

Advice Process

InterPrac Business Principle



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Purpose

The purpose of this document is to outline the foundations of a financial planning process that supports Best Interest Duty, related obligations and to consider tools, templates and guidance available to InterPrac's representatives to provide compliant advice to retail clients.

Scope

The financial planning advice process generally contains five (5) or more elements. In this guidance InterPrac have outlined an advice process containing elements in line with those discussed in the FSG. These elements include:

1. Initial Engagement
2. Discovery and Fact Finding
3. Research and Preparation of Advice
4. Presentation and Implementation of Advice and Services
5. Ongoing Services

The main legislative requirements for licensees and their representatives are set out under the Charter 7 of the Corporations Act 2001.

In addition to the regulatory requirements, ASIC issues regulatory guides, information statements and reports that provide further guidance. These resources are not law but they are ASIC's interpretation of the law and they detail in practical terms what ASIC believes is necessary to comply with the law. The main guidance ASIC provide in relation to the financial planning process is found in ASIC Regulatory Guide 175, ASIC Information Statement 182 provides guidance on appropriate Super Switching Advice and ASIC Reports 413 and 575 respectively provide guidance and insight regarding the regulator's expectations for appropriate retail Life Insurance advice and SMSF advice.

Authority

A representative must hold an authority to provide personal financial advice and, where relevant, specialist authorisation to deal with specialised subject matter and advice (eg. Gearing, Margin Lending and/or SMSF accreditations).

Support staff and third-party providers, that do not hold proper authority with InterPrac, may be involved throughout the financial planning advice process to support the administrative and/or clerical duties involved in the preparation and implementation of advice. The responsibility for the advice and services provided will rest with the advice provider and ultimately, the Licensee.

Evidence of a consistent and well considered advice process being applied in practice will help advisers demonstrate satisfaction of the Best Interest Duty and the related obligations in all client files where personal financial advice has been provided to a retail client.

Business Rules

1. Initial Engagement

A representative's initial contact with a client should help both the adviser and client understand what advice and/or services the client is seeking, what advice and services the adviser can provide to support the client and how much it is likely to cost to provide the identified advice and services. These initial discussions will also help identify if the adviser is in a position to provide appropriate and qualified advice and/or services to support the client's objectives, financial situation and needs.

Process and evidence stored on Client File

At a minimum the client file should contain evidence of Initial Engagement activities by having appropriate documentation including:

- Evidence of the current version of the FSG (Part 1 & Part 2) being provided and discussed with the client and the relevant client acknowledgement to confirm receipt of this document.
- File notes detailing initial engagement activities
- Evidence to support AML/CTF 'Know Your Client' obligations including certified copies of appropriate identification documents, ID verification forms and notes recorded to complete an appropriate risk assessment.
- Any substantiation materials provided by the client and any preparation information collected by the adviser that is relevant to the meeting, topics of discussion or the objectives, financial situation and needs of the client.
- Correspondence used in practice to introduce the client to the practice and introduce financial planning services.
- Documented agreement and/or terms of engagement confirming a mutual understanding and agreement to proceed with investigations and preparation of advice and/or to provide a client with financial planning services.

Refer to AML / CTF Business Principle for detailed guidance.

2. Discovery and Fact Finding

To support the obligation to undertake reasonable inquiry imposed under Best Interest Duty, it is the responsibility of the representative to ask a range of questions that identify a client's relevant circumstances including their objectives, financial situation, needs and their appetite for risk. In most cases this information will be recorded in the Personal Fact Find & Financial Needs Analysis document and the Risk Profile Questionnaire. The file can contain any support or reference documents that confirm the details required to provide appropriate advice.

Generally, the more complex the client situation and subject matter of the advice sought, the more information will be required. Information collected will be used to support the basis for recommendations that should be developed primarily to support the needs and objectives of the client seeking advice.

The choice to provide complete and accurate information or authority for the adviser to collect additional information is up to the client. Where the client does not provide the relevant information or does not provide their authority for the adviser to collect information and details of the client's relevant circumstances are incomplete or inaccurate, the adviser should consider if it is appropriate to provide advice and determine if that advice would be appropriate in light of the missing information.

Once completed appropriately, the Personal Fact Find and Financial Needs Analysis document acts as the Terms of Engagement and confirms the agreed scope of advice, the client's relevant circumstances and that the client has agreed to proceed with the preparation of an advice document.

