

# Financial Services Guide

This Financial Services Guide (“FSG”) is a document that we are legally obliged to provide you. It is designed to give you a better understanding of our group before you receive any of our financial services and/or advice. It contains important information about:

- The financial services we provide
- How we and our associates are paid
- Information you need to supply
- Any potential conflicts of interest
- Our compensation arrangements
- How complaints are resolved
- Other information you need to know

This is a very important document and we recommend that you read it carefully. If you need further explanation or you are unsure about any part of this document we encourage you to ask us any questions you may have.

## ABOUT MADISON AND YOUR FINANCIAL ADVISER

Madison Financial Group Pty Ltd (“Madison”) holds an Australian Financial Services Licence No 246679 (“AFSL”). We are licensed to provide financial product advice and deal in the following financial products, including the distribution of this FSG:

- Deposit Products
- Non-Basic Deposit Products
- Government Debentures, Stocks and Bonds
- Life Insurance Investment Products
- Life Insurance Risk Products
- Managed Investments
- Securities
- Retirement Savings Accounts
- Superannuation
- Standard Margin Lending & Geared Investments

Your adviser will be acting on behalf of Madison as an Authorised Representative when providing the financial services offered in this FSG. They will also provide you with their personal Adviser Profile. Madison is therefore responsible for the financial services and advice your adviser provides on behalf of Madison. As an Authorised Representative of Madison, we can provide you with the following services:

- Wealth Creation
- Retirement Planning Advice
- Gearing Strategies
- Personal and Corporate Superannuation
- Tax Effective Investments
- Personal Risk Insurance
- Business Risk Insurance
- MDA Services
- Managed Portfolio Services
- Centrelink Planning Advice
- Cash Flow & Debt Reduction
- Portfolio Review and Ongoing Service

Specific information about your adviser, their experience and specialisation is provided in their Adviser Profile attached to this document.

Madison is only responsible (together with your adviser) for services offered by your adviser as a Madison Authorised Representative and not in any other capacity. It is very important that you are aware that Madison Authorised Representatives are restricted in offering you a range of products and services. This restriction is limited to an Approved Product List (APL) established by approved independent research and endorsed by an internal research team. The ability of your adviser to recommend some of the products on the APL may be limited due to some additional accreditation requirements. Where this is the case, additional information is provided in the attached Adviser Profile.

Some Madison Authorised Representatives also conduct separate business activities such as accounting, legal advice, direct property, general insurance, mortgages, super fund administration and other services not provided under the Madison licence. These services fall outside Madison AFS Licence and Professional Indemnity insurance policy. In all your dealings with your adviser you must satisfy yourself as to who is responsible for the specific advice or service provided. Please discuss any issues with your Authorised Representative or call Madison direct on (02) 9930 8888.

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## THE INTERESTS, ASSOCIATIONS AND RELATIONSHIPS THAT MAY INFLUENCE OR AFFECT OUR ADVICE

Madison is not owned by any financial product provider but by a parent company called PHAROS Financial Group Pty Ltd. PHAROS Financial Group shareholders include some Madison Authorised Representatives – these advisers are called Foundation Members. Foundation Members will also be entitled to participate in any distributed Madison profits and may pass on such benefits to their employees and associates.

### Related Parties / Entities

Our recommendations to you will be based on our assessment of your personal circumstances, needs and objectives. These factors underpin our advice but it is important for you to appreciate that our interests, associations, relationships and the benefits we receive – such as commissions, sponsorships or marketing allowances – may give rise to an actual or potential conflict of interest. We manage, and will clearly disclose any conflicts that we believe may influence our advice. Our parent company PHAROS has a shareholding in the following companies:

- OneVue Limited
- Australian Money Market Pty Ltd
- Justsuper Pty Ltd
- WealthPortal Pty Ltd
- Proactive Portfolios Pty Ltd

### General Relationships

Madison and/or its parent company PHAROS, receives licensee payments from financial institutions based on the average balance of all funds placed by Madison advisers in each relevant institution's investment options. These payments include rebates, value participation schemes, administrative and marketing fees etc from a number of its approved and preferred administrative platform/s or product providers, in terms of percentage basis points on the amount/s individually invested for various marketing and related services.

These payments are paid out of the administrative platform/s or product provider's own administrative fees and are not an additional payment from your investments. Madison constantly reviews the services of the platform/s and providers we actively support to ensure they remain highly competitive across a number of parameters, including pricing, functionality and service delivery.

These licensee payments assist to offset the operational expenses incurred by Madison in maintaining administrative and compliant services to its Authorised Representatives (your Adviser) network, and those businesses that operate under its Australian Financial Services Licence.

