

8 March 2017

# Submissions Report KiwiSaver Advice

A summary of submissions on the draft KiwiSaver Advice guidance note. Individual submission papers are appended.

[www.fma.govt.nz](http://www.fma.govt.nz)

AUCKLAND OFFICE | Level 5, Ernst & Young Building | 2 Takutai Square, Britomart | PO Box 106 672 | Auckland 1143  
WELLINGTON OFFICE | Level 2 | 1 Grey Street | PO Box 1179 | Wellington 6140

FMA document reference code 3273240

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# Executive summary

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We would like to thank all submitters for their feedback on the KiwiSaver Advice guidance note (the guidance note). We received 20 written submissions. They represented a range of views and included both financial advisers and KiwiSaver providers. We acknowledge the points raised and the effort put into the submissions.

This document contains a summary of the key themes raised in submissions, with individual written submissions papers appended. The themes are:

1. Timing of the release of the guidance note given the upcoming review of the Financial Advisers Act
2. Potential reduction in personalised advice
3. Potential increase in transfers between KiwiSaver schemes
4. Concern about the use of incentives
5. Other suggestions.

The following summaries of each theme include our responses to them.

# Feedback themes

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## Timing

Submitters raised concerns the guidance note should be put on hold until the changes to the Financial Advisers Act 2008 (FA Act) have been finalised. Our view is there is a need to act now as New Zealanders are receiving very little financial advice about KiwiSaver, therefore we have released the guidance note. While we cannot prejudge the FA Act review outcomes, we do not believe our change of approach will complicate the shift to the new regime.

## Reduction in personalised advice

Some submitters believe that while the revised guidance will encourage the use of class advice, it may reduce providing personalised advice and therefore reduce the quality of advice received. We do not agree. Monitoring to date finds over 99% of transfers occur without personalised advice. Given this, we think the need to remove barriers to provide simple advice outweighs the potential risks that accompany providing class advice. We know New Zealanders are not getting the help they need, and that is the greater concern.

## Increase in transfers

There was a general concern the number of transfers to larger KiwiSaver providers would increase. The guidance note is clear. We want providers to prompt customers to consider the advantages and disadvantages of transferring between KiwiSaver schemes. Our view will be reinforced in consumer communications focussed on how they should prepare for transferring between KiwiSaver schemes, and what they should expect from the provider seeking to transfer them.

## Incentives

Submitters raised concerns about incentives used by KiwiSaver providers, particularly to attract new customers. Incentives are addressed in the guidance note. Our view is incentives can be used, provided they do not distract the customer from making good decisions about KiwiSaver. We have signalled in the guidance note we will be continuing to speak to providers about these.

## Other suggestions

In response to these and other suggestions, we will:

- publish consumer-specific information on how to prepare for and conduct a transfer conversation
- ask KiwiSaver providers to report on the methods they are using to transfer customers from other providers, the success of those methods, and how they satisfy themselves those customers have made an informed decision.

We note some of the concerns raised by submitters about the FA Act are being considered as part of the review of the FA Act and are better dealt with as part of that process.

# Appendices

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- [AMP Financial Services NZ and AMP Powerhouse](#)
- [ANZ](#)
- [ASB](#)
- [Auckland Financial NZ Limited](#)
- [BNZ](#)
- [C2C Partners Ltd](#)
- [Co-op Money NZ](#)
- [Financial Services Council and Workplace Savings NZ Incorporated](#)
- [Fisher Funds](#)
- [Foresight Financial Planning](#)
- [George Hill Financial Planning Ltd T/A Milestone](#)
- [Glynns Financial Services Limited](#)
- [Kensington Swan](#)
- [Kiwibank and Kiwi Wealth](#)
- [Mercer NZ](#)
- [Milford Asset Management](#)
- [New Zealand Bankers' Association](#)
- [New Zealand Funds Management](#)
- [Westpac and BT Funds Management \(NZ\) Limited](#)

# Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Feedback: KiwiSaver advice' and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 30/11/2016

Number of pages: 3

Name of submitter:

Company or entity:

AMP Financial Services NZ

Organisation type:

QFE (two: AMP Services (NZ) Limited and Spicers Portfolio Management Limited), FMCA licensed provider (AMP Wealth Management New Zealand Limited), DIMS licensed provider (AMP Services (NZ) Limited) and licensed insurer (two: AMP Life Limited and The National Mutual Life Association of Australasia Limited)

Contact name (if different):

Contact email and Phone:

## Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	Yes. The draft paper enables an adviser to engage more with a customer without the fear that they will cross the line into personalised advice. Under the revised definition we agree that advisers will be better able to answer many customer questions via the provision of class advice. However those advisers who were providing personalised advice on KiwiSaver may now restrict their service to class advice. This is not necessarily a good thing for those customers who were previously getting a personalised advice service.	The paper is titled "KiwiSaver advice". The guidance should make it clear whether it applies to class advice only in relation to KiwiSaver or class advice generally. In the absence of stating it one way or the other advisers and market participants read the guidance as the benchmark for Class Advice across the whole range of financial products.
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	Yes, the examples are very helpful. The current scripts we have already probably won't change significantly (although we'll add more around advising customers on the website to visit and steps to go through to help them compare schemes).  The guidance will be most helpful when the conversation goes off script as customers ask questions and tell us more about themselves.	

Questions:	Comment	Recommendation
<p>3. Does any of the content need clarification – or is there anything missing?</p>	<p>We do have some concerns about the wording on page 9: “Advising whether the returns and fees of your scheme are lower or higher than that of other schemes”.</p> <p>To date, AMP advisers have provided no comment or view <b>on other provider’s schemes</b> in a Class conversation.</p> <p>Example 1 – page 10</p> <p>Current Wording: Marama comes into <i>a wealth management firm to ask about</i> life insurance...</p> <p>Page 12 – Personalised advice</p> <p>“...our view is that advice is only personalised when it takes into account a person’s <b>financial</b> situation and goals.”</p> <p>During a “class advice” conversation an individual volunteers information by saying... “I only earn \$50,000 at the moment but I hope to get a pay rise next year and increase my contributions so I can save for a house”.</p> <p>The above statement includes mention of their earnings (financial situation) and their goal (buying a house).</p> <p>Q: Has a class conversation suddenly become personalised?</p> <p>In many cases the more you talk the more information someone will share (unprompted) – the nature of that information is out of the adviser’s control.</p>	<p>Comparisons between a competitor’s scheme and yours will always be subjective and open to manipulation, and may, in many cases, be misleading. By simply choosing a specific return period, it’s possible to present one scheme in a better light than another.</p> <p>Ideally the guidance should state that an adviser’s class advice (or any sort of advice) should be limited to KiwiSaver scheme/s for which the adviser is “accredited”/has the necessary level of knowledge, skill and competence. (i.e. If the adviser does not know much about the scheme the client is currently in they shouldn’t opine on it).</p> <p>Suggested wording: Marama comes into <i>a financial advisory firm to review her</i> life insurance ...</p> <p>“During the discussion, Sue notes that Marama is not in KiwiSaver. <i>At the end of the review meeting</i> Sue asks Marama if she is interested...”</p> <p>Ideally it needs to be clear (perhaps even pointed out specifically) that the life insurance conversation was personalised advice, but the KiwiSaver conversation was class – i.e. both are possible in the same meeting. Further, we recommend providing guidance for advisers on how to help the consumers understand the difference between the two advice types because we believe many consumers will not appreciate the subtleties involved and perceive that they are receiving personalised advice holistically when it is provided for only one aspect of their interaction with their adviser.</p> <p>The guidance should make it clear that an adviser <b>cannot request</b> information on a person’s financial situation or goals in a Class Advice conversation.</p> <p>If an individual happens to volunteer information about their financial situation or goals (and may be recorded/documented as doing so) – guidance on how the adviser may disregard it yet continue would be very useful (i.e. without it triggering a “personalised advice” process).</p>



Questions:	Comment	Recommendation
<p>4. What concerns do you think others in the industry might have about the revised guidance note?</p>	<p>The revised guidance note will become the “regulator’s definition of class advice” across all financial products. In widening the scope, the FMA hopes to facilitate more advice being provided to New Zealanders. We think it will result in more class advice, but less personalised advice.</p> <p>Given the wider scope now envisaged under the “class advice” umbrella, there is a risk that many advisers will switch much of their existing “personalised advice” on financial products to class advice.</p> <p>This switch in service may result in more advisers making product and price comparisons for insurance policies in a verbal, class conversation. For example; “Your policy is currently with ABC provider, but XYZ now has a product with these novel and materially beneficial features. Someone in your situation might want to consider this as an option.”</p> <p>In this example, there is no need for the adviser to :</p> <ul style="list-style-type: none"> <li>• Provide any form or disclosure (including remuneration)</li> <li>• Link a recommendation to a goal</li> <li>• Determine suitability based on client circumstances</li> <li>• Highlight the risks of switching provider</li> </ul>	<p>This revised guidance will be issued prior to the revised guidance on replacement business? We recommend that the FMA consider issuing guidance on both topics together. This will ensure that the issues are considered in the broader context of replacement business and would ensure policy objectives are appropriately recorded.</p> <p>Replacement business rules to date have been applicable and focused on personalised advice. If the principles are to apply to Class Advice as well, the FMA’s guidance needs to clarify how this would be implemented and monitored, before defining Class Advice.</p>
<p><b>Feedback summary –</b></p>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		

## Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: 11 Nov 2016

Number of pages: 1

Name of submitter:

Company or entity: AMP powerhouse

Organisation type: Investment adviser AFA

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	Yes, but unless KiwiSaver transfers without advice is stopped nothing will change	Make all KiwiSaver transfers advice only, ie all facts on existing plan and new plan in writing before transfer
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	No, we do the 6-step advice process now	None
3. Does any of the content need clarification – or is there anything missing?	No	None
4. What concerns do you think others in the industry might have about the revised guidance note?	Don't know	None

**Feedback summary** – if you wish to highlight anything in particular

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**Thank you for your feedback – we appreciate your time and input.**



5 December 2016

Financial Markets Authority  
1 Gray Street  
Wellington 6012

By email: [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)

To whom it may concern

**ANZ submission on the consultation: KiwiSaver advice.**

Thank you for the opportunity to respond to the Financial Markets Authority (FMA) on the FMA's proposed updated KiwiSaver Advice guidance (Consultation).

