

## **Fee Disclosure Policy**

### **Role of IFP – Policy Approval**

The Director, in conjunction with the Compliance Manager will approve and implement the Fee Disclosure Policy of the dealership in accordance with the prevailing regulatory requirements.

The process for approval will require the Director and Compliance Manager to give regard to the nature and use of ongoing Fee Disclosure Statement (FDS) in light of the Future of Financial Advice reforms which come into effect on July 1<sup>st</sup> 2013.

Integrity Financial Planners have prepared and issued the Fee Disclosure Policy for the Dealership.

Advisers must adopt the dealer's Fee Disclosure policy and are required to follow these requirements.

Adherence to and understanding of the Fee Disclosure policy will be confirmed in adviser reviews.

The Integrity Financial Planners Fee Disclosure Policy will be monitored and reviewed on a 12 monthly basis.

The review will be based on

- Information from adviser reviews
- Monitoring of any complaints in respect of Fee Disclosure Statement issues
- Any regulatory requirements

### **Introduction**

As a part of the Future of Financial Advice (FoFA) reforms all fee recipients will be required to provide retail clients with Fee Disclosure Statements post July 1<sup>st</sup>, 2013 on an annual basis.

ASIC's Regulatory Guide 245 provides additional guidance in this regard.

### **Who needs to be provided with a FDS?**

The requirement to provide a FDS only applies to retail clients who are given personal advice and pay an ongoing fee. Fee recipients (adviser/licensee) can confidently exclude wholesale-only clients and execution only clients.

Fee recipients must remember that an FDS must be given to existing retail clients as well as new clients. For this purpose a client falls into the category of a "new client" if they become a client post July 1<sup>st</sup>, 2013.

### **Who does not need to be provided with a FDS?**

The obligation to provide an FDS only arises where an ongoing fee arrangement exists between the client and the licensee or their Authorised Representative (AR).

An ongoing fee arrangement is an arrangement between the client and the licensee or AR to pay an ongoing fee for a period of more than 12 months.

The following are NOT considered to be ongoing fees that would be captured under an FDS:

1. Payment plan arrangement where:
  - The total fees payable is fixed and specified when the arrangement is entered into;
  - The fees are payable by instalments over a fixed period;
  - No fee is depending on the amount invested or advised about; and

- The client cannot opt-out of any of the payments under the agreement.
2. Insurance premium arrangements where the only fees payable are the premiums.

It should be noted that typically commissions are paid to an adviser under an arrangement between the product provider and the adviser, and as such are not covered under the FDS requirements.

### **Determining the disclosure date**

The disclosure date is the anniversary of the date that the ongoing fee arrangement was entered into.

For new clients this is simply the date that the client signed the client engagement letter (or Authority to Proceed).

For existing clients this is a little more complicated. Advisers need to ascertain when they first entered into an arrangement that included an ongoing fee. This could be either the date that the client signed the client engagement letter/authority to proceed, or when the initial financial product was acquired where an ongoing fee, not commission was a part of the product.

One other thing to be aware of is whether or not there are in fact two ongoing fee arrangements (two separate accounts, commenced on different dates, held by the one client).

Where it is impossible or unreasonably difficult to identify the disclosure date, a common sense approach should be adopted. It is expected that advisers will attempt to obtain the original disclosure date either from a client's file or from the product providers.

If after exhausting these avenues a disclosure date cannot be obtained you are able to choose a date between July 1<sup>st</sup> 2013 and January 31<sup>st</sup> 2014. This may be by way of client segmentation. As an example, all Gold clients may have a date of July 1<sup>st</sup>, all Silver clients, September 1<sup>st</sup>, all Bronze clients, November 1<sup>st</sup>, all other clients January 1<sup>st</sup>.

Should you choose to take this path then you need to maintain clear documentation on how you have segmented your client base and why you have selected the dates that you have. This information should be stored in EACH client file.

### **Diarise the first FDS due date**

Fee recipients must provide new clients with an FDS within 30 days of the disclosure day. Fee recipients must give existing clients an FDS due date within 30 days beginning on the disclosure date.

As an example, if a new client became a client on July 1<sup>st</sup>, then an FDS disclosure date must be between July 1<sup>st</sup> and July 31<sup>st</sup>.

However, on 19 March 2016 the Bill (renamed the Corporations Amendment Financial Advice Measures Bill) passed by the Parliament became effective. The Bill made a number of amendments, including extending the time period for the fee disclosure statements from 30 days after the relevant date to 60 days after the relevant date.

As an example, if a new client became a client on July 1<sup>st</sup>, the FDS disclosure date must be between July 2<sup>nd</sup> and Aug 30<sup>th</sup>.

