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Financial reforms a welcome step towards creating income security in retirement

Long-awaited reforms to financial advice will go a long way to securing more adequate income in retirement for working Australians, say unions.

ACTU Secretary Jeff Lawrence said today's announcement that the Government will ban financial advisers from receiving incentive payments from big financial institutions was a welcome and important major step in the creation of an adequate retirement system for Australian workers.

"We welcome the Government's decision in the face of strong lobbying from those financial institutions who essentially use clients money to pay advisers to flog their products. This system means lower retirement savings for hard-working Australians," Mr Lawrence said.

"The ban will ensure workers' savings are maximised, rather than skimmed off with exorbitant and unjustifiable commissions that only benefit financial institutions.

"This will end the commission rip off and we welcome the Government's decision to side with consumers ahead of the financial institutions.

"For the past 50 years, consumers have been receiving distorted financial advice, with hidden costs, costing them too much money for inappropriate products and the only effect is a reduction in their retirement savings.

"The fact the Government has had to take this step is evidence that what has been occurring in the financial advice industry has not been in the interests of consumers."

Mr Lawrence said the next step in shoring up secure retirement incomes for Australian workers across the spectrum was for the Government to implement its commitment to raise the compulsory superannuation contribution to 12%.

"The Government's Future of Financial Advice Reforms announced today shows it is serious about creating a secure future for retired workers and that it won't give in to pressure from big financial corporations," he said.

"The reforms also mean workers who seek financial advice can do so with far more security that what they are getting is genuine, professional information that will be of benefit to their future."

The financial reforms will also ban the payment to advisers of commissions on life insurance policies offered through super funds, as well as other cash incentives from financial corporations and also includes a specific requirement that financial advisers act in the best interest of clients.

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