ANZ Bank New Zealand Limited (ANZ) fully supports the objectives of the KiwiSaver guidance (Guidance) review and believes the proposed format is a significant step forward in enabling customer access to more relevant assistance and understanding related to KiwiSaver offerings. Generally, ANZ finds the revised framework of the Guidance very helpful.

**Key submission – concerns over timing of publication of the Guidance**

Notwithstanding the above, from a timing perspective, ANZ reiterates its preference for FMA to reschedule its completion of the review of the Guidance in order coincide with the impending changes to the Financial Advisers Act 2008 (FAA), as ANZ anticipates it will require extensive amendment due to the removal of the class/personalised advice distinction under pending changes to that Act. ANZ considers that it may necessitate KiwiSaver providers and distributors to amend processes and practices to meet the requirements. It is then likely the same parties will be required to undertake substantive changes to those processes to align with changes stemming from the FAA. ANZ notes it is inevitable that FMA will need to provide guidance on transitioning to the revised FAA and consider this guidance, together with guidance as to what concepts in the new regime mean/require, will be more helpful to industry. Having said that, ANZ notes that it is in a position to align with the Guidance in the event it is published ahead of the completion of the FAA review.

ANZ's responses to the specific questions from the Issues Paper are set out in Appendix I.

**About ANZ**

ANZ is the largest financial institution in New Zealand. The ANZ group comprises brands such as ANZ, UDC Finance, ANZ Investments New Zealand, OnePath Life, ANZ New Zealand Securities and Bonus Bonds.

ANZ offers a full range of financial products and services including a significant range of financial advisory services, personal banking, institutional banking and wealth management products and services.

## Appendix II – Responses to questions in the Consultation Paper: KiwiSaver advice

#	Question	ANZ response
1	Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	Yes. ANZ considers that the framework of the Guidance, structured by type of advice with practical examples, is particularly useful.
2	Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	Not applicable. ANZ notes that its current sales processes and documentation align with this guidance note.
3	Does any of the content need clarification – or is there anything missing?	No.
4	What concerns do you think others in the industry might have about the revised guidance note?	<ul style="list-style-type: none"> <li>• Concerns about timing of guidance note plus FAA revision leading to change fatigue in organisations and potential confusion for front line staff as to frequency of requests to make changes to practices</li> <li>• FMAs timing expectations for implementing any changes as a result of the guidance note</li> <li>• ANZ considers that the Guidance would be most helpful if it included additional content covering expectations for switching conversations</li> </ul>
5	Feedback summary – if you wish to highlight anything in particular	<ul style="list-style-type: none"> <li>• ANZ supports the current approach in the Guidance where it retains flexibility and does not become too prescriptive (e.g. keeps to the current style of covering the points a KiwiSaver conversation should cover and not to include checklists or prescribed order) which recognises that sales conversations evolve differently.</li> <li>• Any further product replacement guidance should be provided in line with (or post) the FAA review.</li> </ul>

16 December 2016

## **FEEDBACK ON THE FMA KIWISAVER ADVICE GUIDANCE NOTE**

ASB Bank Limited (ASB) welcomes the opportunity to provide further feedback on the FMA KiwiSaver advice guidance note. We are very supportive of the revised guidance and consider it meets its objective of assisting us in being able to give better advice to our customers about KiwiSaver. Our responses to the specific feedback questions posed are outlined below.

**1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?**

We believe the guidance will give our front line staff more confidence to have better conversations with our customers and help give those customers the advice they need on KiwiSaver.

**2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?**

We see the guidance as a positive step forward and would look to implement changes soon after the guidance is published.

**3. Does any of the content need clarification – or is there anything missing?**

We believe there are a few areas that would benefit from revision. We have attached a marked-up version of the guidance with specific comments and some suggested amendments.

We also acknowledge that ASB's submission could be made publically available by being published on the FMA's website. ASB does not request confidentiality on any material contained in this submission.

Note we have also contributed to the New Zealand Bankers Association submission on this matter and support the comments therein.

## Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Feedback: KiwiSaver advice' and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 8/11/2016 Number of pages: 2

Name of submitter:

Company or entity: Auckland Financial NZ Limited

Organisation type: AFA

Contact name (if different): Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	Yes, but not entirely in a good way.	No funds based information relating to suitability should ever be discussed with an individual by a non-qualified person. It is dangerous to think that the ability for RFAs to give an opinion to an individual is better because it is 'an' opinion, rather than none. This is in fact already going on, I await the outcome when funds are not performing as well as they have, with some trepidation.
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	N/A	
3. Does any of the content need clarification – or is there anything missing?	Yes	There needs to be clean air between information ABOUT kiwisaver and information given as to the suitability of funds in any circumstance. Certainly, an RFA or similarly unqualified person should never discuss fund suitability, full stop.
4. What concerns do you think others in	I would think that AFAs	As above. A non-qualified person

<p><i>the industry might have about the revised guidance note?</i></p>	<p><i>in general will have grave concerns about this.</i></p>	<p><i>should not ever give any opinion on the suitability of funds either personally or in general. To do so WILL mean that people will act on such an opinion.</i></p>
<p><b>Feedback summary</b> – Fund suitability, either personally or as a ‘class advice’ should never be discussed or given by unqualified people in any circumstances because personal or class, this WILL be acted upon by people. Instead, it should be made clear that only qualified people may give such an opinion rather than watering down the situation so that ‘something’ is said rather than ‘nothing’. An RFA is not so qualified but, the public, to a very great extent and, in my experience, even people such as CAs do not know the difference, especially in respect of Kiwisaver.</p>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		

Response to the  
**Financial Markets Authority**

on the  
**KiwiSaver Guidance Note**

16 December 2016





## **1.0 INTRODUCTION**

- 1.1 This submission has been prepared by Bank of New Zealand ('BNZ') in response to Financial Markets Authority's (FMA) consultation document, 'KiwiSaver Guidance Note' released on 7 November 2016.
- 1.2 BNZ welcomes this opportunity to provide a response to FMA's consultation document and acknowledges the industry consultation undertaken on this matter.

## **2.0 EXECUTIVE SUMMARY**

- 2.1 BNZ broadly supports the FMA's Guidance Note and considers that will lead to better outcomes for customers.
- 2.2 BNZ has read NZBA's submission and is supportive of the points made in the paper. BNZ has a small number of points it would like to add to that submission outlined below.

## **3.0 BNZ'S SUBMISSION**

- 3.1 In BNZ's view, it would be more beneficial to release the final guidance once the review of the Financial Advisers Regime is complete. It is important that the Guidance and any legislative amendments are aligned – if they are not this may create unnecessary change for customers and staff.
- 3.2 BNZ supports the four main pieces of information and advice that will be useful for every customer. In addition, BNZ believes that the following other factors could be beneficial for a customer to be aware of:
  - That the customer is "locked in" for a period of time
  - The fees that customers will be charged and how different funds charge differently
  - Investing your money as soon as you can
  - Changing your mind about your investment, for example, when your circumstances change, if you need to switch your fund, or withdraw your money
- 3.3 BNZ also submits that it would be useful for customers to have guidance around switching KiwiSaver providers and what questions would be considered class advice.

## **4.0 CONCLUSION**

- 4.1 BNZ is pleased to provide this submission and the information it contains. BNZ is available to discuss any issues raised.

## Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: 10/12/16

Number of pages:

Name of submitter:

Company or entity: C2C Partners Ltd

Organisation type: Financial advisory business

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

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Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	<i>Yes. The difference between no advice, class advice and personalised advice is clear. The examples also do a good job.</i>	
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	<i>No, because I already make clear to clients and potential clients the difference. I'm also an AFA and in most cases am providing personalised advice.</i>	
3. Does any of the content need clarification – or is there anything missing?	<i>The bullet points on page 8 seem to refer only to a RFA or QFE adviser.</i>	<i>Change 3<sup>rd</sup> and 4<sup>th</sup> bullet points to include situations where the adviser is an AFA, eg change third to "If you are not an AFA, explain..." Same for 4<sup>th</sup> bullet point.  Add in 5<sup>th</sup> bullet along the lines of "if you are an AFA, tell them that you can provide personalised advice"</i>
4. What concerns do you think others in the industry might have about the	<i>None that spring to mind</i>	

<i>revised guidance note?</i>		
<b>Feedback summary – if you wish to highlight anything in particular</b> Excellent guidance note that reflects the fact that most advice given on KiwiSaver, even by AFAs, is class advice.		
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**Submissions close on Friday 16 December 2016.**

Date: 16 December 2016

Number of pages:

Name of submitter:

Company or entity: Co-op Money NZ

Organisation type: Credit Union

Contact name (if different):

Contact email and Phone:

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Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	See attached for our comments.	
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?		
3. Does any of the content need clarification – or is there anything missing?		
4. What concerns do you think others in the industry might have about the revised guidance note?		

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**Thank you for your feedback – we appreciate your time and input.**

16 December 2016

Financial Markets Authority

PO Box 106 672  
Auckland 1143  
[consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)

**RE: KiwiSaver Advice**

**About Co-op Money NZ**

We make this submission as Co-op Money NZ, the industry association for credit unions and mutual building societies. We exist to represent, promote and support our 15 Member credit unions and mutual building societies, and to provide cost effective business services and products.

Credit unions and mutual building societies are co-operatively owned financial service providers, providing their members with a similar range of services to a retail bank. Credit unions and mutual building societies are all independently owned and operated by their members for their members, and any profits are returned to their members/owners in a combination of ways i.e. fairer fees, interest rates and community involvement.

Co-op Money NZ's Members employ over 550 staff, represent more than 190,000 members, with over 80 branches, assets of over \$1.3 billion and collectively are the sixth largest financial transactor by volume in New Zealand. Co-op Money NZ also wholly owns Co-op Insurance NZ ([www.coopinsurancenz.co.nz](http://www.coopinsurancenz.co.nz)), a fully licensed insurance provider, under the Insurance (Prudential Supervision) Act 2010, with over 70,000 lives covered. Additionally, we also have a national spread of nearly 100 ATMs, besides providing switching services for over 900 ATMs country-wide, making ours one of the largest ATM network in the country.

Co-op Money NZ is a member of global trade association, (the World Council of Credit Unions), which represents over 223 million people in 109 countries across the globe. This international network operates under the vision: "Improving people's lives through credit unions" and promotes the sustainable development of credit unions and other financial co-operatives around the world.