Similar to other businesses, the corporate structure of the Madison business affords all Authorised Representatives the opportunity to participate in shareholder dividends where they become payable. The dividend arrangement is such that up to a maximum of 25% of profits can be allocated to PHAROS and 75-100% to Madison advisers and management (of PHAROS & Madison).

These licensee payments are received from; MWrap (BT Wrap Badged), OneVue, WealthPortal, Asgard Capital (AIOFP), First Choice (Colonial First State), Beacon Wrap, MLC, OnePath Risk, Asteron Risk, and Macquarie Wrap. From time to time, these administrative platform/s and product providers may be removed or others included according to the ever changing services and products being made available to the industry and their competitive position.

An example of the maximum licensee payments that we will be entitled to receive are listed below (excluding GST). For example, if you had \$10,000 invested for a year in an investment product for which the licensee payment was 0.40%pa, the annual payment to the Madison group would be \$40 (0.40% of \$10,000) and is paid as long as you hold that product.

Platform/Provider	Additional Payment receivable if \$10,000 was invested
Admin Platform/s	0.52% or \$52
Investment Products	0.50% or \$50
Risk Products	10% or \$1,000
Structured Products	1% or \$100
Tax Effective Products	5% or \$500

In addition to licensee payments, financial institutions will pay Madison a fee to attend Madison's annual training conference and they will also sponsor other functions.

## OTHER DOCUMENTS YOU MAY RECEIVE

If we provide you with personal financial services advice, we will confirm our recommendations in writing so that you can make an informed decision about the appropriateness and suitability of our advice. Our recommendations are usually documented in a Statement of Advice (SoA) and will be provided to you. A Record of Advice (RoA) may be used to record any advice where we have provided you with subsequent advice and your personal circumstances have not changed. The RoA will be added to your file and if you would like a copy of this document, we will make it available to you on request. Although your request may be made to your adviser up to seven years after the advice has been provided, we suggest you contact your adviser as early as possible.

If we recommend a particular financial product, we will give you information about that financial product in a document called a Product Disclosure Statement (PDS), which contains specific and important information. It is very important for you to read and understand any PDS that we provide you before you can take any action in relation to a financial product recommendation.

In most cases personal advice will be provided, however if you do not require personal advice, general advice is available. We can also take your specific instructions to transact on your behalf and place a financial product (that Madison is able to offer) without providing any financial advice. After you engage us as your adviser, we can act on your instructions whether you provide them by telephone, email, fax or other means of communication agreed to.

## YOUR PERSONAL INFORMATION

In order to continue to provide you with advice that is appropriate for your needs and suitable for your circumstances, we will retain information about you including your financial and lifestyle objectives and your current financial situation. We are also legally required to store this information and records of any advice and services we provide to you. Information acquired by us in the course of providing our services will not be disclosed to any other party without your express consent, except as required by law or professional obligation. Please refer to our privacy statement on [www.madisonfg.com.au](http://www.madisonfg.com.au) for more information. If you wish to review your personal information held by Madison please contact your adviser or call Madison direct on (02) 9930 8888.

The Anti-Money Laundering and Counter Terrorism Financing Act 2006 requires that you are "identified" before investing in a financial product. What this means is that you may be required to produce documentary evidence to confirm your identity. Your adviser will explain these requirements to you if and when appropriate.

## OUR SERVICES FOR MANAGED DISCRETIONARY ACCOUNTS

We offer limited types of Managed Discretionary Account Services (MDA Services) within approved investment platforms. Through these services, you allow us to manage your investments for you, using our discretion and without obtaining your instructions before each transaction we undertake on your behalf. However, we do not (and we are not authorised to) open new accounts, withdraw funds or contribute funds to your investment.

**What are the Risks associated with using the MDA Service?** By authorising us to make changes to your investments, you cannot claim we were not acting on your behalf if we acted within the authority given. Therefore, our acts bind you. It is important you understand what we are authorised to do and that you carefully read and understand the activities that you are authorising us to do on your behalf.

**How can you instruct us to exercise Rights relating to the financial products in your portfolio?** Generally, the financial products that we invest in on your behalf do not have any additional rights or entitlements attached to them. However, if there are, we can let you know. You can then instruct us how you wish us to proceed.

**Do you have to enter into a Contract for us to provide MDA Services?** Yes. This MDA contract will set out the terms and conditions of the authority and also the investment program, which sets out how your money will be invested. We will agree and prepare the investment program for you based on your relevant personal circumstances, your financial objectives and your needs and review the program by your adviser every 12 months.