Process and evidence stored on Client File

At a minimum the client file should contain evidence of Discovery and Fact Finding activities by having appropriate documentation including:

- A fully completed Personal Fact Find and Financial Needs Analysis, including an accurately completed Client Acknowledgement that confirms the agreed scope of advice and has been signed and dated by all relevant parties
- A fully completed, signed and dated Risk Profile Questionnaire (or other risk profiling tool), including an accurately completed statement confirming the client's preferred Risk Profile, tolerance of risk and reasoning to support the appropriateness of this selection.
- File notes
- Any substantiation materials provided by the client and any information obtained by the adviser that is relevant to the objectives, financial situation and needs of the client.
- Correspondence used in practice to confirm information relevant to the subject matter of the advice sought, areas of advice or other items that will benefit the client.
- Documented agreement and/or terms of engagement confirming a mutual understanding and agreement on the agreed scope of advice, the cost of the agreed services and the client's confirmation to proceed with preparation of advice and/or to provide a financial planning service.
- Appropriately completed Authority to Access Information (3rd party authority) forms to help investigate and consider existing financial product arrangements.

3. Research and Preparation of Advice

To ensure a client's goals and objectives can be achieved, it is expected the Adviser will use the information provided by the client, together with the client's written authority to collect further information. The information collected is used to confirm the client's current situation and supports the requirement to undertake reasonable investigation into existing financial products held by the client.

The information collected will form the basis of developing appropriate recommendations to support a client's objectives, financial situation and needs. In most cases, as the Adviser, you will consider a number of options to determine what you believe to be the most beneficial outcome for the client. It is important that the client is actively involved in the research and preparation process as new or important information may become evident and may change the scope of advice originally sought.

In developing recommendations it is expected that projections would be developed to verify the suitability of strategic recommendations and additional research will be undertaken to compare and select appropriate financial products in support of the recommended strategies. This may involve use of 3rd party comparison tools for personal insurance products, investment products or superannuation and pension arrangements.

Available Research Tools

- Authority to Access
- Data Collection Tool
- Approved Product List
- Morningstar and Lonsec

Once the recommendations have been developed, an appropriate advice document must be prepared to include strategic advice, financial product advice or a combination of both, and this written advice must be provided to the client for consideration and acceptance before any further action is taken.

Available Advice Document Templates

- SoA
- RoA
- SMSF Establishment Only Template
- Risk Only Statement of Advice
- Execution Only Template

We supply and maintain Statement of Advice template on Financial Planning Software's (Adviser Logic, XPLAN and MidWinter). Advisers that are not using the Software for the preparation of the SoA can find the soft copy template, together with the Strategy text and Appendices on the Adviser Resource Centre.

Once the document is prepared by adviser it is recommended to use and store on file Statement of Advice – Review Checklist from Adviser Resource Centre to ensure that the Advice Documents include all the required information.

If the client has not previously sought advice or the client's situation and the advice sought or provided is significantly different from that information or advice provided previously, the advice will be presented in a Statement of Advice.

If the client's situation or the advice sought has not changed significantly from that information or advice provided previously, the advice be presented in a Record of Advice.

Specific guidance on the different advice documents SoA or RoA is detailed in Advice Documents Business Principle.

Process and evidence stored on Client File

At a minimum the client file should contain evidence of Research and Preparation activities by having appropriate documentation including:

- Personal insurance comparison reports assessing features, benefits and costs of at least 3 provider options suitable to the advice being prepared.
- Superannuation and pension comparison reports assessing features, benefits and costs of at least 3 provider options suitable to the advice being prepared.
- Non-super investment research and comparison reports assessing features, benefits and costs for the current and proposed portfolios, suitable to the advice being prepared.
- Evidence of contacting and documenting investigations into existing products using the Product Replacement Checklists provided by InterPrac.
- File notes
- Any substantiation materials provided by the client and any information obtained by the adviser that is relevant to the objectives, financial situation and needs of the client.
- Correspondence used in practice to confirm information relevant to the subject matter of the advice sought or areas of advice that will benefit the client.
- Completed product quotes, cash flow projections and calculations used to support findings and recommendations provided to the client as well as documentation to confirm the reasonable assumptions used to prepare these materials.
- An appropriate and eligible advice document and, where relevant, evidence of the advice having been reviewed and approved while under pre-vet. The advice document stored on file should be signed by the adviser and be the same as the final advice document that will be presented to the client.
- Copies of all relevant supporting materials incorporated by reference within the eligible advice document

4. Presentation and Implementation of advice and services

Having prepared the advice document, the next step is to present and implement the recommendations that have been agreed to by the advice recipient. This may involve another meeting or may be less formal delivery by email or post. Presenting advice in person provides an opportunity for clarification of items not understood by the client and for any questions to be resolved. These discussions should enable the client to make an informed decision whether to act, in full or in part, or not to act on the recommendations provided.

The advice document will generally contain details about the basis for advice, strategic recommendations and, where appropriate, will also include financial product recommendations. More importantly, the advice document will outline the benefits and risks of acting on that advice and should clearly outline any fees, charges or conflicts of interest that may reasonably be expected to influence the advice being provided.