Co-op Money NZ is also a member of Cooperative Business New Zealand ([www.nz.coop](http://www.nz.coop)), the industry body whose mission is "bringing together the country's cooperative and mutual businesses to promote, encourage and support the co-operative and mutual business model, and act as the advocate for those engaged in co-operatives and mutuals."

Collectively the wider customer-owned banking sector represents around 10% of the economically active population in New Zealand and represents more than \$600 million in revenue per year. A number of these organisations are represented on Cooperative Business New Zealand's Top 40 co-operative and mutual businesses (by revenue). Co-op Money NZ is ranked number 28 on the list.

**1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?**

Comment:

Overall the new guidance is well presented and will be useful for our Members and their dealings with customers/members. We submit that the guidance meets its purpose of making it easier for our Members to offer advice and/or information. In addition, it is considered that

this guidance is more flexible than previous guidance and will give greater confidence to our Members in providing advice/information. Currently, within the industry at large there is a reluctance to provide information as there is a concern that this will be seen as personalised advice. However, this guidance shows that "information" is wider than the approach some within the financial industry have understood.

#### Recommendation

It would be useful for the FMA to provide a "one-page" document that has example questions for our Members to refer to. This would allow Members a document that be referred to when an employee is unsure.

### **2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?**

#### Comment

The new guidance allows Members to change their training and scripts etc. for staff. However, given that the exact nature of the changes to the Financial Adviser Act (FAA) has not be finalised it is hard to determine whether the guidance is useful.

#### Recommendation

Once the amendments to the FAA has being finalised then the guidance should be updated with clear guideline for each type of advisor etc.

### **3. Does any of the content need clarification – or is there anything missing?**

#### Comment

The content is very good and does not need any clarification. However, the only thing missing is providing guidance on what a provider should say if a customer asks for personalised advice when a member of staff is only authorised to provide class information. For example, while discussing KiwiSaver a customer asks "how much should I contribute?" It would be useful to know what the appropriate response is.

#### Recommendation

The FMA should provide guidance on how to respond to a customer when he or she asks for personalised advice.

### **4. What concerns do you think others in the industry might have about the revised guidance note?**

#### Comment

Overall the industry should have no concerns about the guidance. However, the guidance could provide more examples.

#### Recommendation

The FMA provide more examples especially around what is personalised advice.

**15 December 2016**

**Financial Markets Authority**

**1 Grey St**

**Wellington**

By Email: [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz)

**Feedback: KiwiSaver advice**

Thank you for the opportunity to submit on the proposed KiwiSaver advice guidance note (*Guidance Note*). This is a joint submission from the Financial Services Council of New Zealand Incorporated (*FSC*) and Workplace Savings NZ Incorporated (*WSNZ*).

FSC, WSNZ and their respective members share the views of the Financial Market Authority (*FMA*) that New Zealanders must prepare well for their retirement and that good advice gives consumers choices as to how to best position themselves for their future. Having clarity around both:

- the definitions of class and personalised advice; and
- the boundary between providing information (on the one hand) and giving an opinion or making a recommendation (on the other);

are key for the industry, consumers and the market place at large.

We also recognise that as the current Financial Advisers Act 2008 (*Act*) does not distinguish between advice given about KiwiSaver schemes and advice given about other category one financial products, or in some contexts financial products generally, the Guidance Note will have relevance concerning the interpretation of the Act more generally.

Finally we agree with the four key factors set out as those that advisers should strongly encourage New Zealanders to consider:

1. Being in KiwiSaver.
2. Contributing (continuously and in sufficient amounts to get all the member tax credit).

3. Choosing the right type of fund for them.
4. Giving the scheme provider the correct PIR so that they pay the right investment income tax rate.

We set out our responses to the specific questions asked in the draft Guidance Note in the appendix to this letter.

### **Summary FSC & WSNZ Comments**

1. The FSC and WSNZ support the objectives of the Guidance Note.
2. The consumer-centric nature of the recommendations is welcomed – they should facilitate better quality outcomes for consumers and improved clarity for industry and the advice community in terms of delivery.
3. The recommendations should facilitate consumers being able to access better information under the Act about the KiwiSaver regime (and KiwiSaver schemes) to enable them to make good quality decisions – notably by facilitating the giving of class advice about KiwiSaver.
4. The Guidance Note will better equip the industry to deliver good information and advice without fear of overstepping the mark.
5. In the short term the Guidance Note will provide advisers with more clarity on FMA's interpretation of the boundaries between:
  - a. the different categories of advice in the Act; and
  - b. advice and information.
6. However, given the pending review of the Act, adviser businesses may be hesitant to review their processes at this stage.

### **Timing of the guidance commencement**

We are conscious that the Ministry of Business, Innovation and Employment has been reviewing the Act and that, as part of this review, it appears highly likely that significant changes will be made to the Act.

With the imminent release of draft amended financial advice legislation which will materially impact the advice landscape and marketplace, our preference would be that the finalised



Guidance Note is released concurrently with that draft legislation, so that the industry can make better informed decisions about how it responds in the near term – it will be important to seek to minimise the extent to which the industry may need to change its documentation and processes twice, at significant cost and at the risk of causing potential confusion for consumers.

However, until the amended legislation is actually finalised and takes effect in due course (which will doubtless be some time away) we do acknowledge that the replacement Guidance Note has a role to play in terms of improving the prospects of consumers receiving the advice they need to make the best decisions they can for their future.

# Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Feedback: KiwiSaver advice' and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 12/12/16

Number of pages:10 (with covering letter and addendum)

Name of submitter:

Company or entity: The Financial Services Council of New Zealand Incorporated and Workplace Savings NZ Incorporated

Organisation type: Industry Representative Body

Contact name (if different):

Contact email and Phone:

## Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
<p>1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?</p>	<p>We consider that the replacement Guidance Note usefully elaborates on FMA's views as to when advice is or is not being provided. We applaud FMA for seeking to address the barriers to consumers getting the help they need to make informed decisions about KiwiSaver.</p> <p>The guidance (and the examples in particular) is helpful in informing market participants how to frame up the context of the discussion, set expectations and allow a usefully detailed exchange to take place whether it is advice (class or personalised) or information or both.</p> <p>The guidance recognises that customers often want simple</p>	<p>It would be useful if the Guidance Note clarified the status of the views expressed in the previous version of the Guidance Note.</p>

	<p>advice on a single aspect of their investment.</p> <p>We think it is particularly valuable to advisers that FMA has formally acknowledged that where an adviser appropriately explains the advice they are providing is class advice, that advice will not become personalised advice merely as a result of an investor volunteering limited personal information which does not include their <i>financial</i> situation and goals.</p>	
<p>2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?</p>	<p>As the FSC and WSNZ do not directly provide advice to investors we cannot answer this question ourselves. However, we understand that the process for amending sales practices, particularly within large QFEs, involves significant time and cost in areas such as:</p> <ul style="list-style-type: none"> <li>- setting new internal policies about what staff are permitted to say;</li> <li>- training staff about what advice/information they are able to provide consumers; and</li> <li>- developing appropriate monitoring frameworks to ensure compliance.</li> </ul> <p>For those reasons we expect that depending on the timing for amending the Act, these organisations may well wish to wait until there is some clarity around the intended on-going legislative settings in this context before they begin the process of changing their internal policies.</p>	<p>We think it would be useful for the Guidance Note to clarify that adviser businesses and QFEs which have structured their businesses on the basis of the previous iteration of the Guidance Note are not required to restructure their businesses to reflect the new boundaries in the Guidance Note.</p> <p>We are influenced here by the prospect that the pending reforms to the Act may well themselves address a number of the concerns addressed in the proposed Guidance Note.</p>
<p>3. Does any of the content need clarification – or is there anything missing?</p>	<p>We note that the Guidance Note applies the same standard to advice relating to switching</p>	<p>We encourage FMA to work with MBIE to resolve this issue as part of the review of the Act.</p>

	<p>between funds in the same scheme as it does to switching schemes, seemingly on the basis that the new fund is a new financial product which a member is being advised to acquire.</p> <p>We query this interpretation as the law stands - though as a policy matter we do agree it is the appropriate outcome for consumers.</p> <p>For the purposes of the Act a KiwiSaver scheme is an FMCA financial product, as a managed investment product for the purposes of the Financial Markets Conduct Act 2013 (<i>FMCA</i>). In terms of section 11(2)(a) of the FMCA, a managed investment product that is an interest in a KiwiSaver scheme is issued to a person when the person becomes a member, which indicates that a transfer to a different fund within the same KiwiSaver scheme is not the acquisition or disposal of a new financial product in terms of the Act - all that has happened is the member has directed that the funds they have invested in the relevant scheme (in respect of which they have the same rights pre-and-post switch) be invested in a different category of assets.</p> <p>We do agree, however, that switching funds within a scheme can be as important a decision as switching between schemes, and thus for many investors (notably those defaulted into conservative funds) this would be a time when they should seek advice. Where advice is given, or a need for advice is identified, we agree that as a matter of policy this should be caught within the ambit of the Act.</p> <p>The Guidance Note points to the</p>	
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	<p>importance of class advice on transferring between KiwiSaver schemes, and suggests investors be helped to find a tool which assists them to compare schemes before deciding to transfer.</p> <p>It perhaps just needs noting that such tools may have some limitations (e.g. for schemes or funds without a 5 year history) and that this may inadvertently increase the length of class conversations – conversation length being a factor in determining whether advice is class or personalised.</p> <p>The first of the four factors set out on page 5 ('Be in') is not relevant to existing KiwiSaver members who are considering a transfer – so perhaps there should be an alternative message for those members.</p>	
<p><i>4. What concerns do you think others in the industry might have about the revised guidance note?</i></p>	<p>We welcome the Guidance Note and its potential to encourage adviser businesses to provide advice and information about KiwiSaver to investors. The guidance takes a welcome approach which is both more enabling and more intuitive than the previous guidance.</p> <p>The most significant concern relates to the timing of the proposed replacement Guidance Note relative to the now-pending review of the Act.</p> <p>Advisers and QFE entities will have structured their advisory models informed by the stated boundaries in the previous guidance note, and accordingly their internal processes will not necessarily be calibrated to the new boundaries contained in the Guidance Note. Our experience is that the process of shifting these</p>	<p>We recommend that consideration be given to connecting the KiwiSaver guidance with the release of the draft new legislation in timing terms. In this way, possible changes can be looked at more holistically and in a way that reduces the risk of double-up and possible confusion.</p>

	boundaries will be both time consuming and expensive as it will require both altering internal policies and processes and a substantial investment in training.	
<b>Feedback summary</b> – <i>if you wish to highlight anything in particular</i>		
<b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.		
<b>Thank you for your feedback – we appreciate your time and input.</b>		

## **About FSC**

The FSC had 14 member companies and 14 associate members at 31 October 2016. Companies represented in the FSC include the major insurers in life, disability, income, and trauma insurance, and some fund managers and KiwiSaver providers. Law firms, audit firms, and other providers to the financial services sector are represented among the associate members.

