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The time is now

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Mon 14 Jun 2010

The decision between operating under a commission arrangement or fee-for-service payment was a choice. Neither was considered right nor particularly wrong.

Yet last year the FPA's push to outlaw commissions by 1 July 2012 helped the industry divide itself into neat factions - fee-for-service advisers, commission-paid advisers and the motley crew of fee and commission-paid advisers.

Then Kev and his merry men poked their heads in, handing Financial Services Minister Chris Bowen the reins for reforming the industry, in particular, the payment structures among advisers, dealer groups and product providers.

Such change is not new to the industry. Though, today, the fee debate is a little less simple.

In this week's cover story, IFA has delved into the mindset of industry participants over the changing landscape of payments across the advice, product provider and risk insurance sectors.

For many within the industry, the government's proposals under its Future of Financial Advice reforms provided them with a barometer of their own shift to fee-for-service models. For others the changes will require them to re-evaluate their options.

In fact, new figures from independent researcher Investment Trends show increased consolidation among small dealer groups might be on the cards.

The survey found 40 per cent of planners expected consolidation among smaller dealer groups, while 33 per cent expected larger dealer groups to take over smaller ones.

It found that while many planners expected that others would have to leave the industry, few thought that would happen to them, with 57 per cent of financial planners expecting some and 28 per cent expecting many planners to exit the industry.

However, only 3 per cent said they expected to leave the industry within the next two years and only 5 per cent said they expected to retire sooner than planned.

The May 2010 survey included data from nearly 500 respondents.

Though, outside the small end of town, no doubt the big guns of the industry, the AMPs and MLCs, are salivating at the changes.

For AMP, the shift from a fee-for-service payment structure has been a progressive one, with the firm giving itself a two-year head start on the rest of the industry by claiming to be commission free by 1 July this year.

MLC and its parent group National Australia Bank-linked dealer groups have been championing the fee-for-service cause for a number of years.

MLC recently announced it would extend its experience to external financial advisers to make the transition to a fee-for-service business structure.

The decision to offer such help was prompted by the group receiving inquiries following the proposal to ban commission-based payments for investment and superannuation products, according to MLC general manager of business development Peter Greenaway.

Greenaway said offering the workshops to non-aligned MLC advisers was not a recruitment technique, nor did he think offering workshops would be enough to influence them to change licensees despite the possibility.

How has the government's proposed change to fees affected your business?

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We would be keen to hear your views on what the fee change means to your business.

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