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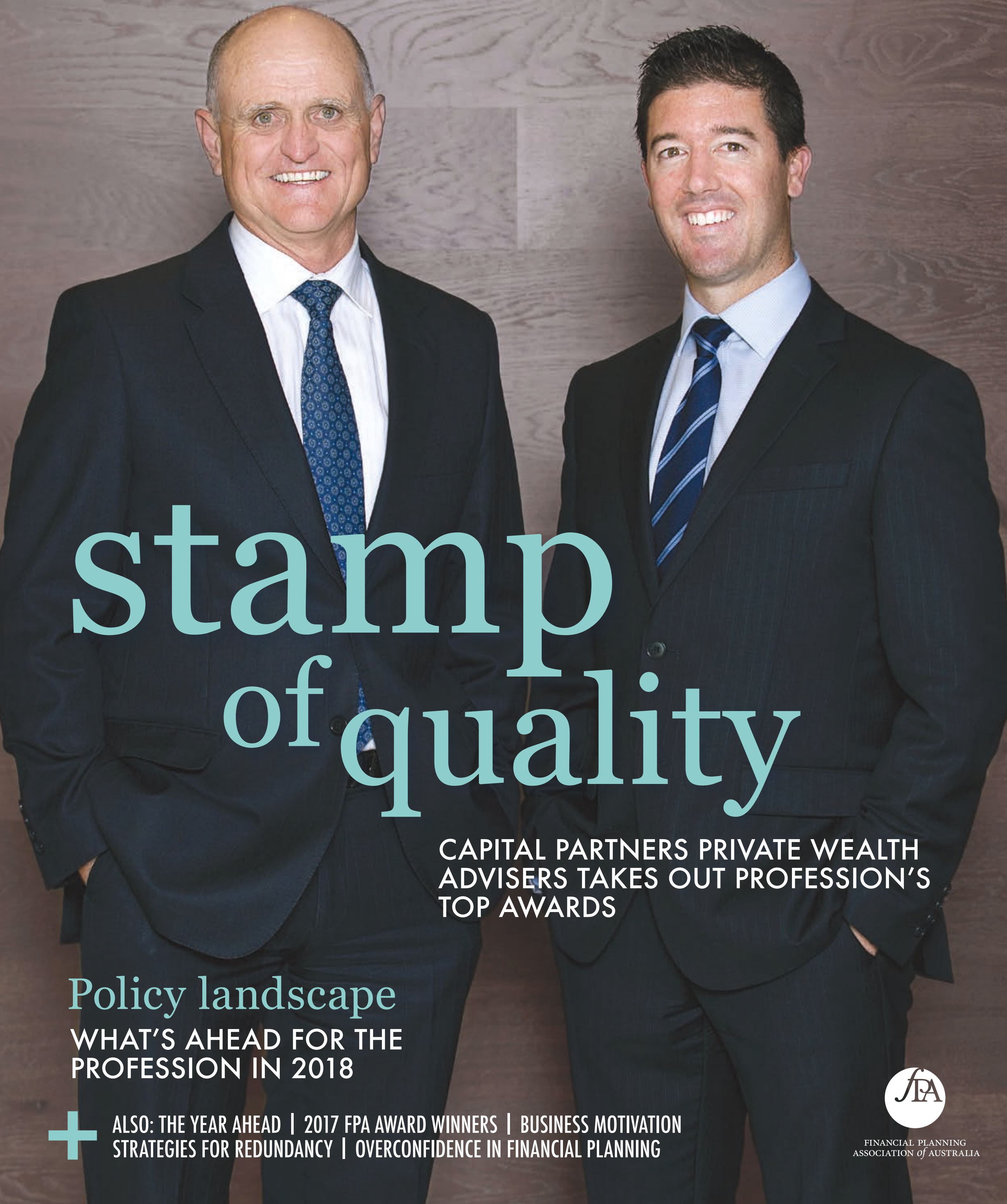

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CAPITAL PARTNERS PRIVATE WEALTH ADVISERS TAKES OUT PROFESSION'S TOP AWARDS

Policy landscape

WHAT'S AHEAD FOR THE PROFESSION IN 2018

+ ALSO: THE YEAR AHEAD | 2017 FPA AWARD WINNERS | BUSINESS MOTIVATION
STRATEGIES FOR REDUNDANCY | OVERCONFIDENCE IN FINANCIAL PLANNING

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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FOCUS

NEW YEAR, NEW CHALLENGES

Happy New Year from the FPA! We are looking forward to supporting you throughout another important year for the financial planning profession.

2017 CONGRESS HIGHLIGHTS

We closed out 2017 on a high with the sold out 2017 FPA Professionals Congress in Hobart. The event was buzzing with over 1,100 delegates, and the program encouraged and equipped planners to embrace technological, social and regulatory change.

At the opening keynote session, we recognised the outstanding achievements of FPA members with a series of awards. This edition of the magazine includes interviews with our worthy 2017 FPA Award winners, who share their stories and successes.

You've hopefully heard we also released at Congress a new report entitled 'Mapping Fintech to the Financial Planning Process: Why Fintech is not a Threat'. This report is the only one of its kind that specifically plots and matches fintech solutions to the financial planning advice process.

The report explores the potential of fintech to enhance the client experience, create operational efficiencies and reduce costs. This is such an important opportunity which will mean more Australians are able to access and afford financial planning advice. You can access the report at fpa.com.au/fintech.

We also officially launched your new look **Money & Life** magazine at Congress. This is now our second edition of the revamped member publication and we've been delighted by the positive response from members to the new format.

POLICY LANDSCAPE

At the end of 2017, the Financial Adviser Standards and Ethics Authority (FASEA) released for consultation a proposed guidance on the qualifications and pathways for existing advisers. Consultation will be ongoing until 29 June and the FPA will be responding in support of financial planners to ensure the pathways are workable and practical. We will also be advocating on behalf of members who have proactively completed tertiary studies over and above RG146.

Looking to the year ahead, we will continue to work with FASEA as the details of the remaining professional and education standards are firmed up. This will include the code of ethics, CPD, professional year and exam standards.

At the same time, we will be preparing submissions on the Royal Commission into misconduct in the financial services sector. You can read more about the current policy landscape and our agenda for the year, on page 14.

Please enjoy this edition.

Dante De Gori CFP®
CEO

Follow Dante on Twitter @ddegori10

News

FASEA GUIDANCE ON QUALIFICATION PATHWAYS

The FPA has welcomed the Financial Adviser Standards and Ethics Authority (FASEA) guidance on incoming mandatory education pathways for existing financial planners.

The proposed guidance advises that the requirement for existing financial planners is that they:

1. Have completed, by 1 January 2024, an AQF7 qualification that is an approved qualification (i.e. one that is on the FASEA/FPEC approved register); or
2. Have completed, by 1 January 2024, a course that offers at least 8 units/courses, at AQF level 8, covering fields that include:

- ethics, professional attitudes and behaviours.
- financial planning and advice process.
- technical requirements.

Commenting on the guidance, FPA chief executive officer, Dante De Gori CFP® said: "We are supportive of FASEA's framework and welcome the clarity provided by the proposed guidance on qualifications and pathways for existing planners.

"This guidance follows on from the FPA's 100-point plan qualification checklist that was proposed after consultation with our members during the 2017 FPA Roadshow.

"The guidance will certainly help alleviate some of the anxiety financial planners are feeling about future compliance, as some of their prior learning and existing studies will be considered to avoid duplication."

De Gori said he looked forward to reaching the finalisation of this standard with FASEA once the consultation process had ended on 29 June, 2018.

To view FASEA's proposed guidance on existing adviser qualifications pathways, go to: fasea.gov.au/standards-and-guidance

ACADEMIC RESEARCH GRANTS ANNOUNCED

The Financial Planning Education Council (FPEC) has announced the four winners of the 2017 FPEC Academic Research Grants. These grants are presented to academics who have demonstrated a commitment to encouraging the development of financial planning as an academic discipline in its own right.