The FSC's purposes are to:

1. be recognised as an organisation that represents the interests of the New Zealand financial services industry, including to regulators and Government;
2. promote best practice and integrity in the financial services industry, including through the institution of codes of conduct, standards and the publication of guidance for industry participants;
3. promote the financial services industry for the economic benefit of New Zealand and to enhance the sustainability of the industry, whilst recognising the primacy of the interests of consumers;
4. develop and promote evidence-based policies and practices designed to assist New Zealanders to build and protect their wealth;
5. promote the financial services industry as a medium for investment and protection for consumers;
6. promote, assist and generally advance the interests of members.

## **About Workplace Savings NZ**

WSNZ is a not-for-profit apolitical membership organisation that represents the interests of employers who offer workplace retirement savings schemes, their trustees and their members, other retirement scheme managers (including KiwiSaver scheme providers) and supervisors, retirement savings industry service providers and professional advisers.

WSNZ's objective is to be the *Voice of Workplace Savings* - advancing the sustainable, effective, and efficient delivery of workplace savings outcomes for all involved, including the workplace savings scheme members who remain key to the organisation. WSNZ aims to do this through:

1. Advocacy – proposing and commenting on legislative and public policy initiatives beneficial to workplace savings and participation in the workplace savings industry, making submissions,

engaging with policy-makers and officials and issuing media commentary to advance those causes.

2. Education – promoting trustee, employer and member financial and regulatory education through dedicated training programmes, newsletters and special interest seminars.
3. Networking – providing trustees, employers and service providers involved in workplace superannuation with a regular forum for sharing ideas and information on industry matters.
4. Promotion – publicising the benefits of workplace savings, and helping to improve public confidence and participation in workplace savings.

WSNZ's membership embraces all types of retirement schemes (KiwiSaver, workplace savings and superannuation schemes) and participants who are public and corporate, union-sponsored and industry-based.



# Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: 15/12/2016 Number of pages: 5  
 Name of submitter:  
 Company or entity: Fisher Funds Management Limited  
 Organisation type: Fund Manager and KiwiSaver provider  
 Contact name (if different): Contact email and Phone:

## Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
<p>1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?</p>	<p>Fisher Funds welcomes the revised guidance note on the sale and distribution of KiwiSaver as it reinforces the approach and behaviours we have adopted with clients since the 2012 guidance note was published.</p> <p>We felt the 2012 guidance note gave us adequate boundaries to have the confidence to be able to provide advice to clients whether directly or via our third party distribution partners. We have developed our processes off the back of that note and have successfully provided class or personalised advice to thousands of our KiwiSaver members.</p> <p>For many clients, KiwiSaver is their first form of investing and in our experience many clients simply want help getting the basics right with their KiwiSaver account. It's well reported in the media that too many members don't appreciate how KiwiSaver works, what they benefit from and how their savings are invested. Our approach is focused on educating clients and to do this requires an investment of time.</p> <p>As a business we have invested significantly</p>	

	<p>in KiwiSaver and believe that access and provision of advice is an essential element of helping members make more informed decisions about KiwiSaver. That's why we actively promote the availability of advice to our KiwiSaver members and do not charge for the service.</p> <p>We do think the strong signal you have given to encourage members to be in KiwiSaver, contribute, choose the right fund and choose your tax rate is a real positive and should encourage other providers to be more active in this area. We would like to see a more public campaign about this from the Government.</p> <p>In addition, being able to offer a factual comparison between schemes based on publicly available information (e.g. a comparison of key factors such as fees, returns, and service) without that service being classified as personalised advice requiring an AFA to provide it is a great addition to the guidance note (because of the QFE restriction that advice can only be provided by QFE advisers on products issued by the QFE). We note this won't apply to all members as we still find that a large percentage of members don't know who their provider is (supported by own experience as a default provider where we cannot contact approximately half of newly enrolled members due to invalid contact details).</p> <p>In our feedback to you in March this year, we suggested that a general checklist of the important considerations when looking for a KiwiSaver provider could be a useful resource for members to have access to, so they can ask the right questions of the provider that is pitching their KiwiSaver product to them. We have started work on a checklist of this nature which we plan to use with our clients and once completed we will extend an invite to you to provide you an overview of this.</p>	
<p><i>2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?</i></p>	<p>We do not anticipate any difficulties updating our material to reflect the revised guidance note. These will likely be tweaks as opposed to wholesale changes, with the exception of developing a process for scheme comparisons. As usual, having a transition period will be helpful. We think a</p>	

	<p>public campaign by Government to encourage demand for advice would be helpful as it could look self-interested when KiwiSaver providers do this, which reduces uptake of advice.</p>	
<p>3. Does any of the content need clarification – or is there anything missing?</p>	<p>There are some areas we would like greater clarity on as follows:</p> <ul style="list-style-type: none"> <li>• Example 2 on page 11 is presented as class advice on the basis it uses class characteristics. However, the calculation uses personal information (salary of \$110,000) which from our interpretation would mean Ben has given personalised financial advice.</li> <li>• Most of the examples of personalised advice on page 12 are broader than just KiwiSaver which in many circumstances would be limited for a QFE adviser. It would be good to have some more scenarios that deal with KiwiSaver exclusively.</li> <li>• On page 9, in regards to switching funds or transferring, you state “...we believe it is important for you to <i>prompt them</i> to think about the pros and cons of those decisions”. Are you explicitly recommending that we do a direct comparison of fees and returns (using publicly available information)? Stronger direction here would be helpful as we need to consider how/if we need to adapt our existing advice processes.</li> <li>• On page 15, it would be helpful if a list of specific examples was provided so there is greater clarity about what is considered inappropriate use of incentives.</li> </ul>	<p>We’d like to make a recommendation to address the issue of exit fees which have not been covered by the guidance note.</p> <p>Some KiwiSaver schemes charge exit fees presumably as a deterrent to changing providers. While those schemes are in the minority, they should be required to explicitly disclose upfront that an exit fee will be payable should they transfer out at a later date. The disclosure should state the amount of the fee and how it is charged to the member.</p> <p>The presence of an exit fee may prevent a client from making a good decision about their KiwiSaver account in exactly the same way an incentive to join may influence behavior upfront.</p>
<p>4. What concerns do you think others in the industry might have about the revised guidance note?</p>	<p>We expect there will be a mix of views expressed. For example, some ‘independent’ financial advisers may purport that this will “dumb down” financial advice and some banks may still not feel confident in providing advice to more of their clients.</p> <p>The challenge our industry has is to make advice more accessible to over 2.6m KiwiSaver members and this guidance note</p>	

	<p>is another step in the right direction. Quality of advice has not been an issue to date and we don't believe this will change as a result of the revised guidance note.</p> <p>There are other considerations which providers and advisers will need to take into account when providing advice to clients, which when delivered within the guidance provided, will deliver positive outcomes for members:</p> <ul style="list-style-type: none"> <li>• KiwiSaver specific disclosure: in plain-English explaining to clients the scope of advice provided</li> <li>• Easy to understand and informative material: content over and above Product Disclosure Statement to help educate members</li> <li>• Access to a knowledgeable person: trained and skilled advisers providing advice</li> <li>• Cost of advice: free of charge advice means more clients are likely to take it up</li> </ul> <p>Clients need time: in addition to above, clients need time with a knowledgeable person who provide advice and an information presentation for them to make fully informed decisions (especially if the discussion wasn't initiate by a client)</p>	
<p><b>Feedback summary</b> – <i>if you wish to highlight anything in particular</i></p>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		

## Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: 9<sup>th</sup> November 2016 Name: Number of pages: 2  
of submitter:  
Company or entity: Foresight Financial Planning  
Organisation type: Authorised Financial Advisers  
Contact name (if different): Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	Yes	Adopt recommendations
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	N/A	
3. Does any of the content need clarification – or is there anything missing?	Yes – how does someone giving class advice prove that they have given class advise and not personalised advice.	You need to give guidance and ensure there is written proof that if someone is recommending a KiwiSaver transfer, that a proper comparison is done between the two contracts.
4. What concerns do you think others in the industry might have about the revised guidance note?	It makes it easier for the banks to do whatever they want.	Properly regulate the banks in this area although I understand that the FMA does not have the resources to do this.

### Feedback summary – if you wish to highlight anything in particular

My biggest concern is that the FMA appear to allow the banks to dictate their own rules and agendas. To provide personalised advice to a client only to see their bank "advise" them to transfer so they can see their KiwiSaver balance with their mortgage is awful practice but it does happen. I have had many clients pressurised by the bank to transfer their KiwiSavers yet no analysis has been done other than "it is simpler for you to have everything in one place"

If you don't believe this goes on, then you may as well believe in Santa Claus!

**Please note:** Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

**Thank you for your feedback – we appreciate your time and input.**

## Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: 13<sup>th</sup> December 2016

Number of pages: 3

Name of submitter:

Company or entity: **George Hill Financial Planning Ltd T/A Milestone**

Organisation type: **Financial Advice Practice**

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

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Questions:	Comment	Recommendation
<i>1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?</i>		
<i>2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?</i>		
<i>3. Does any of the content need clarification – or is there anything missing?</i>		
<i>4. What concerns do you think others in the industry might have about the revised guidance note?</i>		

**Feedback summary** – if you wish to highlight anything in particular

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**Thank you for your feedback – we appreciate your time and input.**

## **Questions:**

### **Question 1**

*Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?*

#### **Comment**

Yes, in general... but more 'examples' of Personalised advice to help clarify the difference between 'Class' and 'Personalised' advice

#### **Recommendation**

##### 'Examples'

1. Advice on KiwiSaver for their first home where the individual needs advice on debt consolidation, advice on other forms of savings and insurance needs
2. Advice on KiwiSaver regarding transfer workplace or personal superannuation funds into their KiwiSaver investments.  
Also, transfer of Australian supers into KiwiSaver

### **Question 2**

*Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?*

#### **Comment**

It clarifies to me, that as an AFA it is very hard or impossible to give KiwiSaver advice in isolation. Therefore, any KiwiSaver advice is 'Personalised' advice when I advise as an AFA.

