



26 August 2014

Financial Systems Inquiry Interim Report – NICRI response.

The National Information Centre on Retirement Investments Inc (NICRI) is an Australian Government funded consumer agency that assists consumers by explaining financial services products, concepts and strategies to the retirees and those leading up to retirement. Funding for this service is provided through the Department of Social Services.

NICRI's response refers to Consumer Outcomes specifically the 'Post GFC Regulatory Response – Consumer Outcomes'. We feel that addressing the five outcomes listed should indeed improve the financial wellbeing of consumers.

With regard to outcome 2 - 'Consumers should have access to the information, advice and education necessary to make effective decisions about products and services that help them meet their financial needs. Informed consumers can better stimulate effective competition, driving system efficiency.'

In order to achieve this outcome the community should be able to access services that have the ability to relate this financial information to their personal circumstances throughout their major life events.

There are currently a number of means available to consumers to access financial information although in recent times it is commonly via the internet and lengthy or complicated product documents. The Australian Securities and Investment Commission (ASIC) share responsibility for implementing the National Financial Literacy Strategy and provide a number of valuable tools and resources to consumers. However many consumers, especially seniors and those with language, comprehension and/or socio economic barriers find it difficult to fully understand the relevance to their personal situation and make decisions that will provide a positive outcome. This difficulty extends to interpreting and understanding information in Product Disclosure Statements, Terms and Conditions documents, Financial Services Guides and Statements of Advice.

The financial planning industry has undergone major changes (FoFA initiatives) which aim to protect consumers and inspire confidence in the community but often the cost to see a planner is prohibitive or consumers are reluctant to spend money obtaining information. Confidence within the industry may also take years to return.

In order to achieve a more confident, empowered, engaged and financially literate consumer, access to information should be made as easy as possible with the ability to relate it to their personal circumstances. This means a combination of services from a range of organisations from Government, Industry and consumer organisations via a number of methods such as written publications, internet

sites, seminars and most importantly a telephone service. NICRI offers information on and speaks directly to consumers via a national toll free telephone service about the many aspects of Investments, Superannuation, Retirement Income Streams, financial aspects to accessing aged care, the Financial Planning Process, Equity Release, Redundancy and the concepts involved with making investment decisions including understanding risk.

Currently NICRI provides this service but is severely under resourced. Despite this NICRI has directly assisted approximately 164,000 senior Australians over the last 25 years and has proven over and over that people who have used this type of service have come away more empowered and confident in their decision making and/or more aware of pitfalls that may risk a detrimental outcome.

The Commission of Audit has recommended that funding to NICRI and other consumer organisations should cease. It also recommended that ASIC's financial literacy functions should cease. NICRI is opposed to this recommendation as limiting resources in providing consumers with these services can only further reduce the level of financial literacy, increase disengagement and lower confidence in the financial system. NICRI recommends that its funding be continued and increased.

Three case studies showing how NICRI has helped consumers reach a positive outcome and/or avoided a detrimental outcome are;

1 – Equity Release – Caller made aware of alternative options

A caller aged 77 was looking to access equity (\$60k lump sum) in her home via a reverse mortgage. The ability to use a regular drawdown arrangement was discussed saving her approximately \$15,000 in interest over 10 years. Drawing a lump sum would also put her on a part pension where she would lose certain discounts on local rates and other services.

3 – Residential Aged Care – Caller helped to understand and be empowered to make decisions

A caller was struggling to understand the fees and other associated ramifications that may affect her father who was moving into residential aged care. She was referred to a financial planner by the aged care facility who quoted \$800 to provide information and it would take up to 2 weeks to receive it. She called NICRI and immediately gained a comprehensive understanding of the situation enabling the family to make informed decision. This saved time and they saved \$800.

4 – Scams – Caller avoided further loss of funds and ultimately financial hardship

During a discussion with a caller, it was revealed that he had sent approximately \$250,000 to 'charities' overseas and he was being pressured to continue sending money. It was identified that it was a scam and has had a significant impact to his financial wellbeing.

We suggested measures to resist ongoing pressure, avoid sending further funds and to report it immediately to the ACCC. We suggested that he approach his bank to discuss measures they can put in place to avoid this happening again.