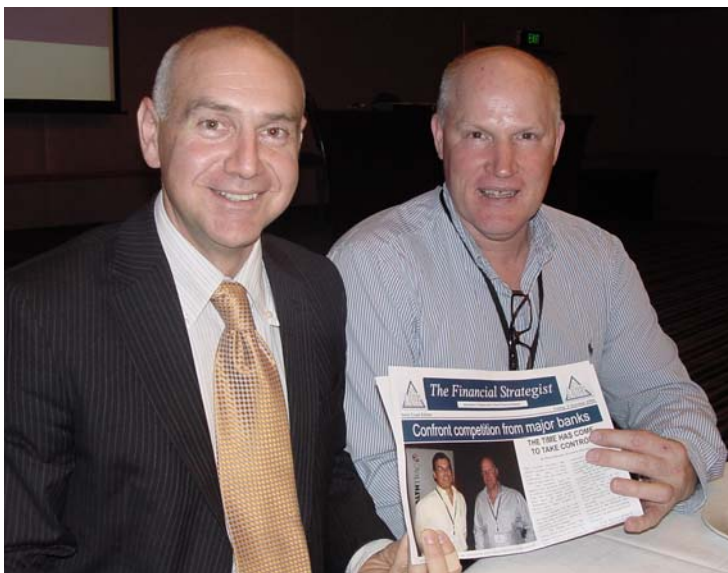


TIME TO SAY GOODBYE - NEXT STOP VIETNAM!



Delegates to the AIOFP 11th annual onshore conference took time out to wave goodbye to the Gold Coast at the conclusion of the three-day event. At the same time most said they were looking forward to next year's major event in Vietnam—see Page 2



The Financial Strategist became essential reading for Bernie Ripoll MP when he came to the AIOFP conference and was introduced to the publication by Executive Director Peter Johnston.

TASK IS TO 'UNTANGLE' THE VERY COMPLEX ISSUE

ADVISER-client relationships have merged as one of the key issues under investigation by the parliamentary inquiry into the securities industry.

Committee chairman Bernie Ripoll told the Gold Coast conference the investment advisory sector needed reforming.

He said one of the tasks of his 10 member body was to try to “untangle” the very complex issue of relationships and how they worked between client and adviser.

“It is not about whether markets fall or products fail it is about relationships and where people are told something and were sold something different,” Mr Ripoll said in his address to the final conference session on Friday.

He told how the committee had to delve through

more than 400 submissions, including papers prepared by the Australian Securities and Investments Commission (ASIC) and the Treasury.

“The clear message that has come to me is that the sector needs reform”.

Mr Ripoll said that many of the challenges the committee had observed were outside the sphere of just misconduct and existed in normal day-to-day operations and how people interacted.

He said the challenge the committee faced was in “untangling” complex issues of trust, disclosure and responsibility and making people understand what they were buying.

Mr Ripoll had earlier heard a presentation from AIOFP executive director Peter Johnston and noted later that he was “taking seriously” the issues that were raised,

Continued Page 2

WHAT THEY THOUGHT OF THE AIOFP GOLD COAST CONFERENCE



Bruce Tustin, Oasis.

“The AIOFP conference is always a great opportunity to network and catch up with the guys you don't see all year. Aus Super's Ian Silk spoke very well and gave a great insight into the industry funds sector”



Rob McGregor, McGregor Asset Management.

“I've had good feedback about the Filtered Research Committee and what we are trying to do in tightening up the research processes. I am going away having learned a little from each of the speakers.”



Greg Poccock, Astarra.

“The AIOFP conference is particularly important for boutique managers like ours. I was impressed with the speakers who delivered well. The conference was well run and the quality of the attendees is high”.



Terry Dean, Westpac.

“Many people had strong opinions, there was open discussion and small practices were able to share ideas. That's a positive. The open discussion with Alison Maynard, from FOS, was impressive.”



Claire Wivell Plater, Gold Seal.

There were so many topics covered in such a succinct way. You are able to get through an enormous amount of material without feeling that you were waiting for things to happen.

GOOD EVENING VIETNAM!



Imagine waking up in a dream setting like this! The Intercontinental West Lake Hotel is the best hotel venue Executive Director Peter Johnston has ever seen for a conference and next March you could be there. Visit the AIOFP website www.aiofp.net.au for all the details and don't miss out. See you there!

UNTANGLING A COMPLEX ISSUE - FROM PAGE 1

particularly about clients knowing who they were dealing with and who the adviser might represent.

"I appreciate your comments on commissions, Mr Ripoll added, noting, however, that the issue of product manufacturers making payments to advisers was not easily addressed.