### **Question 3**

*Does any of the content need clarification – or is there anything missing?*

#### **Comment**

Page 8: 'Factors to help you decide - The customer's expectation'

I consult with a lot of KiwiSaver clients where this is their first investment. These clients have little idea on whether they just need general advice (best investment for them) or need personalized advice (financial situation and goals).

These clients are generally work-place default KiwiSaver clients, so they first need to be educated on what is KiwiSaver and how they can maximise the benefits.

In my KiwiSaver SoA's I state;

*'My job as an Authorised Financial Adviser (AFA) is to advise and educate you on all aspects of KiwiSaver. Over time, with my help you will have a better understanding of how the financial markets, fund performance and government legislation effects your KiwiSaver investment. This will endeavour you to make better informed choices as the size of your KiwiSaver investment grows.'*

#### **Recommendation**

Page 8: 'Factors to help you decide - The customer's Expectation'

Change to 'The customer's Expectation and level of understanding'



#### **Question 4**

*What concerns do you think others in the industry might have about the revised guidance note?*

#### **Comment**

No comment

#### **Feedback Summary**

1. The general-public and clients are confused over 'Class' and 'Personalised' advice. With the review of the FAA act, hopefully this can be rectified.

## Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with **'Feedback: KiwiSaver advice'** and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 14/11/2016 Number of pages:

Name of submitter:

Company or entity: Glynn's Financial Services Limited

Organisation type: Financial Advice Firm

Contact name (if different): Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	<p><i>This depends which advisers you are talking about? Does it make it easier for AFAs? No, we already offer personalised advice with proper checks and risk profiles. Does it make it easier for RFAs, bank tellers and other financial services firms/banks? Absolutely!</i></p> <p><i>This must be music to the ears of the Bank's CEOs. They can now increase the number of KiwiSaver switches they can perform without the interruption of the Government Regulator breathing down their necks!</i></p> <p><i>We already have instances of clients being transferred to Banks and other providers with comments such as "you can see your KiwiSaver on-line" or we will give you a set of steak knives with it! I have had one mortgage client told</i></p>	<p><i>If the FMA is serious about implementing sound regulatory policy to safeguard client's investments, they are going about it the wrong way! More scrutiny of advice is needed – not less! There should be no such thing as 'Class advice.' Every person giving advice should be appropriately qualified to do so – if they want to give advice, send them to school and make them pass the exams! Which other profession allows you to give 'class advice'?! None! A doctor has to be qualified, so does a dentist, lawyer or accountant. Why is the FMA hell bent on dumbing down this profession and industry. We should be raising standards not reducing them. Everyone forgets 2008 and the Global Financial Crisis, where all this bad advice came home to roost and Kiwi mums and dads paid the price. The creation of the FMA was supposed to be</i></p>

	<p><i>that she HAS to implement new life insurance, income protection and transfer her KiwiSaver in order to get a discounted interest rate and cashback! How is this acting in the best interests of the client? Arguably the Bank is not breaking the law – they are simply giving class advice!!! The above client was also told that if she switches provider, she will have to repay the cashback to the Bank! And no; no risk profile was carried out and it was in the Bank’s default fund!</i></p>	<p><i>implemented to stop people losing their life savings and paying the consequences of ‘cowboy advice.’</i></p> <p><i>I recommend that everyone who is not an AFA and wants to advise on KiwiSaver (in any way) passes a single exam in KiwiSaver Investment together with an understanding of the Code of Conduct. Once passed, they can be subject to the scrutiny that all other investment advisers are subject to.</i></p>
<p><i>2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?</i></p>	<p><i>No, I am an AFA and I still provide personalised advice because it is important to give the right advice for someone’s retirement savings!</i></p>	<p><i>See comments above! If call centre staff want to give advice, they can be appropriately qualified and use Skype/Suitebox to do so – as long as they give the right advice for the customer, know what they are talking about and take personal responsibility for that advice.</i></p>
<p><i>3. Does any of the content need clarification – or is there anything missing?</i></p>	<p><i>I think the FMA is missing the point! Some of these balances are substantial and people are being encouraged to switch schemes without any revelation of the true costs or where their money is actually being invested. We now have radio adverts actively encouraging clients to switch their KiwiSaver without the recommendation of seeing an AFA first!</i></p>	<p><i>The Government to run a campaign to encourage the public to review their KiwiSaver with an AFA or appropriately qualified adviser.</i></p>
<p><i>4. What concerns do you think others in the industry might have about the revised guidance note?</i></p>	<p><i>I think the concern will be switching KiwiSavers for the wrong reasons; lack of personalised advice; roboadvice; lack of accountability;</i></p>	<p><i>Happy for a non AFA to give KiwiSaver advice if appropriately trained and held personally accountable for their advice.</i></p>
<p><b>Feedback summary – if you wish to highlight anything in particular</b></p> <p><i>Increase standards, not reduce them! We all want to build a knowledgeable, trustworthy profession and robust industry. I can’t see this happening under this latest move.</i></p>		

**Please note:** Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

**Thank you for your feedback – we appreciate your time and input.**

## Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Feedback: KiwiSaver advice' and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 16 December 2016

Number of pages: 4

Name of submitter:

Company or entity: Kensington Swan

Organisation type: Law firm

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
<i>1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?</i>	<p>Yes.</p> <p>We welcome the approach taken by FMA in the Draft Guidance, as it addresses many of our concerns with the content of the Previous Guidance.</p> <p>In particular, our experience has been that the Previous Guidance has had a chilling effect on the willingness of a number of financial service providers to offer proactive guidance to their clients, out of a concern that assistance provided to individuals may be categorised as personalised advice when that was not the intent. This is, clearly,</p>	N/A

	<p>a barrier to New Zealanders receiving quality advice on their KiwiSaver investment.</p> <p>We consider the Draft Guidance to be useful for providers, and the approach taken by the FMA in the Draft Guidance is pragmatic and practical. The use of lists of conduct falling into the various categories of client engagement is an excellent example of the FMA providing practical support to the industry. However, we have identified specific areas where we believe that greater clarity could be provided.</p>	
<p>2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?</p>	<p>We believe that the Draft Guidance will enable the industry to make changes, and will assist us to more easily advise clients on the scope and content of the changes that can be made to improve access to advice.</p>	<p>N/A</p>
<p>3. Does any of the content need clarification – or is there anything missing?</p>	<p>In some areas, the Draft Guidance includes misstatements of the definitions of terms used in the Financial Advisers Act 2008 ('Act'). While these misstatements of the law do not detract from the practical effect of the guidance, in our view they risk causing confusion. Accordingly, we submit that greater clarity be provided in the Draft Guidance. Specifically:</p>	<p>See below.</p>
	<p><i>Page 6, statement that 'Class advice is a recommendation or opinion based on class characteristics (such as gender, age and risk profile)'</i></p> <p>Section 15(3) of the Act simply defines a class service as a financial adviser service that is not a personalised service, with the sentence included in the Draft Guidance being an implied subset of that definition. For example, a generic opinion that a specific KiwiSaver scheme is a good option will be class advice, even if it is not based on a class of person.</p>	<p>We recommend that this section is amended to include the definition from the Act, with a statement that the sentence currently included in the Draft Guidance falls within that definition. This comment also applies to the 'Class advice' section on page 8.</p>

	<p><i>Page 6, 'Personalised advice'</i></p> <p>This paragraph incorrectly states that 'Personalised advice is a recommendation or opinion that takes into account a person's financial situation and goals (for example, their outgoing expenses, and plans to leave money for their children)'.</p>	<p>This paragraph needs to be amended to make it clear that personalised advice includes recommendations or opinions that take into account a person's financial situation <i>or</i> goals (not 'and' goals). This issue arises throughout the Draft Guidance (such as the first example of class advice on page 10). We also suggest that reference is made in this paragraph to the fact that the definition of 'personalised advice' includes situations where the client would reasonably expect their financial situation or goals to be taken into account.</p>
	<p><i>Page 6, 'Who can provide which type of advice' table</i></p>	<p>We believe it would be helpful for this table to be amended to include a footnote to the authorised financial adviser ('AFA') column which states that each AFA will be subject to the terms of the particular AFA's authorisation from the FMA.</p>
	<p><i>Page 8, third paragraph</i></p> <p>This paragraph slightly distorts the wording of the Act, in that it excludes the words 'or any one or more of them' after the word 'goals'.</p>	<p>We recommend this wording is added. Otherwise, the paragraph could be interpreted as stating that an adviser would need to take into account a client's financial situation as a whole (or all of the client's goals) before advice will become personalised.</p> <p>It would also be helpful for FMA to provide its view of the meaning of 'or any one or more of them', and how far that phrase extends in practice.</p>
	<p><i>Page 9, examples of class advice</i></p> <p>The examples given under 'Transferring KiwiSaver providers' are potentially problematic without clarification that whether or not the statement will be advice will depend on the circumstances.</p> <p>In addition, describing the benefits of the provider's scheme is noted as being class advice. In our view, this will remain information, and not advice, unless it constitutes an opinion of the provider.</p>	<p>We suggest a footnote to this effect is added.</p> <p>We suggest that clarification is provided as to the extent to which a description of the benefits of a scheme will constitute advice.</p> <p>Further, it would be helpful for FMA to expressly opine on the point at which a comparison between schemes will become advice (for example, a provider advising whether the returns and fees of a scheme are higher than others is noted as constituting financial advice).</p>
	<p><i>Page 12, second paragraph</i></p>	<p>It would be helpful to include a common example of non-financial information.</p>

	<i>Pages 12 and 13, examples and factors</i>	<p>The examples of personalised advice could benefit from a footnote to clarify that each will not be 'personalised' if provided in broad terms to a class of persons.</p> <p>More substantively, it would be helpful for FMA to include, in the factors listed, express confirmation of its view as to the ability of an AFA to give class advice if he or she (or their firm) knows personal financial information about the client, but does not wish to provide personalised advice. This is a common situation and clarity would be appreciated.</p>
<i>4. What concerns do you think others in the industry might have about the revised guidance note?</i>	N/A	N/A
<b>Feedback summary</b> – <i>if you wish to highlight anything in particular</i>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		





**Kiwi Wealth  
KiwiSaver Scheme.**

16 December 2016

For the attention of:

Financial Markets Authority  
PO Box 1179  
Wellington 6140

By email

Dear Sirs

**KiwiSaver advice: consultation submission**

Please find attached a joint submission from Kiwibank and Kiwi Wealth on the proposed guidance note on KiwiSaver advice, dated 7 November May 2016. Our comments reflect that:

- Kiwibank is a QFE under the Financial Advisers Act and currently provides class advice on the Kiwi Wealth KiwiSaver Scheme and
- Kiwi Wealth is working actively to promote member engagement with KiwiSaver and the Kiwi Wealth KiwiSaver Scheme, including through its reporting and on-line tools. The Kiwi Wealth KiwiSaver Scheme is provided by Kiwi Wealth Limited, a default scheme provider and part of the GMI group.