The advice provided may also include specific reference materials that are important and related to the advice being provided. These materials may include fact sheets, research reports, cashflow projections and disclosure documents (Product Disclosure Statements, FSG, IDPS Guide, etc.) for the recommended products.

Once the client has confirmed their intent to proceed with the implementation of the recommended strategies and financial products, it is a business requirement that this intent is documented by completing the Authority

to Proceed or to obtain the client's written confirmation of the items they agree to implement. This is a secondary Terms of Engagement and confirms acceptance of the recommended advice and/or services and allows the client to document any variation to the recommendations.

The Authority to Proceed document will also confirm the acceptance of costs relating to the recommendations, the cost to implement relevant actions and the associated costs of any additional services. Where Ongoing Services are also being offered and are including in the advice document, the Authority to Proceed may be used to confirm acceptance of the relevant service agreement.

Applications and forms that require the client's input to prepare and/or lodge need to be completed and finalised in the presence of the client or in a manner that allows the client to review the completed application before they provide acknowledgement (signature) to finalise the application or form. Copies of the completed applications, forms and lodgement of these documents should be stored on file and a copy being provided to the client where appropriate.

Throughout the implementation process the adviser should provide their client with regular updates regarding the progress and completion of agreed services and/or action items. With completion of all implementation action items being confirmed either verbally or in writing.

Process and evidence stored on Client File

At a minimum the client file should contain evidence of Presentation and Implementation of Advice and Services by having appropriate documentation including:

- Evidence the advice was presented or issued to the client for consideration before implementation action items were completed.
- Completed Authority to Proceed (where applicable) confirming the client's acceptance of all recommendations, acceptance of limited recommendations and comments confirming the client's preferred amendments to any recommendation or the client's confirmation that they do not wish to proceed with the implementation of recommendations. The Authority to Proceed should be signed and dated by all relevant parties.
- Written confirmation from the client outlining their understanding and acceptance, amendment or declination of the recommendations.
- Copies of all relevant completed, signed and dated application forms as submitted to the provider.
- Copies of any money transfers or cheques relating to the placement of monies.
- Correspondence and evidence to confirm the implementation and completion of agreed action items.
- File notes detailing activities including the following items:
- Any relevant materials provided by a product provider during the implementation process and any information obtained by the adviser that is relevant to the implementation of the advice.
- Copies of all relevant supporting materials incorporated by reference within the eligible advice document.

5. Ongoing Services

A key component of the advice process is to review the client's relevant circumstances as well as the recommended strategies and financial products on a regular basis to ensure they remain appropriate to the objectives, financial situation and needs of the client.

As the advice provider it is appropriate to recommend ongoing services that include regular reviews and to update your recommendations on a regular basis so they may consider any change in the client's circumstances and to adjust your advice accordingly. This review process is offered as part of a broader Ongoing Service Agreement and may be included in your advice document or be provided as a separate agreement.

It is important, in light of current events and recent findings of the Royal Commission into banking and financial services, that any agreement for ongoing services contains items that are of value to the client and are relevant to the advice provided. For example, the mere offer of a review is of no value and an actual review that

compares the client's current situation to that outlined in your advice, should take place at least annually. While the preference of the Licensee is that this review meeting would take place in a face to face meeting, we appreciate that this may be difficult to provide for some relationships and clients. In these situations, it is still necessary to demonstrate that investigation and inquiry has taken place to confirm the client's relevant circumstances and that standard review activities have taken place with relevant information provided to each ongoing service client. We accept that your review services may include a face to face meeting where practicable and delivery of key review documents.

To maintain an ongoing service agreement the Adviser must provide a Fee Disclosure Statement annually and the client will need to confirm in writing their intent renew the Ongoing Service Agreement at least every 2 years.

Refer to FDS & Renewal Notice Business Principle for detailed guidance.

Process and evidence stored on Client File

At a minimum the client file should contain evidence of Ongoing Service activities by having appropriate documentation including:

- Completed Authority to Proceed (where applicable) or other written acknowledgement from the client confirming their understanding and acceptance of an Ongoing Service Agreement that includes defined service entitlements and costs related to the provision of those services.
- Evidence of the agreed services being provided in line with the expectations set out in the Ongoing Service Agreement.
- Portfolio valuation reports, insurance policy schedules, ongoing research, transaction histories and any other verification paperwork used in reviewing a client's situation as part of the provision of ongoing services.
- Correspondence, remuneration details and other evidence used to confirm the calculation of fees relevant to the agreement and for disclosure in the FDS.
- Fee Disclosure Statements for the relevant periods being provided within the allowable timeframe each year.
- Written confirmation from the client outlining their intent to renew the Ongoing Service Agreement at least every two (2) years.
- Where an Ongoing Service Agreement is ceased or discontinued, evidence the fees relating to that agreement have been switched off and the client has been informed appropriately that the agreement and fees have ceased, within the allowable period.
- File notes
- Any relevant materials provided by a product provider during the course of normal activity and any information obtained by the adviser that is relevant to the client's known objectives, financial situation and needs.
- Copies of any further or new advice documents as well as all relevant supporting materials incorporated by reference within an eligible advice document.