The 2017 grant recipients are:

- Academics at RMIT and Deakin University for the project titled: 'What are ethical challenges in the financial planning practice? Issues and current patterns in unethical behaviour';
- Academics at Griffith University in co-operation with Modoras Financial Performance Solutions for the project titled: 'Mapping financial planning support needs of small business owners';
- Academics from RMIT in co-operation with a financial consultant for the project titled: 'Changing gender mix of financial planners: What are the drivers and barriers for women entering and succeeding in financial planning'; and
- Griffith University academics in consultation with Zanetti Recruitment and Consulting for the project titled: 'Remuneration and demand for new and existing financial planning graduates'.

The 2017 grant funding pool increased from $10,000 to $30,000, and will be used to support research that helps to further grow relationships between the tertiary sector and the financial planning profession.

The FPEC Academic Research Grants are jointly sponsored by the FPA, AMP and NAB.

"Academic research is valuable to the profession and many of the projects have resulted in papers being published in the *Financial Planning Research Journal*," said FPA chief executive officer, Dante De Gori CFP®. "We congratulate the winners on their outstanding work."

For more information on the FPEC Research Grants Scheme, go to: fpa.com.au/education/financial-planning-education-council-fpec/


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WE'RE FOR LIFE

OUT AND ABOUT

A snapshot of members and guests enjoying some recent FPA Chapter events.

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1: WA Chapter members and guests were out in force at the Melbourne Cup lunch.

2: Enjoying drinks at the South Australia Chapter Christmas event.

3: Melbourne Chapter committee members and FEW representatives at the young planner netwoking event.

4: Young guns: Melbourne Chapter Chair Julian Place CFP® addressing the young planner networking event.

5: Backing a winner: The WA Chapter Melbourne Cup committee.

WE LOOK FORWARD TO SEEING MEMBERS AT THEIR NEXT LOCAL CHAPTER EVENT. **FOR UPCOMING EVENTS, GO TO FPA.COM.AU/EVENTS**

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

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Nandita Mathur CFP®
Guideway Finanical Services

Katherine O'Sullivan CFP®
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NT

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Luke Towers CFP®
Capital Partners

Insight

OPINION CORNER

2018: THE YEAR AHEAD

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2018?

Mark Hayden CFP®

Financial Planner,
Hayden Financial Services
Licensee: Hayden Financial Services

A key issue for 2018 is 'investment markets'. The abnormally low interest rates and the technology revolution are areas that we need to address in 2018.

Importantly we, as financial planners, have a role to play, even if we don't pick stocks and leave that to the experts. We are working with the client to contract, directly or indirectly, a range of experts from asset allocation through to specific investment selection. Our role is to help the client to achieve their goals.

The structure and strategy advice area that covers tax, superannuation allocations, spending/saving, Centrelink and so forth, is, in many ways, a separate discipline to the role of advising the client on investments for their specific goals.

Artificially low interest rates have been around since the GFC and so, planners may consider this topic boring, even allowing for the irony that the solution to the debt induced GFC was the escalation of sovereign debts!

Debt should, in my opinion, be split into two groups – 'bring forward of future income' or 'speculative'. The first category is fine. The second category means that when the rental price of money is zero or near zero, then most or all assets will be over-priced. And this is the key concern for planners and their clients.

In addition, the technology revolution is going to change the world in many ways, so our investment mix must be forward-looking. We, as planners, do not need to pick when the correction will occur, what will trigger it or how large it will be, but we do need to consider what we will do if, and when, it occurs. We must have a Ulysses contract in place. We must have an action plan that has been established in calm seas.

Reuben Zelwer CFP®

Director, Adapt Wealth Management.
Licensee: Paragem

With record low interest rates set to continue, clients will continue to face the conundrum of how to generate a reasonable return from the fixed interest portion of their investments, which is necessary to manage overall risk in their portfolio. Low headline inflation rates are misleading, as rising energy costs continue to have a big impact on household budgets. Retirees will need guidance as to how to manage future costs.

For wealth accumulators, residential property is unlikely to provide the returns of the past years and with most global sharemarkets either fairly valued or overpriced, future returns may be constrained. Clients will need to be more selective with their investments, as the 'rising tide' is unlikely to continue.

Elsewhere, political mayhem will continue to affect business confidence and a potential Labor Government will likely introduce legislation that will reduce the tax effectiveness of family trusts.
This will require a re-think of tax planning, particularly given recently introduced restrictions on superannuation contributions and tax-free pensions.

If a Royal Commission into financial services eventuates, the industry, and in particular, the banks will come under more scrutiny. Clients will need reassurance that their adviser is acting in their best interests. This will be an opportunity for planners to reinforce their value in helping clients manage their finances in accordance with their values.

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2018?

Brigitte Julien CFP®

Principal, Paraplanning Direct
Licensee: Paraplanning Direct

From 1 January 2018, one of the key recommendations made under the Life Insurance Framework reform kicked in with the capping of upfront commissions to 60 per cent over a transition period of three years. Insurance specialists may now branch into other areas of advice, such as estate planning, to justify charging a fee.

The reduction in commission rates will also have an impact on the way financial planners run their business, as the drop in profit margin will call for better efficiency. To remain profitable, advisers may have to upskill themselves and learn more about business management.

With the reduced commission, it would not be enough to be a good salesperson; understanding the business critical drivers will become a must.

Advisers may look at outsourcing research and implementation offshore, in attempt to drive costs down.

The Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry will be in the spotlight. It will be interesting to see how this impacts licensees with closed Approved Product Lists and advice firms that are still adopting a one-size-fits-all approach to advice.

The other area that may impact clients is a correction to the hot Sydney and Melbourne property markets. The impact will depend on how drastic the correction is and whether it affects clients' borrowing arrangements.

The equity in the family home has been a cash cow for many and there is a risk that a drop in property prices results in reviews in loan arrangements, which may trigger loan defaults. This may prompt a need for cashflow and debt management advice.

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2018?

Cameron Felice CFP®

Strategy Adviser, Elston
Licensee: EP Financial Services

As a profession, we constantly hear murmurs about disruptors and margin compression across the broader industry. 2018 will require us to remain adaptable and constantly evolve to deliver scalable solutions to clients. We do not see fintech as a barrier, but as an enabler to leverage technology and adopt new processes to deliver exceptional financial advice and combat margin compression.

I'm excited for what the future holds as different demographics seek advice. It will be challenging to manage the varying degrees of acceptance of technology. Irrespective, the need to have real time information and relevant content will become increasingly important.

Customer experiences and expectations are being shaped by large technology giants, such as Google and Apple, and we must ensure that we constantly assess and exceed the expectations of our clients in 2018 and beyond.

The key issues affecting our clients will be the many legislative Bills that have passed, or have been introduced, and clients will require assistance navigating these changes.

There will be plenty of opportunities to strengthen planner/client relationships with discussions about planning the sale of CGT assets, retirement, buying a first home, or taking time away from work. These issues will interact with super changes and it's important that our clients are informed.

Some clients may unknowingly require these strategic discussions, however, it is our responsibility to address the issues and add value. Clients should expect that we will be across the myriad of changes and continue to partner with them for success.

Dawn Thomas CFP®

Executive Relationship Manager and Senior Financial Adviser, Wealthwise
Licensee: Financial Wisdom

2018 will see advisers having to review their initial and ongoing advice offering to help clients who are in and approaching their retirement years.

Increasingly, clients in their 40s to 60s are now also labelled the 'sandwich generation' – a term given because of being wedged in between the caring duties for their parents and the financial responsibility of their children, who are limited in their options to get into the housing market and face cost of living pressures. The Government is also favouring a move to less institutional aged care.

