

CLIENT ADVICE FEE POLICY

Version 1.02

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THE AIM OF THIS POLICY

This policy outlines the requirements relating to structuring and disclosing of advice fees.

WHO THIS POLICY APPLIES TO

This policy applies to all authorised representatives under Insight Investment Partner's AFSL.

WHAT THIS POLICY COVERS

This policy covers:

What you must Do

- General Obligations
- Fees for Service

What You Must Not Do

- General Obligations
- Fees for Service

FAQ

What You Must Do

GENERAL OBLIGATIONS

- Ensure that when charging a fee, the client understands:
 - the cost of the services offered before they commit to paying the fees;
 - how much the fees are and when they are payable;
 - any conflicts of interest that may arise.
- Disclose all remuneration attributable to your advice in your advice documents and FSG, inclusive of GST (all parts and any supplementary where applicable). The disclosures are to be in dollar terms where possible. Remuneration includes payments received by:
 - the licensee;
 - the practice;
 - the employer of the adviser (if this is different from the practice).
 - the adviser; and
 - any associate of any of the above (which includes any related bodies corporate or trusts under which any of the above is a beneficiary).
- Remuneration includes:
 - plan preparation fees;
 - implementation fees (includes stamping fees);
 - ongoing advice fees;
 - referral fees/commissions paid to and received from third parties (including shared commission arrangements). Refer to the Referral Arrangements Policy for full requirements relating to referral fees/commissions;

- Refer to the Prohibited Benefits section of the Your Responsibilities Policy for further information regarding commissions;
- any other fees, commissions or other remuneration that relates to the advice not identified above.
- Implement and maintain a practice based pricing policy which outlines the fees applicable to the initial and ongoing advice services that your practice offers. Refer to the Pricing Policy for details.
- Adhere to the following process when providing advice to a client in an Ongoing Advice Service Arrangement (OASA) who holds a product that allows a grandfathered payment:
 - Determine the fair value of providing advice to the client based on your pricing policy.
 - Determine the current break up of this cost (e.g. adviser service fee, grandfathered trail commissions, grandfathered volume bonuses, etc.) and separate into direct (i.e. adviser service fee) and indirect (e.g. grandfathered trail commission) costs.
- Adhere to the following process when receiving a stamping fee (i.e. a fee paid by a third party for participating in a capital raising (e.g. Initial Public Offering (IPO), hybrid issue, etc.):
 - Engage with the client at each instance to clearly outline this fee type, the amount payable and how you will be remunerated for it.
 - The stamping fee should be treated in line with the guidance provided by the issuer.

FEES FOR SERVICE

- Provide an invoice to the client on letterhead which meets the requirements of the Identification & Promotional Material Policy and retain a copy on the client's file.
- Process all fees for service (i.e. advice fees not paid via a product) through the company's approved accounting software.

What You Must Not Do

GENERAL OBLIGATIONS

- Charge an asset based fee on any part of a geared portfolio for a new or existing retail client. This includes initial and ongoing fees. The ban applies to all borrowed money, but does not apply to internally geared products.
- You must not charge or receive ongoing remuneration unless the transaction is part of an OASA.

FEES FOR SERVICE

- Receive a fee directly from a client.

FAQ

Questions	Answers
How are financial planning fees treated for tax purposes?	<p>Plan preparation, strategy implementation and execution only fees are generally not tax deductible. The non-deductible expense may qualify as a capital cost for the acquisition of the assets for CGT purposes. If the fee relates to a number of assets/transactions then an appropriate break-down may need to be determined.</p> <p>Ongoing advice and product administration fees are generally tax deductible to the extent they relate to producing assessable income by the entity that incurs the expense. The part of the advice/service that does not relate to producing assessable income is unlikely to be deductible e.g. insurance advice.</p> <p>Management Expense Ratios (MERs)/Indirect Cost Ratios (ICRs) are deductible at the fund/trust level; the income distributions are net of the MER/ICR and are therefore not deductible to the investor. The net distribution is assessable income.</p> <p>Superannuation funds are able to claim an RITC equal to 75% of the GST paid on expenses. In a platform structure, the trustee claims from the ATO. The benefit of the RITC is usually passed on to the client. This generally has the financial effect of reducing the net cost of expenses subject to GST by 75% of the GST paid.</p> <p>Clients should confirm tax treatment of fees with their tax agent.</p>
Why do I need to change existing client fee arrangements for pre July 2013 geared portfolios – aren't they grandfathered?	<p>From a legislative perspective, grandfathering applies to existing client arrangements where those arrangements are not altered in any way.</p> <p>To ensure compliance with these provisions, our position is that all geared portfolio fee arrangements for retail clients must be converted to a flat dollar fee. This will ensure any subsequent transaction does not result in an inadvertent breach.</p>
Does the ban on asset based fees for geared portfolios extend to products that require clients to borrow?	Yes, you must not charge an asset based fee on these investments.
When are instalment warrants captured by the asset based fee ban?	The application of the ban depends on the structure of the warrant and the manner in which it is acquired by the client. Different instalment warrants have different terms which may affect how the debt component is characterised. Contact your Compliance Manager if in doubt.