We support the FMA's aim of facilitating the provision of information and advice for New Zealanders about KiwiSaver and how it can help them to save towards retirement.

Overall, we are supportive of the proposed guidance, but believe that it would benefit from a clearer statement of its purpose. It is not clear to us whether the guidance note seeks purely to clarify the boundary between the types of information and advice, or whether it is intended to give guidance on what is suitable advice. We believe the intention is primarily to address boundary issues (and have commented on that basis), but have concerns that the current proposal might not promote advice with appropriate balance (see our response to Question 3).

We set out our comments and answers to the FMA's questions (where relevant) in the attached Appendix, with references to the relevant page of the proposed guidance.

Whilst we welcome the guidance, we do not currently expect that we will change the types of advice given in our distribution channels significantly, or to provide advice involving comparisons of the Kiwi Wealth KiwiSaver Scheme to other schemes. However, the guidance may provide more flexibility to allow us to further develop our on-line tools for members.

## Appendix

**Q1:** Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?

- We understand that ‘prompting customers to think about the pros and cons’ (p9) when switching funds or transferring providers is desirable. Similarly, the guidance refers to the Sorted KiwiSaver Fund Finder tool. These comments do not relate to the boundary between types of advice, so might be better included in the FMA’s revised product replacement guidance or in the ‘Good conduct’ section.

The intention of the guidance is to allow advisers to encourage Kiwis to take appropriate action re saving through KiwiSaver. Given that retail investors have a tendency to ‘put off’ financial decisions, we do not believe that FMA should expect that information about comparison tools is a necessary part of every conversation regarding transferring or switching. Comparison (and other) tools might be introduced where appropriate to the conversation with the customer eg based on their engagement. Any perceived ‘extra work’ to use tools might discourage a member from moving from a less appropriate fund choice to a more appropriate one.

- We support the inclusion of examples in the guidance with explanation of the factors affecting the FMA’s approach, recognising that these are not exhaustive and allow firms to interpret the obligations in specific scenarios. However, we would welcome additional examples with explanations, for class advice in:
  - a scenario proposing a provider transfer, given that this is a common scenario with many members now in KiwiSaver.
  - a scenario where personalised advice is provided on a category 2 product such as a mortgage or insurance where the customer’s financial circumstances may already have been explored.

**Q2:** Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?

- We currently provide a statement explaining to customers that we provide class advice and assist the customer in understanding this. We assume that FMA does not expect any confirmation to be collected from customers that they are happy to proceed on the basis of class advice (p8 above digital tools).
- We do not believe that we need to make significant changes to our approach as a result of the guidance. However, given that a substantial portion of customers now have KiwiSaver in some form, it will remain difficult to make changes in the absence of the FMA’s revised product replacement guidance (p4).

**Q3:** Does any of the content need clarification – or is there anything missing?

### Key points

- We note the FMA’s explanation of the Act provisions that opinions or recommendations about KiwiSaver are not advice, as it is a generic class of financial products. The ‘Examples of what is not advice’ and ‘Examples of class advice’ illustrate this. The guidance note could usefully also explain (p9) whether information about KiwiSaver, provided as part of class advice conversation on a particular KiwiSaver scheme, will be regarded as forming part of the advice. (This may also

facilitate interpretation of Code Standard 10 in the Code of Professional Conduct for AFAs for personalised advice.)

- The guidance clarifies that the ‘four factors’ can be discussed without providing personalised advice. However, we are concerned that presented as ‘What you should tell investors’, these factors may promote potentially misleading or one-sided information or advice, as:
  - they do not present the pros and cons - such as the locked in nature of the funds and the nature of KiwiSaver as an investment with a value that can fluctuate up and down.
  - there is limited ability for employed customers to vary their contributions to contribute at the minimum level to receive the tax credit (unless their income falls at the right threshold), and that customers must contribute when working.

We suggest that a sentence is added to emphasise that it is expected that a balanced view is given - or that the heading or list is changed.

- Similarly, we have concerns that the class advice examples guidance might not promote ‘suitable’ advice. We suggest that the examples might be clarified to state that they are intended to illustrate boundary issues only, or updated to provide more balanced conversations. For example:
  - Example 1 – Sue says that there are ‘lots of benefits’ but does not appear to mention any drawbacks.
  - Example 2 – It is not clear that Ben explains that the outcomes are possibilities in a range (rather than purely calculations, assumptions and fluctuations).

#### **Minor points**

- The correct PIR can be important for a customer’s investment. We collect the PIR from the customer, and can explain its importance but do not believe that the guidance (p5) intends to imply that we should provide advice on the ‘correct’ PIR.
- We would suggest that the general explanation of Personalised Advice (page 6) ‘... (for example, their outgoing expenses and plans to leave money for their children)...’ is deleted as unnecessary and potentially confusing in this context.
- In Example 1 of class advice (p11), we are not clear whether the investor profile is intended to be a risk profile tool or an investor application and data form. If it is intended to be a risk profile, it may be useful to give the result, so that it is clear whether Sue explains or overrides the risk profile. Customers often question the results of risk profiles so this would be a realistic example.
- In example 2 (p11), it is unclear in paragraph 3 that John’s income has been used, although this is stated in ‘our approach’. We would suggest this is made clearer. We welcome the clarification provided by this example, which will be particularly helpful for on-line tools.

#### **Other comments**

- The new guidance includes several comments comparing the previous guidance note. This has been helpful during the consultation, but we suggest that these comments are removed, to allow the new guidance to stand alone without inadvertently directing people new to the topic to an out of date document. We assume that the previous guidance will be available for future reference in the website guidance archive (but note that it does not currently appear when searching on KiwiSaver), and suggest that the comparison comments and reasons might usefully be published there. We would also welcome the inclusion of the consultation papers in the archive, once the new guidance is finalised.
-

## Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: 14 December 2016

Number of pages: 2

Name of submitter:

Company or entity: Mercer (N.Z.) Limited

Organisation type: Financial services to retail and wholesale customers

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	<p><i>The new guidance note makes it easier for advisers and financial firms to offer advice and generally provide help in respect of KiwiSaver.</i></p> <p><i>It is drafted in a way which better recognises that customers often want simple advice on a single aspect of their KiwiSaver investment.</i></p>	
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	<p><i>We will be reviewing the guidance to consider the separate roles that aspects of our business, including our Helpline, can play in ensuring that our customers can easily access advice which meets their needs.</i></p>	
3. Does any of the content need clarification – or is there anything missing?	<p><i>One of the many good features of the new guidance note is that it contains useful examples which are illustrative of the requirements and boundaries of information and advice situations.</i></p>	
4. What concerns do you think others in the industry might have about the revised guidance note?	<p><i>I think that the guidance note should be well received by the industry and enable more advisers to provide advice or, at least, more</i></p>	

	<p><i>useful information regarding KiwiSaver.</i></p> <p><i>This outcome benefits all stakeholders in the industry.</i></p>	
<p><b>Feedback summary</b> – if you wish to highlight anything in particular</p>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		

## Feedback: KiwiSaver advice

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**Submissions close on Friday 16 December 2016.**

Date: **8/12/2016** Number of pages: **3**

Name of submitter:

Company or entity: **Milford Asset Management**

Organisation type: **KiwiSaver Provider, Fund Manager**

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

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Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	We acknowledge the good intention of the guidance note in trying to open up access to advice for consumers on KiwiSaver, it will not lead to us changing our current business model. Our view is that, in some respects, the extension of class advice as set out in the guidance note will be confusing to clients, who may believe they have received a personalised advice service. Given the assessment of class versus personalised advice takes the client's perception of what level of service they have received into account, this introduces a risk to our business and could result in a poor client outcome.	
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve	<i>The only change to our business will be that it has given confidence</i>	

<p><i>access to advice in advance of the Financial Adviser Act changes?</i></p>	<p><i>to continue enhancing our KiwiSaver online tools that clients can use to assist them in their decision-making.</i></p>	
<p><i>3. Does any of the content need clarification – or is there anything missing?</i></p>	<p><i><u>In the incentives section:</u></i></p> <p><i>In the example given, FMA states they'd be concerned if providers were offering significantly reduced mortgage lending rates to entice new KiwiSaver members. We believe that this statement needs to be quantified because it potentially gives those offering incentives too much flexibility. We would be keen to understand what FMA views as 'significantly reduced mortgage lending rates'? We continue to see examples of default providers offering incentives to clients to switch their KiwiSaver, in the form of reduced mortgage rates. Since clients' responses to these offers are to transfer to the provider offering the incentive, they must view them as material. In most cases, feedback tells us that the clients wish to come back to Milford once they have secured the incentive from the other provider.</i></p> <p><i>We would like to see FMA work with providers to prevent this from happening. Furthermore, we struggle to understand how receiving incentives on unrelated products such as mortgages or insurance policies will help a KiwiSaver member enjoy a better retirement or make a better decision on where to invest their KiwiSaver.</i></p> <p><i>Allowing these incentives creates an uneven playing field among bank and insurance company KiwiSaver providers and all the</i></p>	<p><i>Perhaps a solution would be to only allow incentives that can be provided by all KiwiSaver providers. For example, because we are not a bank or an insurance company, we could never offer a reduced mortgage rate or a discounted insurance contract. This solution could help level the playing field among providers when interacting with prospective KiwiSaver clients.</i></p>

	<i>other KiwiSaver providers.</i>	
<i>4. What concerns do you think others in the industry might have about the revised guidance note?</i>		
<p><b>Feedback summary</b> – if you wish to highlight anything in particular</p> <p><i>Given that the distinction between class and personalised advice is being removed with the FAA changes, we are focusing on positioning our business for this. We think it would have been a better idea to have expedited that.</i></p>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		



# Submission

to the

# Financial Markets Authority

on the

# KiwiSaver Advice Guidance Note

16 December 2016

## About NZBA

1. NZBA works on behalf of the New Zealand banking industry in conjunction with its member banks. NZBA develops and promotes policy outcomes that contribute to a strong and stable banking system that benefits New Zealanders and the New Zealand economy.
2. The following fifteen registered banks in New Zealand are members of NZBA:
  - ANZ Bank New Zealand Limited
  - ASB Bank Limited
  - Bank of China (NZ) Limited
  - Bank of New Zealand
  - Bank of Tokyo-Mitsubishi, UFJ
  - Citibank, N.A.
  - The Co-operative Bank Limited
  - Heartland Bank Limited
  - The Hongkong and Shanghai Banking Corporation Limited
  - JPMorgan Chase Bank, N.A.
  - Kiwibank Limited
  - Rabobank New Zealand Limited
  - SBS Bank
  - TSB Bank Limited
  - Westpac New Zealand Limited.