This sandwich affect results in immense emotional and financial pressure, often leading to this demographic's own financial strategies being put on the back-burn. This has a knock-on effect, because in their selflessness, these upcoming retirees may overlook preparing for their own retirement.

In addition, I believe aged care will become less of a specialist focus but more of a norm, as advisers help clients face multi-generational responsibility and challenges. It is a complex area to deal with for clients and gets harder to deal with when sickness and frailty have affected ageing parents. Advisers will need to be well versed on how they can navigate clients and their families through this emotional time.

Income layering and staggered annuitisation will become a more common strategy discussion for clients. To stay competitive and truly embrace client best interest, strategies will need to address longevity, inflation and timing risk. Fifty per cent of people live past their life expectancy, so advisers will need to actively consider strategies that address these risks, in order to provide a secure retirement for their clients.

I also believe it will become more common to assist clients in providing an early inheritance to their children. Clients may want to see the benefit of their wealth being passed on and advisers will need to incorporate this desire into the retirement goals and strategies of clients.

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2018?

Gil Gordon CFP® AEPS®

Proprietor and Senior Adviser,
RI Lower Hunter
Licensee: RI Advice Group

I feel that ASIC scrutiny of ongoing advice fees and services will be the dominant issue for the profession over the next year or two.

ASIC's Report 499 signals a clear intent to critically examine what advisers are delivering for the fees they are paid. One of the cherished elements of many service packages is an 'offer of a review'. Anecdotally, ASIC has said that an 'offer of a review' is not a review and suggested that fees may need to be adjusted.

At the moment, Fee Disclosure Statements simply state whether a service has been delivered to the client; there is no requirement to explain the appropriateness of that service.

Advisers will have to re-examine their ongoing proposition in the context of client objectives. If a service is available to a client, there will need to be a clear and stated client need for that service.

Finally, the profession will need to be working hard on proof points. Simply sending out a Fee Disclosure Statement is not proof of the service delivery. Licensees and practices will need to be able to prove the delivery of the services mentioned in the Fee Disclosure Statement by having documentary evidence.

All of this focus on aligning reporting obligations and services to client objectives must happen with scale, particularly for aligned advice businesses. Manual processes will be expensive and error-prone, and ultimately result in the practice focusing less on the client and more on compliance.

An appropriate response to these issues should lead to better and more client-focused businesses.

Daryl La'Brooy CFP®

Financial Adviser,
Hillross Financial Services
Licensee: Hillross Financial Services

The present bull market in shares in Australia and around the world is nearly nine years old. This is a very long bull market, if previous such upswings are any guide.

So, the key conversations this year with clients are to prepare for a downturn at some point.

The timing is always difficult to predict and like Alan Greenspan's call in 1996, it could be a few years too early. However, now is the time to adapt client investments for share market falls.

Every client's situation is different.

For clients who are saving money in retirement (and I have a few of these), share market falls aren't really a concern. Rather, it's a matter of ensuring they have quality investments that may drop temporarily before resuming their rise again, and not having investments that collapse with total loss of monies.

Where clients are relying on dividend income, the conversation is about reminding them that during the GFC, Australian dividends fell about 20 per cent from 2007 to 2009, and lower payments may need to be catered for.

The vast bulk of my clients in retirement are drawing on capital and discussions would revolve around building up cash and term deposit investments to equate to a few years income. So, when the downturn occurs, income can be drawn from these investments, rather than crystalising losses from balanced portfolios.

A similar plan would need to be put in place for clients coming up to retirement in the next few years.

There are no regulatory or legislative changes of any substance planned for 2018 at this stage, apart from what might be continued in the Federal Budget.

The other item of conversation is to influence client expectations that longer term returns will be lower than most investors have been used to and the implications this may have on their finances.

Insight

2018: THE POLICY OUTLOOK

It's never quiet on the policy and government relations front, as **Ben Marshan CFP®** takes a look at the year that was and the year ahead for the profession.

Towards the end of last year, parliament was deep into the 2017 citizenship mess. The Deputy Prime Minister had been ruled ineligible to sit in Parliament and his seat headed for a bi-election, which Barnaby Joyce comfortably retained.

And then there was our great Australian Davis Cup hero – John Alexander – who also resigned from Parliament due to being a British citizen. And that's without considering all the resignations from the Senate.

The House sitting week, in which both MPs would definitely be missing, was cancelled due to the risk that the Nationals would cross the floor and vote for a Commission of Inquiry into banking be set up.

The reason I bring this up is because at the time of me starting to write this, I was going to make the point that a Commission of Inquiry or an election (due to the Government losing its majority or to a change in leadership) were possibilities, which could have changed the political landscape – not that a Royal Commission was a certainty.

It was a little bit odd then that after I had written my first draft of this, sitting in a superannuation conference shortly after our own FPA Professionals Congress in Hobart, listening to two former Premiers discuss the importance of the super system and seeing first that the banks had written to the Treasurer asking for a Royal Commission to be held, and then surprisingly, 20 minutes later, actually seeing it called.

Suffice to say that while the audience quickly became aware of what was happening, the presenters only learned of what had happened out in the world 30 minutes later, just as their presentation was concluding.

But here we are today, with the Government having asked the Governor General to authorise the Royal Commission into the alleged misconduct in Australia's banking, superannuation and financial services industry and the Honourable Kenneth Hayne AC appointed as Royal Commissioner.

So, when I think about what work I was starting to plan out with the FPA Policy Team for 2018, our actual work plan will most likely now be significantly different.

And if 2017 is anything to go by – where we could safely say we would be working on the professional standards, education and life insurance frameworks, and a little bit of the 2016/17 Budget super measures left to implement – we ended up completing:

- over 70 submissions;
- five FPA white papers on the Professional Standards and Education Framework;
- a member consultation of the new FPA Policy Plan;
- mapping of the fintech industry to the financial planning process; and
- conducted over 90 meetings with Government and regulators.

As you can see, 2017 was definitely not a quiet year for the FPA.

The big issue for the FPA for 2018 will obviously be supporting the Financial Adviser Standards and Ethics Authority (FASEA) where we can in setting the remaining professional and education standards.

While the entry standard for new (or provisional) financial planners has been set with FASEA's acceptance of the Financial Planning Education Council (FPEC) curriculum and approved course list, we await detail

on the following:

- the degree equivalence standard for existing planners;
- the code of ethics; and
- CPD, professional year and exam standards.

The FPA has put a lot of thought into these, through consultation with members, academics and the broader industry, to develop the five white papers covering the standards. We are keen to help get the standards implemented and operational as efficiently as possible, and get on with the job of helping members transition their careers and practices into this new professional framework starting in 2019.

There will also be a large amount of work with ASIC to ensure the implementation of Code Monitoring bodies is completed in time for the 1 January 2020 start date.

Another big job for 2018 will be working on the implementation of the Australian Financial Complaints Authority (AFCA).

Merging the Financial Ombudsman Service (FOS), the Credit and Investments Ombudsman (CIO), and the Superannuation Complaints Tribunal (SCT) is no small feat, particularly when the body that will become AFCA is required to be set up from scratch, while the existing bodies go through a wind down process.

The cost of this transition also has the potential to be substantial, and at a time when there are a number of other significant cost increases occurring.

Increasing regulatory costs for providing advice is also a critical concern for the FPA in 2018.

In 2017, we saw the introduction of the ASIC user pays funding model; we also expect AFCA to have new start up costs; FASEA will move to an industry funding model at some point; Tax Practitioners Board (TPB) registration costs; and the as yet unknown costs to meet the new professional standards framework, including additional education for some planners and the exam for all planners.

PI premiums will also come under pressure if the new EDR dispute limits are implemented. This comes at a time when there are also revenue pressures for many practices and the potential threat of automated product implementation tools.