**Will the Investment Program in the MDA Contract comply with the law?** If this is relevant, then the investment program set out in the MDA contract will comply with the law. The relevant law is Division 3 of Part 7.7 of the Corporations Act. The contract and supporting documents will also contain:

- Statements about the nature and scope of the discretions we will be authorised and required to exercise under the MDA contract
- Any investment strategy that is to be applied in exercising those discretions
- Information about any significant risks associated with the MDA contract
- The basis on which we consider the MDA contract to be suitable for you
- Warnings that the MDA contract may not be suitable to you if you have provided us with limited or inaccurate information. It will also specify that the MDA Service may cease to be suitable for you if your relevant personal circumstances change.

**Do we provide Custodial or Depository Services for your portfolio?** We do not provide custodial or depository services. So you will either hold the investments in the portfolio, or the custodian nominated for that financial product.

This Financial Services Guide complies with the ASIC Class Order 04/194.

## MADISON AND YOUR ADVISER'S REMUNERATION

The cost of providing our service to you will depend upon the nature of the service provided. Madison and your adviser will receive some or all of the following types of remuneration:

<b>Financial Planning Advice Fee</b>	<p>Before the provision of any advice or service, your adviser may charge you an upfront fee for services based on either:</p> <ul style="list-style-type: none"> <li>• The time they spend developing your advice</li> <li>• A fixed dollar amount</li> <li>• A percentage of funds invested; or</li> <li>• A combination of some or all of these methods</li> </ul>
<b>Commissions</b>	<p>Commission can be paid to Madison by the provider of the financial products which your adviser has recommended and the percentage varies depending on the product:</p> <ul style="list-style-type: none"> <li>• Upfront commission is an amount deducted by the product provider from the initial investment.</li> <li>• Ongoing commission (also know as trail commission) is a percentage of the value of the ongoing investment balance.</li> <li>• Commission on insurance products are based on a percentage of the premium.</li> </ul>
<b>Adviser Service Fee</b>	<p>An additional Adviser Service Fee may also be paid to your adviser via Madison by the product provider for the duration that your investment is held with that product provider.</p>
<b>Referrals</b>	<p>Should you be referred to your adviser by a third party, (e.g. accountant) the third party may receive a fee, commission or other benefit for the referral. This fee comes out of the fees received by Madison and your adviser, and does not represent an additional cost to you.</p>
<b>Alternative Remuneration</b>	<p>Madison and your adviser may receive alternative remuneration, such as entertainment and gifts, from financial institutions. In accordance with the Industry Code of Practice, both Madison and your adviser must maintain a register of all material alternative remuneration paid and received. Copies of these registers are available on request.</p>
<b>Performance Credits</b>	<p>Your adviser is free to recommend to you any product on the Madison Approved Product List; however Madison advisers may receive some additional benefits for recommending certain financial products and platforms to you which is common in the financial services industry. For example, where your adviser accumulates and maintains a level of funds under management with certain associated platform/products, the adviser can accumulate performance credits from Madison's parent company PHAROS which may give rise to dividends or equity benefits only after achieving certain business revenue, productivity and business retention. A list of the associated products/platforms is listed on page 2 above.</p>

Further information on remuneration details and actual 'splits' between Madison and your adviser is provided in the attached Adviser Profile. All fees are payable to Madison Financial Group Pty Ltd. The basis and amount of all fees, commissions, adviser service fees and any referrals fees will be fully disclosed in your SoA and explained by your adviser prior to the implementation of any advice. An explanation of the fees and charges of the product provider will also be outlined in the relevant PDS.

## COMPLAINTS RESOLUTION PROCEDURES

Madison is committed to providing a high level of client satisfaction and maintaining our reputation for honesty and integrity. If we have failed to achieve this we would like you to tell us about your concerns. Madison is committed to resolving any client concerns and aim to deal with any complaints quickly and fairly. If you have a complaint, it may be lodged either verbally or in writing and will be dealt with in the strictest of confidence. Should you have a complaint please contact your adviser to discuss your complaint or our Risk & Professional Standards Manager on (02) 9930 8888, or put your complaint in writing and send it to PO Box 2129, North Sydney NSW 2059.

If a complaint cannot be resolved to your satisfaction within 45 days, you have the right to make a complaint, free of charge, to the Financial Ombudsman Service on 1300 780 808.

## MADISON COMPENSATION ARRANGEMENTS

We are required by the Corporations Act 2001 (Cth) to operate a compensation arrangement which is designed to compensate retail clients for losses they may suffer as a result of a breach by Madison or its advisers on the obligations outlined in Chapter 7 of the Corporations Act. Madison has Professional Indemnity Insurance in place which covers both Madison and our advisers (including the conduct of those advisers who are no longer authorised by Madison but were so at the time of the relevant conduct).

**Note: The FSG is only complete when accompanied by an Adviser Profile.**

**FSG020 9 January 2012**