"Certainly there is room to remove some commissions. As a committee we are very interested in how the remuneration relationship works and that people understand how much they are paying. How we untangle the conflict is going to be a big piece of work."

In his presentation, which will be one of the last before the committee reports, Executive Director Peter Johnston told

Bernie Ripoll that the issues the AIOFP wanted to raise for consideration included fee for service model, percentage based client charging, promotional transparency, loss leader advice strategy concerns and solvency – a level playing field.

He said that with respect to the fee for service model at the 2008 Gold Coast conference AIOFP presented a fee model to both Nick Sherry and Wayne Swan for consideration.

"Nick endorsed it, Wayne liked it," he said.

"The client fee is decided by direct consultation between the adviser and the client before any product selection has been made. It can be either an hourly rate, flat or percentage based, fully disclosed, transparent and reviewed annually.

"There seems to be some confusion between percentage based charging and the old commission regime that is clearly conflicted where the product manufacturer sets and controls the price and offers it directly to the advisers as an inducement.

"Client percentage based charging is where the adviser and the client negotiate the price and then go to market looking for the best product for the client's circumstances.

"It aligns the client's and the adviser's objectives."

Mr Johnston said the AIOFP agrees that charging a percentage on geared investments is potentially conflicted.

STRUCK OFF FOR SIX YEARS - PERSONAL ACCOUNT

BANNED adviser Matthew Brannelly (*pictured*) gave a personal account of the collapse of his business, warning members of the risks of relying on material produced by product research houses.

Struck off for six years over the advice he gave clients regarding the Westpoint saga, he explained that in the case of Westpoint, planners were deemed responsible for the disaster.

He said that as a result he found himself under attack from the Australian Securities and Investments Commission, the Westpoint administrators and let down by his personal indemnity insurer.

During the three year battle to clear himself of any allegation of wrongdoing, Mr Brannelly said that he incurred \$1 million in legal fees and went through three separate court cases.

These trials ran over 12 months and involved more than 30 meetings with lawyers, barristers, litigation and compliance experts.

He told of a 12 month long battle with a "recalcitrant" indemnity insurer which had initially denied liability.

The fight also caused personal and family stress heightened by front-page reports in the daily press which he said had cast him as 'villain' of the Westpoint debacle.

Summing up, Mr Brannelly said there remained enormous and unavoidable dangers for professionals who



act as investment consultants and experts.

He said "good systems" do not afford sufficient protection when things go wrong.

"Advisers need to decide on whether they are comfortable when taking risks and they must clearly define value propositions and service offerings for clients.

ASIC and the courts took the view in Mr Brannelly's case that, irrespective of how flawed the Westpoint case, the adviser was accountable directly for all information communicated to the affected client and that, the onus of proof, in respect to what was explained and discussed with the investor, was on the adviser.

It was found that Mr Brannelly was in breach of the duty of care he had to clients by having provided inappropriate advice.

The license holder for whom he acted and the research house that gave him flawed advice managed to escape the regulator's clutches.

The picture that Mr Brannelly paints is that he was the fall guy.

'She'll be right' attitude left many exposed

THE typical Australian attitude of 'she'll be right' was leaving many families exposed to insurance risk, the AIOFP conference heard.

Jeffery Scott, CommInsure's executive manager, business growth services, said that while default cover was increasing, under insurance remained a major problem.

Up to five million Australian families were underinsured by \$1.4 billion, Mr Scott told members in his presentation during the afternoon session on Thursday.

The "she'll be right" attitude was a key driver of the underinsurance problem," he said.

An example he gave revealed that while this year's Victorian bushfires killed 173 people, destroyed 1,853 properties and cost over \$1 billion, his company paid less than \$700,000 on 13 claims.

These involved four death claims and nine payouts for income protection.

During his address Mr Scott also noted that

bushfire risk will double if emissions continue.

He pointed out that Australia was one of the most fire-prone countries on earth and bushfires can cause widespread devastation.

In the right conditions a small fire can quickly become a massive one if not quickly controlled. When weather, topography, vegetation and fuel combine to defeat the best efforts of fire fighters, bushfires can cause millions of dollars in damage and claim lives.

Each year 'disaster-level' bushfires (where the total insurance cost of the event was more than \$10 million) cost Australia an average of \$77 million.

Between 1967 and 1999 Australia was affected by 23 bushfires where the insurance cost was greater than \$10 million.

The total cost of these bushfires is estimated to have been more than \$2.5 billion, a figure that does not necessarily include forestry losses.