Through 2017, the ASIC Enforcement Review has been conducting work to provide ASIC with additional powers around product regulation, new licensing powers, and both additional sanction and penalty powers and quantum.

The recommendations of this review are likely to be announced by the Government early in 2018 and a work program developed to implement them. This is an important piece of work, which will in particular give ASIC the power to intervene prior to consumer detriment occurring.

Finally, the FPA will continue to work with the Government to implement the Financial System Inquiry (FSI) recommendations around renaming general advice to product information, and reviewing the now 15-year-old retail/wholesale thresholds and definitions to better protect consumers. Naturally, the FPA will continue to recommend to Government that tax deductible fees for financial planning advice be introduced.

And if that wasn't enough, we still have a lot of work to do to support members with understanding and implementing fintech tools into their advice process to make it more efficient and more engaging.

As I said above, this was the plan before we had a Royal Commission announced. The Government has stated it intends to keep working on the above policies while the Royal Commission is on, so I expect things are only going to get busier in 2018.

Ben Marshan CFP® is Head of Policy and Government Relations at the FPA.

PRACTICE MANAGEMENT

3 WAYS TO STOP PROCRASTINATING

Let's face it, whether it's in business or in private life, there are times when we all tend to procrastinate. But that needn't be the case. **Dr Vesna Grubacevic** provides three simple ways to stop your procrastination.

When was the last time you put off doing something that you said you would do for your business? Do you drag your feet when it comes to taking certain action or completing some tasks, like public speaking, writing articles, study, phone calls, paperwork, and making business decisions?

Would you like to stop procrastinating and, instead, be motivated to take action in your business?

THE COST OF PROCRASTINATION

Some people have mastered the art of putting off doing certain tasks, despite knowing they will be worse off for the delay.

Research has shown that around 15 to 20 per cent of adults regularly put off activities that would be better done right away; around 40 per cent of people have experienced a financial loss as a result of procrastination; and procrastinators have higher stress levels and more severe health problems than people who act right away.

TIME TO STOP PROCRASTINATION

Here are three ways you can now get motivated and stop procrastinating:

1. Is it what you really want?

Think about the activity you have been putting off and ask yourself: 'Is the activity aligned with your business vision and goals? Will it bring you closer to your vision/goals or steer you in another direction?'

By asking yourself these questions, you may find that the activity is not going to help you achieve what you want and you have been putting it off for the right reason. It is important to then act on that insight.

If the activity is aligned with your vision/goals, perhaps you needed

+

Because our thoughts and emotions are linked together, if you want to feel motivated to complete a task, you simply need to think about something you felt motivated to do in the past (even if it is unrelated to business).

to see the fit with the big picture before you were motivated enough to do it. When we do things without a big picture context, we can feel unmotivated, see no real reason or benefit for doing it.

Once you are clear about the big picture, then ensure that you have clear goals with clear commitments and timeframes to help you to achieve your vision. People with vague goals are almost as unmotivated as those without any goals at all.

Research at Hofstra University (Long Island, New York) demonstrates that procrastinators who had clear intentions and specific commitments to a time, were eight times as likely to follow through on the commitment than those without them.

2. Are you sufficiently motivated?

As you think about the activity that you have been putting off, how motivated do you feel about doing it? Motivation is a feeling, so do you actually feel motivated as you think about the activity or not?

Do you feel other positive emotions (e.g. confidence, passion and determination) or negative emotions (e.g. resentment, guilt, shame or anger) as you think about doing it? It is difficult to put off doing things that you feel motivated to do.

> *Once you are clear about the big picture, then ensure that you have clear goals with clear commitments and timeframes to help you to achieve your vision.*

Because our thoughts and emotions are linked together, if you want to feel motivated to complete a task, you simply need to think about something you felt motivated to do in the past (even if it is unrelated to business).

For example, as you think about the last time you were really motivated to go on a holiday, you will feel the motivation you felt at that time.

By staying in that motivated frame of mind, you will be motivated to take action on any business task.

3. What meaning do you give it?

What meaning do you give to the activity you have been putting off?

Do you imagine it as being boring or fun? Do you imagine that it will take forever or be quick? Do you imagine that you will be able to do it easily or worry that you will stumble or get stuck?

If you imagine positives around that activity, you will be more motivated than if you imagine the negatives.

For some procrastinators, anticipation of the task is often far worse than what the task turns out to be.

Are you anticipating the task turning out well or not? By visualising the activity being a success, you will be much more motivated to take action in your business.

Imagine how much more productive, fulfilled and successful you could be in your business once you master motivation and stop procrastination.

Dr Vesna Grubacevic is an author, speaker, media commentator, and the founder and Performance Transformation Expert® with Qt.

FPA CERTIFIED FINANCIAL PLANNER®
Professional of the Year Award

MENTAL TOUGHNESS

As the FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award recipient, Michael Hayward CFP® knows that trust and respect is earnt through excellent client service.

He may only be 36, but the 2017 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award recipient, Michael Hayward CFP® has already chalked up an impressive track-record of client excellence, having laid down the foundations as a paraplanner before moving onto the complexity of "goals planning".

And it would seem Michael's approach to developing the skills as a financial planner has served him well, with the judges acknowledging his dedication to delivering excellent client service, his innovative ideas around presenting clients with a one page SOA supplement, and his mentorship of staff.

TEAM EFFORT

But Michael is a little uncomfortable wearing this praise. Instead, the West Perth-based planner points to his colleagues at Capital Partners Private Wealth Advisers for their stewardship and guidance in developing him into the professional he is today.

"Winning the 2017 FPA Professional Practice of the Year Award is a real achievement for our team. I think it recognises that our people and culture are absolutely aligned to helping our clients live more enriched lives," he says.

"And personally, it was very exciting to be awarded the FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award. Being recognised in this way reinforces my belief that I'm absolutely helping to make a positive difference in the lives of clients. Of course, it's a team effort. So, while I won the award, it's very much shared with our fantastic team."

It was the founder of Capital Partners Private Wealth Advisers, David Andrew AFP®, who recognised Michael's ability and encouraged the father of two to enter the awards. And while Michael found the application process easy to follow, it still took some time to complete.

"It was good to engage with some of my clients around testimonials and the client case study in the

Michael Hayward CFP®

Age: 36

Educational qualifications: BEc, CFP®, AdvDipFS

Position: Private Client Adviser

Practice: Capital Partners Private Wealth Advisers

Licensee: Capital Partners Private Wealth Advisers

Years as a planner: 5 years (13 years in a hybrid planning/ support role)

Date of CFP® designation: 2012

application process," Michael says. "The application process really makes you think about the work you do with clients and the outcomes achieved."

The rest, they say, is history.

BEST OF THE BEST

The 2017 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award is presented to a CFP® practitioner who embodies the highest professional standards and has delivered best practice, which has led to superior client outcomes.

Commenting on the award, FPA chief executive officer, Dante De Gori CFP® said: "Michael knows that trust and respect is earnt through excellent client service. His reputation has been built on the service he has provided over the past 13 years within his practice. His client testimonials were outstanding and a testament to his work."

By taking out the coveted 2017 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award, Michael says it's acknowledgment that he is doing the right thing for clients and that he is at the forefront of financial planning best practice.

And as the winner of the top gong for CFP® practitioners, Michael believes there is great value in being a CFP® professional.

"The CFP® designation is recognition that you are one of the best in the profession," he says. "It's about aligning your own personal standards to the profession's highest education and professional standards. It really does mean something to be a CFP® professional.

"Clients are looking for planners with experience, credibility, strong ethics and who have a commitment to ongoing learning," Michael says. "And that's what the CFP® designation is all about.

"It provides clients with the reassurance and confidence they are working with a professional who is at the top of their game, and who will always put their best interests ahead of their own."

