Opposition ‘deeply concerned’ about cost of CSLR: Taylor

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On the latest episode of the ifa podcast, shadow treasurer Angus Taylor criticised the Labor government’s role in keeping the cost of advice high and their handling of the Compensation Scheme of Last Resort (CSLR), which has only worked to drive the cost higher.

Started as an initiative by the previous Liberal government coming out of the Hayne royal commission in 2019, the CSLR will now see the advice industry front an estimated $18.5 million bill that will leave advisers out of pocket approximately $1,200 each.

When asked to comment on Labor’s roll out of the initiative, Taylor said “it’s absolutely not the way we anticipated” when it was first discussed.

“That’s not what we saw the pathways being, but that’s a big impost to an industry that’s struggling right now, and that we need to get back on our feet. So no, this is exactly the opposite of what we expected. We’re deeply concerned about it,” he said.

Since its announcement, the advice industry has been vocal about their concerns regarding the added cost of the levy, particularly as they are footing the majority of the $24 million total cost of the CSLR. Taylor said the amount placed on advisers is an issue and will impact the industry’s ability to recover from the challenges of the last few years.

“We’ve heard the concerns of the sector about how this is playing out, and the fact that so much of the burden is being put on the financial advisers, I think, is a very significant problem,” he said.

“I mean, that’s a big amount of money for an adviser to pay. It’s a much smaller amount of money to the financial services players, the big financial services players, but it’s a big amount of money for the advisers, and it’s just not the way to get the sector back on its feet.”

Australians struggling to afford advice

With so many Australians expected to retire over the next decade, the need for advice grows but the high cost is making it unattainable for many, particularly during a cost-of-living crisis.

Taylor argued that excessive government regulation is impacting the advice industry's ability to provide advice and the QAR reforms are an opportunity to correct this, but the government does not seem in a hurry to address the issue.

"We are entering an era where so many Australians are under-advised. They're also under-insured and underbanked increasingly, too, by the way. And a lot of this is because of layer upon layer of government regulation," he said.

"The Levy review is an opportunity to scroll some of the worst of that back and open the sector up to get on with doing what it does best, which is doing what most advisers have always done well, which is just to give quality advice.

"And we need more of that, not less, and we need it urgently, but there's no urgency coming from the government in dealing with that. And that is of great concern to me."

Taylor added that the high cost of advice is driving many to look for alternatives, with some seeking advice on social media in an act of desperation.

"We need more advisers advising more clients, and clients desperately need that advice. We're getting to the point where the best advice people are getting is from TikTok. That is not advice," he said.

Despite the continuing concern about the high cost of advice and the significant demand from Australians to be able to access it at a more affordable price point, the added costs being imposed on the advice industry has only hindered efforts to lower the cost.

With the ASIC levy freeze being lifted and the CSLR now being imposed, at a combined cost of almost $4,000 per adviser this year in levies alone, many are left wondering how the industry can be expected to reduce the cost of accessing their services.

When posed this question, Taylor responded: "Well, you can't, and this is the problem."

"We need innovation in the advice sector. That, I think, is coming, and lots of players are actually doing that, but that's got to allow for a range of models from more expensive, higher-touch models that some clients will want," he said.

“And there will be many clients who are happy with a much more basic offering because they’ve got a much less complex financial situation, and you need to have that range, but you can’t have that if you’re imposing these sorts of costs. We think it is slowing down the sector, getting back to where it needs to go, and we’re deeply concerned about it.”

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