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If advisers charge a commission, call them agents

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A parliamentary inquiry has been launched into the role played by financial advisers in recent collapses such as Storm Financial and Opes Prime. And Rice Warner Actuaries has just released a report concluding that Australians who pay financial advisers by commission risk overpaying for services by up to 13 times.

Isn't anyone paid by commissions likely to be an agent of the product producer? If financial advisers are paid a commission, then they simply cannot be working purely in the best interests of the investor.

The only decent argument I have heard for commissions is that they help clients afford financial advice. Surely there are other ways to help in this regard - small payments over time, tax deductions for initial advice, means-tested assistance.

Clients who pay for financial advice using commissions should know that their advisers may be agents of the product providers.

Consider what could have been prevented if those commission-based financial advisers who act like agents were actually called financial agents. Some of the people persuaded to borrow at high rates to invest in equities that could reasonably be expected to revert soon to much lower returns, might have thought twice about that "advice"?

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