"It's about aligning your own personal standards to the profession's highest education and professional standards. It really does mean something to be a CFP® professional."

TOP TIPS

Michael strongly encourages any planner who is serious about a career in financial planning to become a CFP® professional, and offers his three best tips for any aspiring professional.

"First and foremost, the client must always come first in any decision-making strategy. When you put the client first, it's hard to go wrong from there.

"My second tip is always continue to learn and stay relevant with what's happening in the profession, including what's happening with strategies and what's happening with regulation."

And Michael's third tip?

"Find a mentor," he says. "Find somebody with experience who you can learn from. For me, that's the founder of Capital Partners, David Andrew. He has helped coach me to become the person I am now, and that's something I'm truly grateful for."

He adds that it's also important to have the right work/life balance. His two little boys and wife help keep him grounded. Michael also teaches Taekwon-Do to children – a martial art he has been practicing for the past 20 years.

"I believe I can really help influence the development of these kids to become better people and in the longer-term, build a stronger community," he says. "And it's also a great way for me to discipline my own mind and body, which helps me cope with the challenges and stresses of the day."

Congratulations

The FPA congratulates the runners-up of the FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award:

- **Paul Benson CFP® –** Guidance Financial Services
- **Robert Zammit CFP® –** RSM Financial Services Australia

FPA FINANCIAL PLANNER AFP®
Professional of the Year Award

DANCING TO A DIFFERENT BEAT

The 2017 FPA Financial Planner AFP® Professional of the Year Award recipient, Patricia Garcia AFP® is on a quest for self-improvement.

A lot's been said and written about the average age of planners pushing close to 60. But rest assured, financial planning is in good hands if Gen Y planner, Patricia Garcia AFP®, is any indication of the young guard of planners coming through.

As the winner of the 2017 FPA Financial Planner AFP® Professional of the Year Award, Patricia's energy and enthusiasm for the profession is infectious.

And it's these qualities, along with her commitment to quality advice, improved business processes, pro bono work and client empowerment, that saw the 31-year-old Brisbane-based planner take out the award for 2017.

But Patricia's journey into financial planning was almost accidental. It was 13 years ago that Patricia moved from Brazil – her country of birth – to Australia to complete her biotechnology degree.

"It was always my intention to return to Brazil after completing my degree, but during my last year of completing my Honours, I came to the realisation that while I enjoyed the theory of what I was studying, I didn't enjoy the day-to-day lab work."

CAREER TURNING POINT

This realisation was a turning point for Patricia. At the time, her partner was completing a degree in financial planning, which also sparked Patricia's interest. So, after she graduated with her honours degree, she opted for a career change and decided to try her hand with financial planning. This led her to accepting an admin role with a local practice firm and from there, her career in financial planning took off. It was a fateful decision for the young Brazilian, who has spent the last seven years with WB Financial.

Patricia Garcia AFP®

Age: 31

Educational qualifications: BBiotech (Hons), AFP®, ADFP, DFP

Position: Director and Financial Adviser

Practice: Your Vision Financial Solutions (trading as WB Financial)

Licensee: Financial Wisdom

Years as a planner: 5 years

"...winning this award is not only great recognition for the work I do with clients, but also for the work I do in the community."

SELF-BELIEF

But one thing not lacking with Patricia is her confidence – she has it in spades. And it's this confidence that spurred her to enter the FPA Awards. In fact, with Patricia expecting to complete the CFP® Certification Program in mid 2018, she saw the AFP® award as her last chance to nominate before stepping up to the big league.

"That was the first trigger for entering the awards," she says. "But as the FPA Awards are quite high profile, even to be a finalist is an achievement. So, for me, these awards were all about self-belief and benchmarking myself against my peers. And to win this award… well, I'm still in shock!"

IMPROVEMENT

Patricia attributes her success at winning the award to: her continual drive to improve internal processes within the business, her comprehensive on-boarding approach with clients over four or five meetings, as well as her community involvement and pro bono work. The judges were also impressed by her SOA and the calibre of client testimonials.

"I'm actually quite active with the broader community outside of the business. So, winning this award is not only great recognition for the work I do with clients, but also for the work I do in the community," she says.

With completion of the CFP® Certification Program firmly in her sights this year, Patricia admits she

Congratulations

The FPA congratulates the runners-up of the FPA Financial Planner AFP® Professional of the Year Award:

- **Felicity Cooper AFP® –** Cooper Wealth Management
- **Nicholas Lloyd AFP® –** ITL Financial Planning

is always looking for new challenges and learning opportunities, and doesn't rule out going to either Oxford or Harvard University to complete further leadership and business management training.

"As an authorised representative of Financial Wisdom, there is a leaders' program, where it sends aspiring leaders to well-known universities, such as Oxford or Harvard University (at the practice principal's cost), for a week of study," she says.

"I'm always looking for opportunities to learn more and develop as a professional."

MOTIVATION

"I'd love to be involved in providing more finance solutions within the business for our clients, like accounting and mortgage broking. And I'd like to make the planning process as efficient and seamless as possible, both for the business and clients."

She also sees herself as a coach, as a well as a planner, responsible for taking her clients on a journey to financial independence. It's an approach she also takes with younger team members.

"I do mentor younger team members and students considering financial planning as a career," Patricia says. "I've been through mentoring programs in the past and I feel that one of the best ways of learning is 'on the job' and from experienced people."

In fact, she is currently looking for a business coach to help fine-tune her skills.

CAREER CHANGE ADVICE

Having changed careers herself, Patricia is well-placed to offer advice to aspiring professionals. She's advised many students to put aside theory learnt in the classroom, because Patricia believes they won't really know what the job is like until they actually do it.

"That's why it's so important for students to do an internship or voluntary work with a planning practice and seek a practitioner who can mentor them. Working with small practices is great, as they tend to provide students with a greater opportunity to see all facets of the business," she says.

"I think it's important for newcomers to connect with different practices and planners, because we all work differently.

"It's important to find the type of practice and business model that fits your own criteria. That's because you need to believe in the advice model you're providing to clients, and that means finding the one that best suits you."

FPA Professional Practice of the Year Award

STAMP OF QUALITY

'Helping people live richer, happier lives' is a mantra working well for both clients and the team at Capital Partners Private Wealth Advisers, as it takes out the FPA Professional Practice of the Year Award.

Capital Partners Private Wealth Advisers

Established: 1999

Licensee: Capital Partners Private Wealth Advisers

Number of staff: 27

Number of practitioners: 10

Number of CFP® practitioners: 7

FPA Professional Practice since: 2011

They must be doing something right out west because for the second consecutive year, a Western Australia practice has taken out the FPA Professional Practice of the Year Award. And in a quinella for the West Perth practice, Michael Hayward CFP® from the team also took out the FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award.

It's an achievement not lost on David Andrew AFP® – the founder and managing director of Capital Partners Private Wealth Advisers.

In accepting the award, David showed great humility, saying the award was a "quality stamp" and a "rich reward for 20 years ßof hard work".

"This is great recognition for the team who are switched on every day to help our clients 'live richer and happier lives'," David says. "This is our mantra. We want people to have good relationships with their money, while achieving their goals and being successful. I think we're very focused on that and this award recognises that commitment."

David believes the award will strengthen Capital Partners' credibility and provide clients with one less thing to worry about when thinking about engaging with the business.

COMING OF AGE

His decision to enter this year's awards is a reflection of Capital Partners coming of age. In fact, the business is reaching a stage of maturity where it's moving from founder ownership to second and then third generation ownership.

For him, it's third party endorsement by the FPA that the practice is not only compliant with the profession's highest education and professional standards, but that it's among the country's leading firms.

"So, the effort you go to in meeting the FPA's criteria demonstrates to consumers that you are taking professionalism seriously, and that's something that does matter to them."

With Capital Partners trading just shy of two decades, David is also keen to share his own experience and insights with smaller firms to help them on their own journey.