File notes

File notes are a risk management tool and are an important part of the advice process.

Every file note should include:

- Name of the persons preparing the file note
- Date and time of preparation
- Location, attendees, purpose and date of the recorded meeting and/or discussion
- Comprehensive information outlining the topics of discussion
- Relevant references to any materials drawn on to support discussions
- Appropriately documented action items that result from the topics covered in discussion
- Clear, legible and unambiguous statements, comments and relevant notes to confirm what was covered during the engagement process and to confirm what had been agreed to progress the advice process.

Every client file should at a minimum include file notes to support each step of the advice process with particular focus on:

- Initial engagement activities
- Advice investigation and preparation
- SoA / RoA presentation meeting
- Implementation and follow up processes
- Provision of Ongoing Services

Paraplanning

InterPrac provide referral arrangements with a number of paraplanning service providers that we have approved and/or other Advisers have used successfully in the past. The obligation to complete pre-vet requirements is not bypassed by using an outsource or approved paraplanning service and your advice will be subject to pre-vet where graduation of the pre-vet process has not been confirmed. In some cases, where a new paraplanner or advice preparation service is used it may be necessary to submit work completed where you have graduated pre-vet previously. In these situations, we ask that you contact the Compliance Team before presenting or implementing your advice to confirm whether pre-vet is required and to ensure the quality of work satisfies the licensee's expectations.

A list of approved paraplanning service providers can be obtained by contacting your Business Development Manager or by contacting the Compliance Team.

A Paraplanning Request Form is available on the Adviser Resource Centre to enhance your communication with your selected paraplanner. You can also use a similar tool of equal sophistication which may include the paraplanning service provider's own request forms.

Best Interest Demonstration

The obligation to adhere to a defined process is not mandated by regulation or by the Licensee but it is recommended to implement an advice process that supports and demonstrates application and adherence to Best Interest Duty and related obligations and to ensure consistency and efficiency in providing your clients with appropriate advice.

Consequences

Failure to apply a suitable advice process may result in:

- Non-compliance in meeting relevant obligations when providing personal financial advice to retail clients
- Forgotten or missed actions critical to support the needs of a client
- Inappropriate advice being prepared and based on incomplete and/or inaccurate information
- Client dissatisfaction with services offered and/or provided
- Difficulty demonstrating that Best Interest Duty and related obligations have been satisfied.
- The inability to recall and produce all relevant client files and records in the event of a request from the Licensee or regulators.
- Inefficient advice and services being provided, and a client may suffer financial detriment.

Support

If in doubt, contact a member of the Compliance team to assist you.

Michael Butler	michael.butler@interprac.com.au	03 9209 9782
Shane Miller	shane.miller@interprac.com.au	03 9209 9783
Richard Pollock	richard.pollock@interprac.com.au	03 9209 9790
Tadeya Pacnik	tadeya.pacnik@interprac.com.au	03 9209 9743

Tools

InterPrac provides a number of documents and tools, available on the Adviser Resource Centre, to assist you in developing and maintaining an efficient Advice Process. Some of the documents and tools available to support you include:

- Financial Services Guide and Adviser Profile documents and acknowledgements
- Personal Fact Find and Financial Needs Analysis including client acknowledgements
- Terms of engagement template
- Authority to Access Information and 3rd party authority forms
- Risk Profile Questionnaire and profiling tools
- Software systems that offer engagement tools, CRM functions, access to product research and comparison tools, cashflow modelling tools and advice documentation systems.
- Advice document templates for Statements of Advice, Records of Advice, strategy papers, factual information and execution (transaction) only services.
- Replacement of product checklists for super, pensions, investments and insurances.

Guidance and Associated Documentation

Further guidance in support of Best Interest Duty and advice process development can be seen in additional business rules and guidance documents including:

- Best Interest Duty Business Principle
- AML / CTF Policy Business Principle
- Advice Types Business Principle
- Continuing Professional Development (CPD) Policy and Business Principle
- SMSF Advice Business Principle
- Gearing and Margin Lending Business Principle
- Personal Insurance Advice Business Principle
- Demonstrating Best Interest in the SoA Guidelines
- ASIC Regulatory Guide 175 – Licensing: Financial product advisers – conduct and disclosure
- ASIC Regulatory Guide 90 – Example Statement of Advice: Scaled advice for a new client
- ASIC Regulatory Guide 36 – Licensing: Financial product advice and dealing