



AFS Licensing in Practice

Over 300 SMSF accountants explain how they've adapted to the removal of the accountants exemption

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A message from the Actuary

In 2016 I surveyed 306 accountants on their attitudes and plans for dealing with the removal of the 'accountants exemption'. Three years on, with the dust seemingly settled, we wanted to know how accountants and their clients had dealt with these new requirements in practice. We asked:

- How many SMSF trustees are 'going it alone' instead of paying extra fees for licensed advice?
- Are accountants worried about administering SMSF transactions for these clients?
- If so, why?

Over 300 accountants responded to our survey, and we're pleased to be able to share the results with you.

Jim Hennington BComm, FIAA, DipFP
CEO, Apricot Actuaries



Who are Apricot Actuaries?

Actuaries to the retirement industry

Apricot Actuaries help financial product providers, accountants, financial advice groups and other software firms to provide innovative solutions that take into account retirement risk and fulfil their best interest duties to their customers.

Initially formed in 2016 with the launch of digital advice platform A.S.A.P. Advice, we are now rebranding to Apricot Actuaries to better reflect our expanding product offerings and expertise. Apricot has a quickly growing actuarial certificate service, consulting service and partner closely with 10E24 Pty Ltd to offer sophisticated retirement solutions that take into account household risks.



Results

322 ACCOUNTANTS TOLD US:

NEW SMSFs



They established **655 SMSFs** in the last 12 months

(An average of **two** per accountant)



NEW PENSIONS

They assisted clients with **949 pension commencements** in the last 12 months

(An average of **three** per accountant)

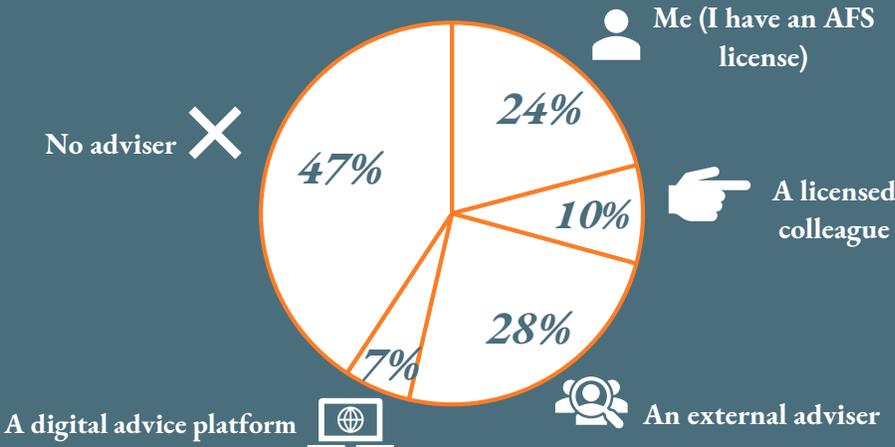


Of these SMSFs **35% did not receive licensed advice**



Of these pensions **55% did not receive licensed advice**

TYPICALLY, WHO WAS THE ADVISER?



“Clients acted on factual tax advice and refused to pay exorbitant fees to so-called advisors”

Sample comment

Of the clients that did not receive licensed advice,
accountants told us:

**Responders had the ability to select one or more of the answers on offer and/or provide a comment.*



66% the client was reluctant to pay extra fees for advice



53% the cost of licensed advice is too high



51% the client does not trust financial advisers



48% the client was reluctant to engage an additional party for advice



45% the licensed advice component adds little value



45% the clients were confident and did not need advice



13% the accountant was concerned the adviser may go beyond the scope of advice needed



9% the accountant was concerned the adviser may give conflicting advice



8% the accountant was concerned the adviser may take over the client



“It is frustrating that I can’t have a better conversation with [my clients], only because they don’t have the time or see the point in completing an exhaustive risk assessment and Statement of Advice”

Sample comment

For clients without a Statement of Advice (SoA) did you still provide exempt tax advice and factual information to help the client make decisions?



How financially experienced / confident do your clients tend to be with managing their own investments?

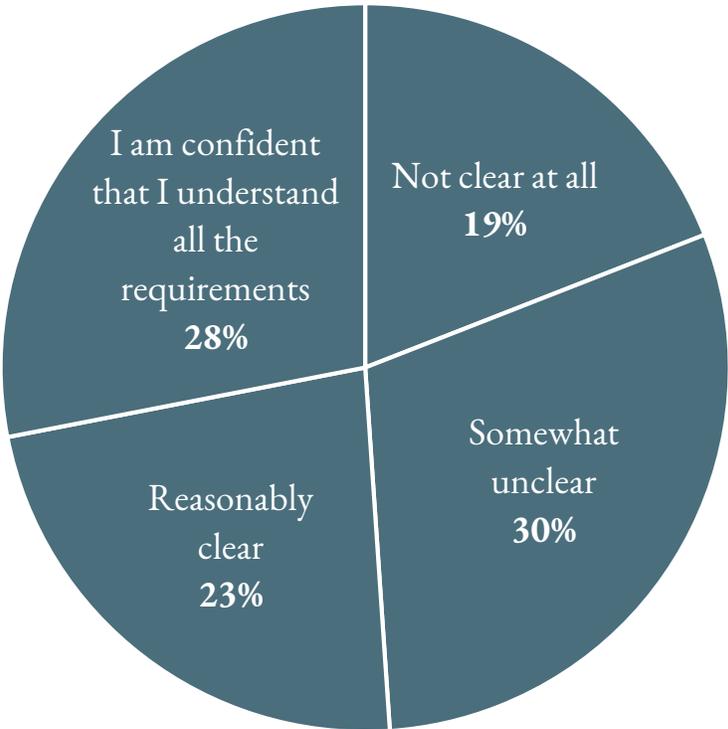


Licensing laws

58% of accountants indicated they were concerned or very concerned when assisting with SMSF transactions if the member had not received any advice



How clear do you find the rules about when a licensed advice process is compulsory?



“I am very clear about the fact I only provide factual, tax & SIS compliance advice. But when a client then instructs me to implement a strategy, am I required to get a SoA? I don’t know!”



Sample comment

What is your main source of information about these requirements?

Accounting bodies



50%

Media articles



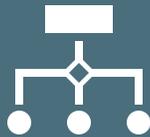
8%

ASIC



9%

My AFS licensee



17%

Other



16%

Are you (personally) licensed to give financial product advice?



Yes

24%



No

76%



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