"We started back in 1999 with nothing – zero clients and zero revenue. But from there, we've built a successful business. So, for other firms to see what we've achieved and how we've gone about doing it, is something I like to share."

> *"It's about understanding best practice and implementing it, and having peers who will hold us accountable to do what we say we're going to do."*

"We genuinely believe we provide financial planning advice and services that are as good as any practice. So, it was really a matter of us throwing our hat in the ring and testing ourselves. It was all about seeking recognition for our team."

STANDING OUT

In a crowded market, David believes the FPA Professional Practice designation sets Capital Partners apart from other planning practices.

Today, David attributes part of Capital Partners' success to a number of internal initiatives, including belonging to a select study group of six non-aligned businesses that helps keep the firm connected to industry best practice.

"This initiative is all about pushing ourselves to being better. It's part of our business culture that every

David Andrew with the prestigious FPA Professional Practice of the Year Award.

Congratulations

The FPA congratulates the runners-up of the FPA Professional Practice of the Year Award:

- **Eureka Whittaker Macnaught** (Sydney and Brisbane)
- **MBA Financial Strategists** (Adelaide)

single day, we're looking for better ways of doing things and engaging with clients. It's about understanding best practice and implementing it, and having peers who will hold us accountable to do what we say we're going to do. So, this initiative is all about continued improvement."

The practice has also rolled out a 10-year social media program, with the aim of building relevant and engaging video content for its website. David says this is quite affordable, with his team even using blog articles as scripts for video content.

"This is all about putting the client at the centre of everything we do," David says.

GENERATIONAL TRANSFER

As for the future, Capital Partners is on course to become a three generation ownership firm within David's lifetime.

From 1 July 2018, the business will bring on board eight new principals as part of its succession/transition program.

"There has been a lot of emotion around this program, which has taken about 2.5 years to implement. We've taken a long view with regard to succession planning, which takes an enormous effort to do well.

"But we're confident we've got the right mix of equity partners in place to guarantee the long-term future and ongoing success of our business."

However, winning the 2017 FPA Professional Practice of the Year Award hasn't been without its challenges, something David is acutely aware of.

For him, attracting the right type of clients, providing an exceptional client experience and winning the talent war, are three challenges key to staying on top.

"These challenges are all hard but interestingly, I never worry about losing team members," David says.

"If our team members are inspired, have meaningful work and are properly remunerated to enable them to achieve their goals, then we've delivered on our mantra of helping people live richer, happier lives. So, in that respect, we're pretty successful at keeping the people we want to keep in our business."

However, David believes the talent pool in financial planning is reasonably shallow, meaning he has to cherry pick good people. "You need to guarantee them that if they do their bit, then we will provide them with an amazing career."

But is that enough for the younger cohort of planners?

"Probably not," David says. "They want success, they want flexibility, they want to be challenged and they want to do rewarding work."

And are they looking for business equity?

"I'm not sure. It's something I'm rarely asked," David replies. "Ownership in a business is earned. It's earned through creating value.

"In life you've got to focus on the journey and being really good at what you do. When you do that, then good things happen."

FPA Paraplanner of the Year Award

NO SHORTCUT TO SUCCESS

As the winner of the FPA Paraplanner of the Year Award, Adriana Brink AFP® believes it's time the profession placed greater emphasis on the important role paraplanners play in the advice process.

Three months after having won the FPA Paraplanner of the Year Award, Adriana Brink AFP® still finds it hard to contain her excitement at winning this prestigious award. She confesses at still being somewhat shocked at winning the award, saying that it's been an "amazing experience" to be recognised for the work she does as a paraplanner.

"The work we do as paraplanners is often behind-the-scenes, so it's something that clients don't often get to see. They don't see the work that goes into developing and building their strategies. But as a woman in a male-dominated profession, it's wonderful to receive this recognition for the work that I do," Adriana says.

"And it's equally reassuring to see an award like this that showcases the work paraplanners do each and every day."

In fact, showcasing the work that paraplanners do was one of the underlying reasons that motivated this Mackay-based paraplanner, who works at Alman Partners, to enter the 2017 FPA Awards.

"I'm very proud of the work I do, so when nominations for this award came up, I was ready to back myself," she says.

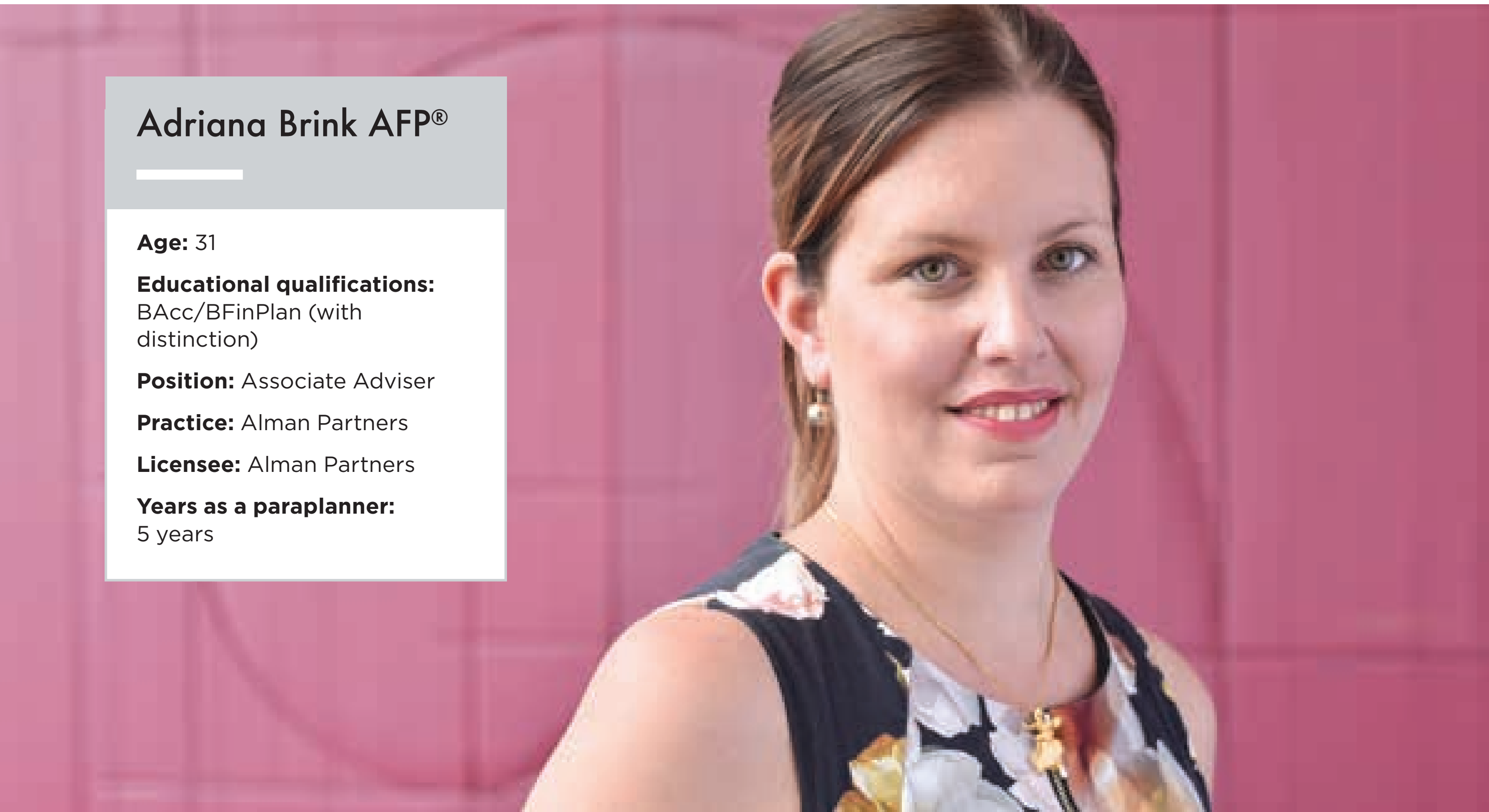
HOLISTICALLY MINDED

As it so happened, Adriana had recently completed a holistic plan that she was quite proud of. This plan, which included a wide range of strategies for a particular client, formed part of her entry for the 2017 FPA Awards.