It is important to note that it will only apply to clients for whom their Disclosure date occurs after effective date (19 March 2016). It does not apply to the clients where the Disclosure date occurs on or before the effective date. In that case the old requirement of 30 days will continue to apply.

### **What must be in an FDS?**

You must include the following in the annual FDS which is provided to clients:

- The amount of each ongoing fee paid by the client in the previous year, expressed as a dollar amount, NOT percentage;
- The services the client was entitled to receive in the previous year; and
- The services the client actually received in the previous year.

It should be noted that you need to list the services that the client was entitled to receive even if they did not take up the service offered.

Commission payments generally do not need to be included in the FDS, except where it is onerous to segregate the commission from the fee.

Best practice would indicate that it is appropriate, *and potentially easier*, to disclose all income received from the client.

### **How to provide the FDS**

The FDS must be provided to a client personally, either by post, email or secure on line portal.

It is encouraged that you agree with your client the most appropriate method of delivery for each client.

In relation to Fee Disclosure Statements there is no requirement for the client to acknowledge receipt of this document (Opt-in is a separate issue which only relates to new clients post 1<sup>st</sup> July 2013).

### **Breach**

Failure to comply with this policy may result in disciplinary action being taken against you (including mandatory reporting to ASIC), which, in serious cases of failure to comply, may include the termination of your representative status.

### **Miscellaneous**

This policy may be subject to change from time to time at the Dealer's discretion. It does not form part of your Adviser Agreement or any industrial instrument that applies to you.

### Sample Fee Disclosure Statement

At **Practice Name**, we believe your Statement of Advice (financial plan) is just the initial road map, or first steps in your planning journey.

It is our quality ongoing management and regular re-assessment that is most important to help you maximise your desired outcomes.

Over the past 12 months the following services have been available to you. You have utilised some of these services:

A formal review meeting where we undertook an overview of your Financial Situation which provided us with an update on changes in your personal and financial circumstances, to help us ensure you are on track to help meet your goals.

During this process we informed you of any relevant changes to legislation including investment, tax, superannuation, retirement laws and/or Centrelink entitlements that may be applicable.

We are able to revisit and adjust your current investment strategies as needed, taking into account your situation and any current and/or pending applicable legislation changes.

We provide portfolio rebalancing in line with your established Investment Risk Profile to adjust your portfolio for market movements, as needed.

We provide meaningful current market information and regular updates to help your understanding of the current market climate and various market cycles.

We provide assistance with all Fund Manager reports as required

You have access to your Financial Planner and support staff.

We can liaise with your Accountant and/or Tax Adviser, providing investment related information as requested, in order for them to finalise your annual tax returns etc, as needed.

We are able to offer referral to Professional Specialists including Accountant and/or Solicitor, as needed.

#### Centrelink Support:

- ✓ We will provide assistance with regular Centrelink matters including Centrelink instructed annual and half yearly review forms as required.
- ✓ We will provide written notification to Centrelink with an update of your financial situation as needed, including asset and bank account balances and any other relevant changes as required from details and information given by you in our regular ongoing reviews, to help maximise your ongoing entitlements.
- ✓ We will provide assistance with any Centrelink misunderstandings, errors or overpayments as required, where we will liaise with Centrelink directly to help you quickly settle the matter at question.

During the previous 12 months (xx/xx/xxxx to xx/xx/xxxx) we have received the following fees from you:

Automatic deduction from wrap provider	\$
Insurance commission from XXXX	\$
Fee for Service paid direct	\$
Total income received by XXXX	\$

All fees are inclusive of GST.

We do not intend or foresee any changes to our ongoing service offering for the coming 12 months. As such the services listed above will continue to be available to you.

Based on your current situation we anticipate receiving the following fees from you during the next 12 months:

Automatic deduction from wrap provider	\$
Insurance commission from XXXX	\$
Fee for Service paid direct	\$
Total income received by XXXX	\$

All fees are inclusive of GST.

**Note:**

All other services not contained in agreed Service offer where provided upon request, to be charged on an hourly rate basis, at the adviser's discretion, payable in advance.

**Example:**

If you entered into an “ongoing fee arrangement” with a client on 5<sup>th</sup> August 2013 you need to provide your client with a “Fee Disclosure Statement” for the period from 5<sup>th</sup> August 2013 to 4<sup>th</sup> August 2014. You have up to 30 days to provide a Fee Disclosure Statement, which means you have until 4<sup>th</sup> September 2014 to do this.

The following year you will need to provide a Fee Disclosure Statement for the period 5<sup>th</sup> August 2014 to 4<sup>th</sup> August 2015. You must provide this by 3<sup>rd</sup> September 2015.