## Background

3. NZBA welcomes the opportunity to provide feedback to the Financial Markets Authority (**FMA**) on the KiwiSaver Advice Guidance Note (**Guidance Note**), and commends the work that has gone into developing it.
4. If you would like to discuss any aspect of the submission further, please contact:

## Executive Summary

5. NZBA considers the Guidance Note to be a positive step that will assist with clarifying the distinction between information, class advice and personalised advice and will give our members' front line staff more confidence to have better conversations with their customers. As such, NZBA supports the new Guidance Note and the replacement of the existing 2012 Guidance Note: *Sale and Distribution of KiwiSaver*.
6. Despite our overall support for the Guidance Note, NZBA has the following suggestions on some areas that we consider would benefit from revision:

- a. The Guidance Note should retain its current level of flexibility in recognition of the fact that sales conversations can evolve differently. NZBA would not like to see further prescriptive steps or 'checklists' added.
- b. Guidance on switching should be included in the upcoming updated guidance on product replacement advice, which should be provided *after* the conclusion of the Financial Advisers Act 2008 (FAA) review, and take into account product nuances.
- c. Comments on comparison/references to the existing 2012 Guidance Note: *Sale and Distribution of KiwiSaver* should be removed.
- d. Where providers have not already changed their practices to align with the Guidance Note, they may require time to transition/imbed any changes.

## Need for flexibility

7. NZBA submits that the Guidance Note should retain its current level of flexibility in recognition of the fact that sales conversations can evolve differently. NZBA would not like to see further prescriptive steps or 'checklists' added as a result of consultation, which will not necessarily further the objective of providing simple or better advice to consumers. Examples of our concerns around prescription/lack of flexibility in the Guidance Note include those noted below.

## Personalised v class advice

8. The Guidance Note implies in some places (e.g. see "Example 1 of class advice" on page 10, end of paragraph 2) that KiwiSaver providers should tell *all* customers about the option of personalised advice. NZBA disagrees with this and suggests instead that providers should explain the type of advice they can provide to customers at the outset (i.e. class advice). If a customer indicates they want more than class advice or has questions that can only be answered by personalised advice, providers should then explain how they can receive personalised advice.
9. NZBA also wishes to clarify that the steps set out on page 8 of the Guidance Note will also not be treated as a 'checklist' when providers give class advice. While the FMA states "we understand that discussions can develop differently", NZBA still considers this section has the potential to unnecessarily evolve into a 'checklist'.
10. Additionally, NZBA is concerned that the words "*If, after hearing and understanding these points, the customer confirms that they are happy to proceed on a 'class basis, you can carry on...*" appears to place an expectation on providers to record this customer confirmation. NZBA submits that clarification that this is not the case would be helpful.
11. With regard to the "*Factors to help you decide*" the difference between class and personalised advice on page 13 of the Guidance Note, NZBA submits that the length of the conversation (under "*The nature of the interaction and the context*") is not a useful factor in considering whether advice is personalised advice. A class advice discussion could be quite long. As such, NZBA submits that this reference to the length of a discussion should be removed.

## ‘Four factors’ to be considered

12. NZBA members would like the FMA to make it clear in the text that the *four factors* referred to on page 5 of the Guidance Note are “four important decisions all KiwiSaver customers need to make” and are not intended to represent a list of risks and benefits for the consumer to consider. The risks and benefits are included in the Product Disclosure Statement and key points may be discussed during the interaction. Additionally, the *four factors* do not include some other important factors that are relevant to a customer’s understanding about KiwiSaver, such as the fact that members will be locked in to KiwiSaver until age 65. Furthermore, some of the factors listed are more relevant to consumers joining KiwiSaver than those switching or transferring, for example, those switching or transferring have already received the “be in” message.

## Comparison tools

13. The Guidance Note suggests providers point to a comparison tool when talking about switching providers. Where a customer is transferring providers, NZBA agrees providers should recommend they think about the pros and cons of any transfer. NZBA however does not agree that providers should lead customers to a comparison tool in *all* circumstances, as this may not be what the customer needs or wants. Rather, providers should assist customers by directing them to a tool only if they want or need that information. Furthermore, such a tool, if suggested to *all* customers regardless of preference or relevance, may in fact cause delays in customer action/decisions (an issue we understand the FMA is seeking to address).

## Product replacement and switching advice should be published after the FAA review

14. We note that the FMA have already signalled their intention to provide updated guidance on product replacement advice and encourages guidance on switching to be included in this. NZBA submits this product replacement guidance should be published *after* the conclusion of the FAA review. NZBA submits that any such guidance will need to address product nuances, for example via separate guidance for separate products or general guidance with specific schedules for specific products.

## References to 2012 Guidance Note

15. NZBA submits that comments on comparison/references to the existing 2012 Guidance Note: *Sale and Distribution of KiwiSaver* should be removed (and potentially published separately) so that the new Guidance Note stands on its own and does not direct readers new to the topic to an out-of-date document.

## Transition

16. NZBA submits that, where providers have not already changed their practices to align with the Guidance Note, it will take time to transition/imbed any changes if they choose to make a greater use of class advice.

17. NZBA submits that, although the Guidance Note may encourage the provision of class advice, any changes to providers' business models may not be immediate. The changes may take time to adopt for some providers, and staff training will need to be completed if a provider elects to move from an information-only model to a class advice model.

## Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with 'Feedback: KiwiSaver advice' and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 16 December 2016

Number of pages: 3

Name of submitter:

Company or entity: New Zealand Funds Management Limited

Organisation type: Fund manager

Contact name (if different):

Contact email and Phone:

### Summary: KiwiSaver advice

This guidance note is for providers advising on KiwiSaver products and replaces our 2012 Guidance Note: Sale and Distribution of KiwiSaver. We are replacing this guidance to recognise feedback that our 2012 approach resulted in some people not getting the help they needed, as firms saw it as risky to provide advice. This revised guidance is intended to change that situation, by encouraging advisers and financial firms to help people make good decisions about KiwiSaver.

This guidance updates and clarifies our view of what the different types of financial advice are, so advisers can be more confident they are within the rules.

This guidance applies the current law, which distinguishes between class and personalised advice. Currently, financial advisers can give customers information only, or they can give 'class' or 'personalised' advice. Only some advisers can give personalised advice. This guidance discusses our view of what falls into each of these types of services.

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	n/a	
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	n/a	
3. Does any of the content need clarification – or is there anything missing?	n/a	
4. What concerns do you think others in the industry might have about the revised guidance note?	Please refer to the feedback summary below.	

### Feedback summary – if you wish to highlight anything in particular

We are strongly supportive of the Financial Markets Authority ("FMA") encouraging advisers and financial firms to help more New Zealanders make good decisions about KiwiSaver. However, we do not agree that the draft guidance note will necessarily lead to better outcomes for New Zealanders once the consequences of it are factored in.

Below we describe the three main consequences we see with the guidance note and suggest potential policies for consideration by FMA.

We note KiwiSaver is the fastest growing part of the funds management market in New Zealand. In addition, as KiwiSaver account values grow, we believe KiwiSaver will increasingly be a focus for New Zealanders and play an increasingly important part of the broader financial advice market in New Zealand.

### **1. KiwiSaver is important; quality advice matters**

KiwiSaver investments are on average no less risky than other investment structures (e.g., super schemes or unit trusts). KiwiSaver investments are also increasingly important to New Zealanders because they are often their primary long-term retirement savings vehicle and largest non-property investment. Many New Zealanders already have large KiwiSaver investments, and the longer investment time horizon involved means the impact of inappropriate advice can be compounded.

In our view, advice on choosing a KiwiSaver scheme and the right KiwiSaver fund to invest in (referred to as “Fund Class Advice” in this submission), especially when it takes into account personal characteristics, should not be treated differently from advice on other investment structures. These are important long-term decisions that require carefully considered advice.

It is, therefore, critical that the individuals providing Fund Class Advice have sound investment knowledge and experience (including experience in comparing products and product providers), as well as a good understanding of how personal characteristics can impact investment decisions and investment outcomes. Authorised Financial Advisers (“AFAs”) will generally have this knowledge and experience. However, if the guidance note is implemented, Fund Class Advice will commonly be provided by individuals without equivalent knowledge and experience, resulting in a higher potential for inappropriate advice being provided.

For completeness, we do not hold the same concerns regarding the other three factors set out on page 5 of the guidance note (i.e., be in KiwiSaver, contribute, and taxation).

### **2. AFA authorisation eroded**

If Fund Class Advice, especially when it takes into account personal characteristics, is commonly provided by individuals who do not hold an AFA authorisation, we expect many AFAs will reconsider whether their authorisation is worth maintaining and fewer individuals will seek to obtain it. In addition, the willingness of entities associated with KiwiSaver schemes to support staff in training for AFA authorisation may be reduced.

In our view, the guidance note will over time lead to a reduction in AFA numbers across New Zealand. This has the potential to result in less personalised advice being provided to New Zealanders on both non-KiwiSaver and KiwiSaver investments and contrasts with policy initiatives to grow New Zealanders’ access to good financial advice.

We note that AFA numbers are already reducing and that growing compliance requirements are causing some AFAs to reconsider their authorisation.