"The clients had previously had a bad investment experience and were quite doubtful of the financial planning profession and what we could do to help. So, I was pleased to submit the work I did for these clients, which clearly demonstrated how we could substantially improve their situation," she says.

"The clients have since commented that they couldn't be happier with the advice they have received, and they have gone so far as to refer their friends to come and see us, which is the best compliment any client can provide."

Adriana's entry clearly impressed the judges, who noted that Adriana demonstrated a true 'client first' ethos to her work, as well as strong technical skills and an ability to



Adriana Brink AFP®

Age: 31

Educational qualifications: BAcc/BFinPlan (with distinction)

Position: Associate Adviser

Practice: Alman Partners

Licensee: Alman Partners

Years as a paraplanner: 5 years

execute complex strategies. The judges were also impressed by her lead in mentoring new staff and providing pro bono assistance with aged care and Centrelink clients.

PERCEPTIONAL CHANGE

When talking to Adriana, it's clearly apparent that when it comes to paraplanning, you'd be hard pressed to find a stronger advocate.

"I'd like to see a change in the perception of paraplanning," Adriana says. "The profession doesn't place enough emphasis on the importance of paraplanning, and that's probably because many still don't fully understand what it is paraplanners do.

"Most clients and aligned professionals, like accountants, generally don't know what a paraplanner does or how important their role is. But as an Associate Adviser, I know how integral paraplanning is to the overall financial planning process."

"You need to have belief in yourself that what you're doing is best for the client. If it feels right and you can justify it, then that can only be good."

Adriana doesn't deny that winning this award has provided her with the added confidence and self-belief that she is at the top of her game professionally.

"In our profession, we can often doubt what we're doing, particularly where there is no right or wrong answer. You need to have belief in yourself that what you're doing is best for the client. If it feels right and you can justify it, then that can only be good."

With Adriana about to embark on the final unit of the CFP® Certification Program, she has her sights firmly set on a career as a CFP® practitioner. But whether it's as a paraplanner, working behind-the-scenes building strategies, or as a planner speaking with clients face-to-face, what continues to drive this 31-year-old is the satisfaction gained in genuinely being able to make a positive difference to the lives of her clients.

"A lot of people know what they want to do but they don't have the time or capability to do it themselves, and so, that's what we're here for. If I feel like I've helped someone achieve their personal goals, then I'm satisfied."

ADVICE

And what of any advice for someone aspiring to join the profession, particularly looking at paraplanning as a career?

"My top tip for any students considering financial planning or paraplanning as a career, is to carefully consider the various education pathways into the profession," Adriana says.

"I've seen too many students get their degree, which isn't an approved degree for financial planning, meaning they have to do extra study to satisfy the education requirements."

She also believes that the importance of building your own personal network and brand is something that is often overlooked by new entrants to the profession.

"That's because you can't simply rely on potential new clients to contact you. Instead, you've got to be prepared to put in the hard yards, roll up your sleeves and get your name out there," she says.

"There are no shortcuts to success."

Congratulations

The FPA congratulates the runners-up of the FPA Paraplanner of the Year Award:

- **Laura Buckley AFP® –** Momentum Planning
- **Travis Schindler –** Hewson Private Wealth

Future2 Community Service Award

COMMUNITY-MINDED

Reuben Zelwer CFP® has taken out the Future2 Community Service Award for his long involvement in breaking the cycle of debt within his local community.

In paying tribute to the finalists of the 2017 Future2 Community Service Award, FPA chief executive office Dante De Gori CFP® says the profession is justifiably proud of the FPA members who commit their time and energy to improving the circumstances of the most socially excluded or financially disadvantaged members of the community.

In taking out the 2017 Future2 Community Service Award for his involvement with Jewish Care Victoria, Reuben Zelwer CFP® says he is both fortunate and privileged in being able to use his expertise to help those in desperate need.

"My involvement with Jewish Care Victoria is a genuine opportunity for me to use my expertise as a planner to significantly help others who need help. I was fortunate to find an area in volunteer work where I could add value. And as a financial planner, you want to help a broad range of people.

Reuben Zelwer CFP®

Age: 42

Position: Principal

Practice: Adapt Wealth Management

Licensee: Paragem

Years as a planner: 16 years

Years as a CFP® practitioner: 15 years

"However, there are constraints when you're running a business about how much you can help people who are in real financial need. So, working with Jewish Care Victoria allows me to have a much broader impact in the wider community than would otherwise be the case."

LONG-TERM COMMITMENT

Jewish Care Victoria is a community organisation that provides residential and community aged care, home help, counselling, disability services, financial aid and support, employment and education opportunities primarily for the Jewish community in Melbourne and throughout Victoria.

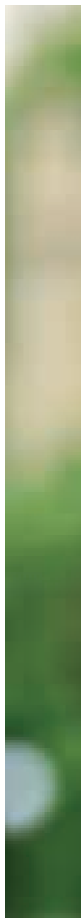
Reuben's initial involvement with Jewish Care Victoria began 10 years ago, when he joined the committee of Jewish Care's 'Empower' interest-free loans program, which for more than 100 years, has been providing interest-free loans to members of the community who couldn't otherwise access finance.

Reuben has played an important role in expanding the program considerably – from interest-free loans for car financing, to small business loans and refinancing high interest rate credit card debt.

"Improving a person's debt situation is something I'm particularly passionate about," Reuben says. "There are people carrying high levels of personal debt but can only manage to pay off the monthly interest on it.

"So, through our financial program, we're able to give them an interest-free loan, enabling these people to make their repayments and pay off their debt within two or three years. It's wonderful being a part of that."

That initiative subsequently led Reuben to identify a need for financial counselling, particularly amongst younger people, as a



"Working with Jewish Care Victoria allows me to have a much broader impact in the community than would otherwise be the case."

means of breaking the cycle of debt dependency. This led him to setting up and raising the necessary funds for a financial counselling service at Jewish Care Victoria.

The financial counselling service has been operating now for eight years, and although Reuben doesn't actually provide any counselling himself, the service sees well over 100 people each year.

Another financial program offered by Jewish Care Victoria is the Saver Plus program, developed by ANZ and the Brotherhood of St Lawrence, which Jewish Care delivers to the entire local community – Jewish and non-Jewish alike.

This program helps families meet their educational expenses, reach a savings goal and build money management skills. Saver Plus encourages participants to save by matching every dollar of their savings (up to $500) with an additional dollar for their own or their family's education-related expenses.

NOMINATING

So, why did Reuben nominate his involvement with Jewish Care Victoria for the Future2 Community Service Award?

In answering, he takes an altruistic view, saying his decision to nominate for this award was in part motivated to showcase the work Jewish Care Victoria does in the broader community, while also hoping to inspire other planners to become more involved with like-minded community organisations.

"In the 10 years the Future2 Foundation has been operating, I've seen a dramatic shift in the profession's social conscience and the number of planners who are now actively engaged with community not-for-profits," Reuben says.

"Obviously, the money being raised for the Future2 Foundation is fantastic but what's even more important is the growing number of financial planners voluntarily working in the community and applying for grants – like the Future2 Make the Difference! Grant – on behalf of not-for-profit organisations. These planners are making a real difference.

"The work they are doing is far greater than the monetary funds raised, and I think that's something the profession should be proud of."

