Treasury knocks adviser fee rise

Sally Patten

The federal government rejected suggestions yesterday that plans to force investors to sign a fresh contract with their financial adviser each year would push up the cost of advice.

In a recent round table discussion with *The Australian Financial Review*, senior wealth executives had warned that requiring clients of planners to "opt in" annually to receive advice could lead to an increase in fees of up to 30 per cent.

But Treasury officials argued yesterday that planners and their clients could arrange a mutually agreeable payment schedule to prevent fees from rising.

"The opt-in policy will not necessarily require clients to pay more in advice fees upfront," said a spokesman for Assistant Treasurer Bill Shorten.

"For example, advisers can agree to payment plans to smooth out the cost of advice for their clients," the spokesman said, adding that clients would not be allowed to stop paying for services already rendered.

The wealth executives argued the price of an initial financial strategy, typically between $1500 and $4000, failed to cover the full cost of researching and completing the paperwork because it was assumed the planner would be able to recover this over several years.

If planners were unable to amortise the cost of setting up a financial strategy over many years, they would be forced to increase the upfront cost.

There were no signs that Treasury would back away from the opt-in proposal yesterday, despite the concerns from industry chiefs, which included the potential for legal problems in cases where clients had unwittingly let their annual agreements lapse.

Treasury officials stressed the benefits of requiring an annual contract to be signed between planners and their clients.

"The compulsory renewal notice will enable clients to be fully aware of the fees they are paying for retail financial advice, including any fees they may be paying on an ongoing basis," the spokesman said.

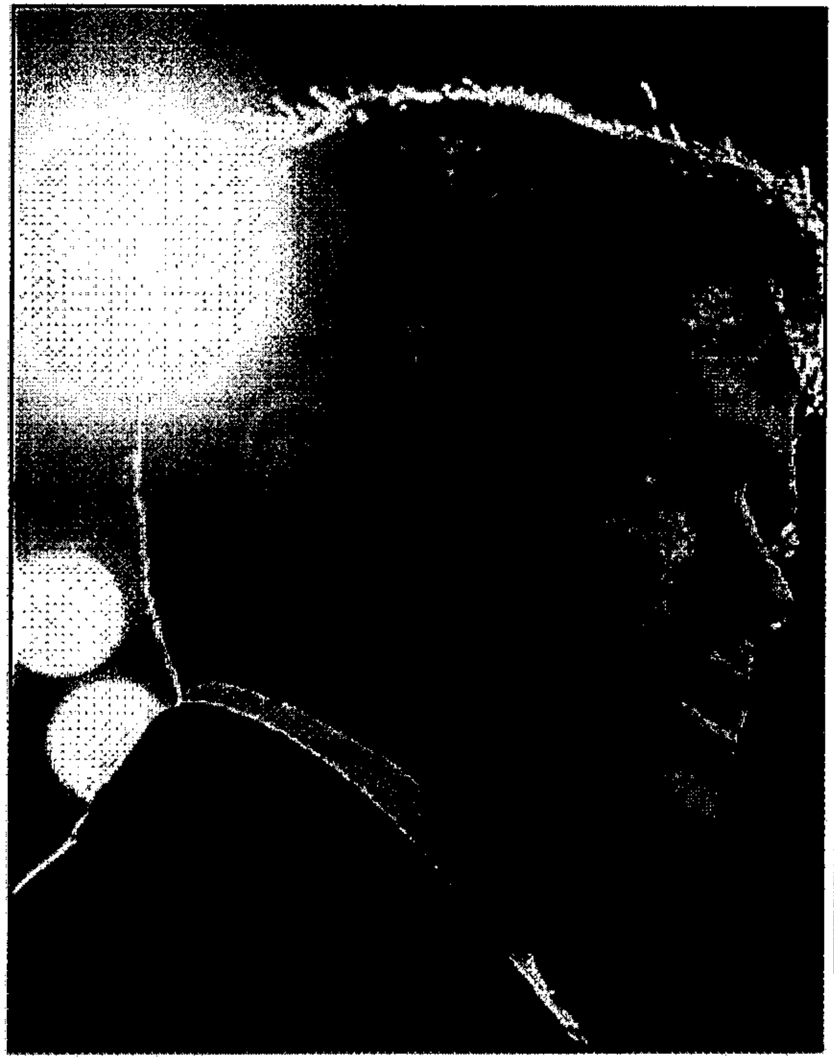
He said the government was consulting with stakeholders to ensure unnecessary costs to advisers and their clients were minimised.

David Whiteley, executive manager of Industry Super Network, which represents industry superannuation funds, argued there was no evidence that fees would rise as a result of the opt-in proposal.

He said any payment method needed to be transparent and take into account that many savers were apathetic. "It must take into account how consumers behave," said Mr Whiteley.

KEY POINTS

- Treasury officials say plans for investors to sign an annual contract with advisers won't add to fees.
- Wealth executives have warned fees could rise by up to 30 per cent.



Assistant Treasurer Bill Shorten wants to minimise adviser fees. Photo: ROB HOMER

NAB trading update

National Australia Bank will provide a trading update on February 8 covering its performance in the first quarter of the 2011 financial year.

Platinum signals loss

Platinum Capital anticipates a pretax operating loss of $7 million to $10 million for the six months to December 31 because of the accounting treatment of realised losses. It reported a $22.1 million pretax profit for the like 2009 half. The final result is due on February 8.

Aberdeen backing

Aberdeen Leaders Ltd says net tangible asset backing was $1.38 a share as at December 31. If estimated tax on unrealised gains at that date were deducted, the net tangible asset backing would be $1.32 a share.

WAM Research payout

The WAM Research portfolio increased by 4.4 per cent for the year to December 31, outperforming its key benchmarks by 7 and 2.2 per cent respectively. It will pay a fully franked dividend of 3¢ a share on March 28.

Emerging numbers

Emerging Leaders Investments advises that its net tangible assets were $1.18 a share, after tax, as at December 31. Its top holdings are Alumina, OZ Minerals and Mineral Resources.

Trust's NTA

Macquarie Winton Global Opportunities Trust says its estimated net asset value was $1.41 a share as at January 10.