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WORD FROM THE EDITOR

A SHIFT IN THE GREAT DEBATE

Editor: Kate Kachor

The fee debate has finally taken a different turn.

While much of this year has been spent dragging out discussions over fees or commission payments for advisers, there has finally been a shift in attitudes on the matter.

Earlier this month, FPA chief executive Jo-Anne Bloch informed delegates at the 9th Annual Wraps, Platforms and Masterfunds Conference of the concerns of the association's members, in particular, fees paid to platforms.

FPA members are becoming concerned that fees to platforms will not be altered if the advice industry is forced into a fee-only remuneration model.

"The cost of advice is expensive in Australia because of compliance and so forth, but also the cost across the whole surface is expensive and financial planners are starting to ask the question: 'If we are going to move to a fee-based service and we are going to have to change what we do, where is this going to impact up the line, particularly if fees are unbundled and there is greater transparency?'" Bloch said.

> "FPA members are becoming concerned that fees to platforms will not be altered if the advice industry is forced into a fee-only remuneration model."

Planners are also questioning the need to continue paying platforms a percentage of funds under management and not dollar-based fees if the platform offering is a service, not a product.

The level of disconnect between advisers and platforms continues to widen, with financial planners and licensees said to be looking at becoming product issuers through white label solutions if platform rebates are removed.

"Many small licensees and a couple of the big ones too may struggle with the reduction of income if these payments are removed," Colonial First State general manager of distribution Paul Barrett told the conference.

"Planners are unlikely to pay the thousands of extra dollars than they currently do and the most likely options are that these licensees seek to become product issuers through white label solutions or they will join vertically-integrated firms where the service can be provided at a reasonable cost."

While the fee arrangement between advisers and product providers had been placed under greater scrutiny this year, for many planners rebates were not considered a conflict of interest, according to Barrett.

"A significant use of those payments today has been providing support services to advisers and dealer groups, and many small licensees that I talk to consider they have negotiated significant commercial terms with product providers and they don't influence their product lists," he said.

According to MLC and NAB Wealth executive general manager of advice and marketing Richard Nunn, the fee relationship between product providers and financial advisers and licensees would become greatly scrutinised, particularly by industry reviews.

"There is no doubt there will be significant change. If we think these reviews are going to thrash the industry with a wet lettuce leaf it's not going to happen – we are going to be in for some major change," Nunn said.

The change was likely to occur in two areas, he said.

"The relationship between the manufacturer and the adviser, and the manufacturer and the licensee and the adviser is going to come under significant scrutiny," he said.

"We do think we should remove volume rebates and shelf space fees, and I'm not saying we shouldn't have white label, and I'm not saying that the dealer groups shouldn't have platforms where they take some of the margin."

What are your thoughts?

Are you concerned that platform rebates will be removed?

Is this an issue for your business or not even on your radar?