### **3. Personalised advice will often be provided**

We expect that conversations between non-AFA individuals and customers where Fund Class Advice is being provided, especially when it takes into account personal characteristics, will often lead to personalised advice being provided, even if the proposed protections in the guidance note are in place (e.g., the explanations set out in the guidance note being provided to customers).

There are several reasons for this, including that the non-AFA individuals providing the Fund Class Advice may not be sufficiently trained on the difference between class and personalised advice, that incentives can lead to ‘pushing the envelope’, and that it is easy for conversations to become personal in nature (e.g., “so you think I should invest in the growth fund given my situation?”).

As a result, the guidance note seems to ‘set the stage’ for this to occur. In addition, as this is a foreseeable consequence, it contrasts with other policy initiatives to improve the quality of advice being provided (e.g., recent increases to the training and CPD requirements under the Code of Professional Conduct for AFAs) and further erodes the AFA authorisation.

### **Policies for consideration by FMA**

Given the above, we submit for consideration by FMA that the guidance note is amended to enable Fund Class Advice to be provided by AFAs only. In doing so, it would promote the efficient provision of advice on KiwiSaver to New Zealanders, help ensure Fund Class Advice is provided to an appropriate standard, and enhance the AFA authorisation.

If this policy is not considered appropriate by FMA, we further submit the following for consideration:

- Fund Class Advice could be limited to investors with investments below a certain threshold (e.g., \$50,000). Investors with larger KiwiSaver investments could be advised to seek personalised advice from an AFA. This will reduce the economic impact of inappropriate advice and reflects that investors with larger balances have a greater incentive to seek personalised advice.
- Fund Class Advice provided by QFE advisers or representatives of a registered financial advice entity (“RFAE”) could be limited to existing investors in the KiwiSaver scheme with which the entity is associated, but not new investors to the scheme. This would help minimise the risk of Fund Class Advice being used as a market-share grabbing tool, whilst also help ensure the individuals providing advice have appropriate knowledge and experience.

- Fund Class Advice provided by QFE advisers or representatives of an RFAE could be limited to the KiwiSaver scheme with which the entity is associated. This would enable efficient provision of Fund Class Advice, whilst also help ensure the individuals providing advice have appropriate knowledge and experience.
- The guidance note could set out clear training requirements for non-AFA individuals providing Fund Class Advice. This would help reduce the likelihood of inappropriate Fund Class Advice being provided.
- The guidance note could require that any incentives provided by QFEs or RFAEs in relation to Fund Class Advice do not favour certain KiwiSaver funds over others (e.g., KiwiSaver growth funds where higher fees are typically charged). This would also help reduce the likelihood of inappropriate Fund Class Advice being provided.

We would be very happy to directly discuss any aspect of this submission with FMA.

**Please note:** Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.

**Thank you for your feedback – we appreciate your time and input.**



## Feedback: KiwiSaver advice

Please submit this feedback form electronically in **both PDF and MS Word formats** and email it to us at [consultation@fma.govt.nz](mailto:consultation@fma.govt.nz) with **'Feedback: KiwiSaver advice'** and your entity name in the subject line.

**Submissions close on Friday 16 December 2016.**

Date: 16 December 2016

Number of pages: 4

Name of submitter:

Company or entity: BT Funds Management (NZ) Limited (**BTNZ**) and Westpac.

Organisation type: BTNZ is a licensed manager of managed investment schemes including the Westpac KiwiSaver Scheme. Westpac is a registered bank and distributes the Westpac KiwiSaver Scheme.

Contact name (if different):

Contact email and Phone:

Questions:	Comment	Recommendation
1. Does the new guidance note meet its purpose of making it easier for advisers and financial firms to offer advice, and generally provide help, about KiwiSaver?	Yes. We generally support the publication of the Financial Market Authority's ( <b>FMA</b> ) new <i>Guidance Note: KiwiSaver advice</i> and agrees that it will facilitate the provision of class advice to KiwiSaver investors. We support the replacement of the existing 2012 <i>Guidance Note: Sale and Distribution of KiwiSaver</i> .	
2. Does it enable you to begin making changes – for example, to call centre scripts – to improve access to advice in advance of the Financial Adviser Act changes?	<p>Yes, the guidance note will enable us to begin making changes to improve access to class advice. However, these changes will take time to implement. Some advice channels will be easier and faster to change than others.</p> <p>For example, this question refers to call centre scripts. It will be easier to amend call centre scripts and train a small number of call centre staff than it will be to train a large number of staff in a national, retail branch network.</p> <p>Although the guidance note is enabling, those staff members who are currently operating on an information-only model will need to be trained before they can offer class advice. New procedures and documentation will also need to be developed and rolled out.</p> <p>The upcoming changes to the Financial Advisers Act (<b>FAA</b>) will also need to be considered. Providers may not be encouraged to make changes to their business processes if it appears that those changes would not be durable under the new legislation.</p>	

<p>3. Does any of the content need clarification – or is there anything missing?</p>	<p><u>Page 5, What you should tell investors</u></p> <p>The guidance states ... <i>there are four main pieces of information and advice that will be useful for every customer, whether they are considering joining KiwiSaver, switching between funds within one KiwiSaver scheme, or transferring between schemes.</i></p> <p>Those four factors are set out in the guidance and are:</p> <ul style="list-style-type: none"> <li>• <i>Be in – be a KiwiSaver member (although be aware Kiwisaver is not affordable for some New Zealanders).</i></li> <li>• <i>Contribute – chose a contribution rate (at the very least, enough to get all the member tax credit).</i></li> <li>• <i>Right fund – identify the right type of fund.</i></li> <li>• <i>Tax – tell the scheme the correct prescribed investor rate (the tax rate that applies to their KiwiSaver investment).</i></li> </ul> <p>We agree that these factors are generally important considerations for members joining KiwiSaver schemes. However, we do not agree that they are the only factors that a prospective member should consider. For example, the fact that KiwiSaver savings are generally locked-in until the member is 65 is an important factor that the consumer should understand before investing.</p> <p>Overall the message to "<i>be in</i>" KiwiSaver is a good one. However, it should not be over simplified. In some circumstances an investor may be better off not joining KiwiSaver. For example, an investor who belongs to certain workplace superannuation schemes (including those provided by the Government).</p> <p>Further, while the four factors are important, it would not be helpful if a tick-box approach were adopted for conversations about KiwiSaver.</p> <p>We disagree that all these factors are equally relevant to KiwiSaver members who are transferring between funds or schemes. For example, such a member has already decided to be in KiwiSaver.</p>	<p>The focus of this section of the guidance should be on people who are considering joining KiwiSaver.</p> <p>Providers should be encouraged to have a natural conversation with consumers.</p> <p>The first bullet point should be amended as follows:</p> <ul style="list-style-type: none"> <li>• <i>Be in – generally, being a KiwiSaver member is a good idea (although KiwiSaver may not be suitable for some New Zealanders).</i></li> </ul> <p>Consider amending the reference from "<i>four factors</i>" to "<i>four areas</i>" and then using this terminology consistently in the rest of the document.</p>
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	<p><u>Page 7, Examples of what is not advice</u></p> <p>The examples given under the column heading "Question" are not all questions.</p>	<p>Change the column heading from "Question" to "Example".</p> <p>The last bullet point under the topic "What is KiwiSaver?" may read better as "Is it a good idea to join KiwiSaver?"</p>
	<p><u>Page 8, Class advice</u></p> <p>Generally it is difficult for a consumer to understand the class vs personalised advice distinction and what that means.</p> <p>We are concerned that the steps set out on page 8 will limit a natural conversation between a staff member and a consumer.</p>	<p>The guidance should not be so prescriptive but instead should be more general, ensuring reasonable steps are being taken to explain class advice and any limitations.</p>
	<p><u>Page 8, Using digital tools</u></p> <p>The third paragraph could be clearer that digital tools can provide class advice even though some individual data is captured.</p>	<p>Replace second sentence of third paragraph with the following:</p> <p><i>You will also have the assurance the advice is not shaped by a person's financial situation and goals, as your digital tools can obtain information to consider whether or not the person fits within the predefined characteristics of a class of people.</i></p>
	<p><u>Page 9, Examples of class advice</u></p> <p>The examples of class advice given in relation to the topic "Why this KiwiSaver scheme?" are examples of information only.</p> <p>The guidance implies that providers should help consumers find comparison tools. We do not think it is necessary to prompt consumers to use a comparison tool whenever they are considering switching providers. Providers should assist consumers in this way if the consumer indicates that they want or need this tool.</p> <p>The guidance note refers to sorted.org.nz's KiwiSaver Fund Finder. We agree this is a useful resource. However, it has its limitations. For example it ranks schemes by the quantity rather than the quality of their services.</p>	<p>Delete the two examples.</p>
	<p><u>Page 12, Personalised Advice and Page 14, Example of personalised advice</u></p> <p>The example on page 14 could be read as requiring the provision of an investment planning service. The reference on page 12 to "potentially recommending several investment possibilities, not just KiwiSaver" could also be read in the</p>	

	<p>same way.</p> <p>The guidance should not inadvertently discourage the provision of simple, personalised advice on KiwiSaver.</p>	
	<p><u>Page 13, What is the difference between class and personalised advice?</u></p> <p>The guidance cites the length of a discussion as a factor in helping the provider decide whether the advice is class or personalised. Our experience is that even an information-only discussion about KiwiSaver can be quite lengthy. In reality, the length of the conversation may not be a particularly useful factor.</p>	<p>The reference to the length of the discussion should be deleted.</p> <p>The guidance could also include a note that class advice does not require the provider to use terms such as "A person over 50 should" and can still use statements beginning "You ...". For example, "You might want to consider investing in a profile that suits your life stage."</p>
<p>4. What concerns do you think others in the industry might have about the revised guidance note?</p>	<p>Members of the industry may delay adopting the advice in the guidance note and moving to a new advice model until there is greater certainty over the final form of the FAA reforms and related FMA guidance. The FMA states that the draft guidance note may be reviewed and replaced once the new FAA legislation comes into effect.</p> <p>The speed with which members of the industry can adopt the guidance note will depend on their existing distribution model and whether they are currently offering class advice. The FMA's 2015 report noted that most KiwiSaver providers are operating on a sales model rather than an advice model.</p>	
<p><b>Feedback summary – if you wish to highlight anything in particular</b></p>		
<p><b>Please note:</b> Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>		
<p><b>Thank you for your feedback – we appreciate your time and input.</b></p>		