)	7.3% per year based on that year's premium	90% of the ongoing commission

Notes on ongoing commissions for personal insurance products

Income protection

The amount of ongoing commission Planforit gets from Bygones depends on the amount of your premium. Suppose the premium for income protection is \$850, then Bygones will pay Planforit \$62.05 (7.3% of \$850) and of this I will get \$55.85 (90% of \$62.05). Bygones will work out the right amount and pay it to Planforit *each month* for as long as you continue to pay the premium.

Life and TPD

There are no upfront or ongoing commissions for these products.

What product fees will you pay?

If you follow my advice, the insurance products and managed funds I have recommended will charge you product fees (see the PDS for each product for full details). Here is what you will pay for your initial investments.

Personal insurance products

Type of cover	Premium payable for the first year*
Data Industry Super Fund—Life and TPD cover for Joe	\$1,750.00 for the first year
Bygones income protection for Joe	\$850.25 for the first year
QRS Super Fund—Life and TPD cover for Sue	\$470 for the first year
Total	\$3,070.25

* Premiums can change from year to year.

Bluebottle Balanced Managed Fund

Fee type	How the fee is worked out	Amount
Contribution fee	2% of your initial investment	\$800 (for your initial investment of \$40,000) Additional contributions fees will apply if you make further investments in the future.
Management costs	1.5% per year on your average account balance	The exact amount depends on your account balance. For example, on a balance of \$40,000, the annual fee would be \$600.

Balanced Alphabet Fund

Fee type	How the fee is worked out	Amount
Contribution fee	2% of your initial investment	\$800 (for your initial investment of \$40,000) Additional contributions fees will apply if you make further investments in the future.
Management costs	1.5% per year on your average account balance	The exact amount depends on your account balance. For example, on a balance of \$40,000, the annual fee would be \$600.

☞ You might have to pay other product fees. Make sure you read the PDS for each product thoroughly. If you have questions about product fees after reading the PDS, please call me.

Other questions you might have

Am I restricted to an approved product list?

Yes. Advisers (like me) who work for Planforit can only recommend products on Planforit's approved product list. This means that I looked only at products on that list when I prepared your advice, and did not look at other products available on the market. The Planforit approved product list is put together by a Planforit research team and is regularly reviewed. Ask me for a copy of the list if you are interested.

Is Planforit associated with any recommended products?

Yes. Planforit is partly owned by Bluebottle Financial Services, which manages Bluebottle Balanced Managed Fund. Bluebottle Financial Services will benefit (through management and other fees) if you decide to invest in Bluebottle Balanced Managed Fund (see 'What product fees will you pay?').

Planforit is not related to XYZ Financial Services, which manages the Balanced Alphabet Fund. However, we get some free investment research from XYZ Financial Services because we have the Balanced Alphabet Fund on our approved product list.

Planforit is not associated with DMF Bank, Data Industry Super Fund, Bygones Financial Services or QRS Super Fund.

Do I guarantee the managed funds I have recommended?

No. By law, my recommendation to invest in these managed funds must be 'appropriate' for you. However, I cannot guarantee the performance of those managed funds.

Can you change your mind?

Yes. Even after you have paid for the products I have recommended, you might be able to get your money back if you are not happy (this is known as your 'cooling off' rights). Generally, for insurance products and managed funds, you can do this within 14 days of buying the product. The PDS for each product has more information about this.

Does my advice have a time limit?

Yes. My advice expires on 1 September 2013. You should not rely on my advice after that time if you haven't acted on it by then.

Is your personal information protected?

Yes. Information about you will not be given to anyone without your written permission unless the law says we must.

Authority to proceed

☞ If you want to follow my advice, please sign and return the authority to proceed.

☞ **Before you sign this authority**, I would like you to check that I have:

- given you my Financial Services Guide (FSG)
- given you a Product Disclosure Statement (PDS) about each financial product that I have recommended
- talked to you about your personal circumstances, insurance needs and financial goals in a way you understand, and answered your questions
- discussed the risks involved in investing and how much risk you are prepared to take
- discussed any fees you will have to pay.

If I haven't done all of these things, **don't sign the Authority to proceed.**

☞ **Before you sign this authority**, please also make sure that you have:

- read all the documents I have given you
- checked that your personal information in this document is accurate
- asked me any questions you have.

☞ **By signing below**, you agree to the following products and investments being purchased on your behalf by representatives of Planforit.

Personal insurance

Product	Amount of cover	Product provider	Policy holder
Life and TPD cover for Joe	\$950,000	Data Industry Super Fund	Joe Black
Income protection for Joe	\$5,312 per month (equal to 75% of your current monthly taxable income)	Bygones	Joe Black
Life and TPD cover for Sue	\$350,000	QRS Super Fund	Sue Black

Investments

Amount	Use/investment	Product provider	Investor name
\$25,000	High-interest at-call joint-deposit account	DMF Bank	Joe & Sue Black
\$40,000	Bluebottle Balanced Managed Fund	Bluebottle Financial Services	Sue Black
\$40,000	Balanced Alphabet Fund	XYZ Financial Services	Sue Black

☞ **Signed:**..... ☞ **Signed:**.....
Joe Black / /13 **Sue Black** / /13