Congratulations

The FPA congratulates the runners-up of the Future2 Community Service Award:

- **Mary-Louise Gnoato AFP®** – Commonwealth Financial Planning
- **Luke McCoy CFP®** – Elevate Financial Solutions

FPA University Student of the Year Award

OUTSIDE THE BOX

Azaria Bell is the third Griffith University student to take out the FPA University Student of the Year Award.

Azaria Bell is the type of person who catches your attention immediately. Her confidence, friendly demeanour and energy, will no doubt take her a long way in the profession, as she carves out a career in financial planning.

Azaria is the third student from Griffith University to take out the 2017 FPA University Student of the Year Award, which recognises finance students who demonstrate strong potential in the areas of accounting, banking and finance.

In winning the award, the judges not only praised Azaria's academic excellence but also her commitment to becoming a future leader within the profession. And while winning the award was a "huge honour" for the student, it was also something she never anticipated being in the running for.

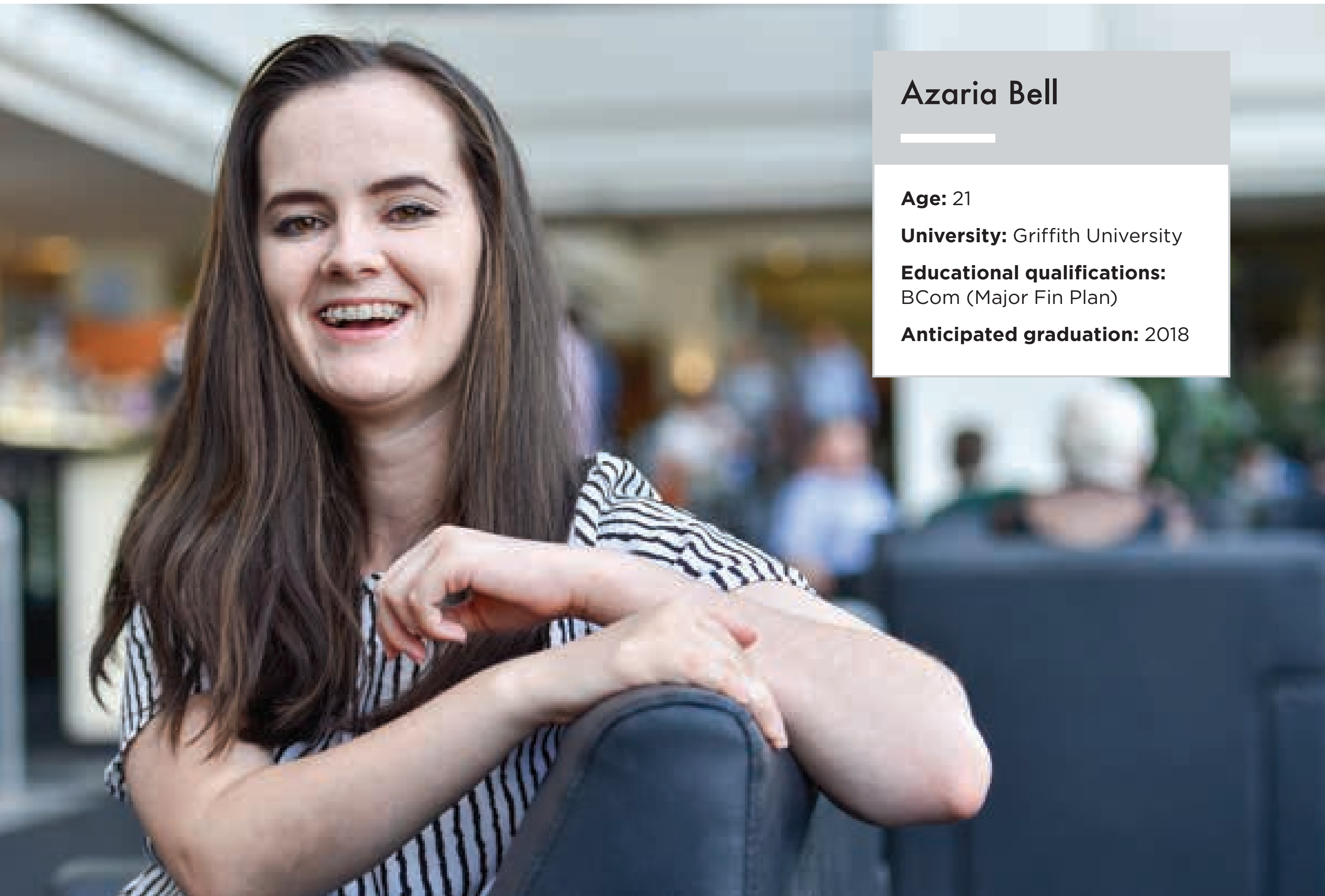
"When I was told I had been nominated for this award, the first thing I did was ask to be renominated for next year," she laughs, "because I really didn't think I stood a chance of winning the award.

"This award means the world to me. It will help open up opportunities. It's reassuring to know that my hard work has paid off and my achievements really do mean something."

LIFE LESSONS

But Azaria's decision to major in financial planning wasn't actually her first choice at university. Instead, she attributes finance guru, Noel Whittaker, for changing her mind.

"I started off doing a Bachelor of Business at Griffith University, where I was majoring in logistics. But the problem was, as a New Zealand citizen, I was having to pay my fees upfront. So, I had to quickly learn how to save."



Azaria Bell

Age: 21

University: Griffith University

Educational qualifications: BCom (Major Fin Plan)

Anticipated graduation: 2018

Azaria read Noel Whittaker's influential book – *Making Money Made Simple* – which introduced her to the essentials of money, investing, borrowing and personal finance. It was a cathartic read for the young student, which stoked her interest in finance.

"As I became better at managing my own money, I started helping my friends with their own money management. I then wondered whether I could make a career out of this."

This motivated the young student to create a YouTube channel, where she posted her own videos about managing money that were targeted specifically at her generation.

"I identified a real need for finance content, particularly for my generation. There's no one talking about money to younger people. It's such a taboo subject for so many people," she says.

"The fact is, younger generations, like Millennials, don't want to hear from an older person telling them about money.

"So, having someone who is the same age as them and who knows what they are going through, is the best way of connecting with this generation."

EMPOWERMENT

Having struggled with money herself, Azaria has seen many other people also struggle with their personal finances, which began her realisation that with financial planning, you can help and empower people to make better decisions about their own finances.

"And what also attracted me to financial planning was the psychological difference it made having control of your money. It's about empowerment, control of your life and better mental health."

It was this altruistic desire to not only help herself but to help others as well, that motivated Azaria to pursue her studies in financial planning, and it's a decision she doesn't regret.

> *"I feel that often the people who need the advice the most are the ones who can't afford it."*

In fact, the 21-year-old has recently started a two-day per week paid internship with Stonehouse Financial Services, having won a scholarship with the Brisbane-based firm.

"I think it was my YouTube videos that set me apart in my application for this internship. I think it's great for students to get an edge by thinking outside the box and be creative. That's what will set them apart from others when applying for internships or jobs."

CAREER PATH

So, with an internship secured, how does Azaria see her career progressing?

"I'm still on a major learning curve," she says. "I definitely want to go into advising and I've got my eyes firmly set on becoming a CFP® practitioner. I want to use this designation as a platform to make a real difference to the lives of Australians."

Azaria is particularly keen to assist disadvantaged youth through pro bono work.

"I feel that often the people who need the advice the most are the ones who can't afford it. So, I'd love to go into regional communities and help improve the financial literacy of younger people, so they can make better financial decisions and break the cycle of dependency."

STUDENT ENGAGEMENT

With Azaria looking to graduate later this year, she has very strong views on how the profession can better engage with and encourage more students to join the financial planning profession. Internships and events at university are two starting points.

"More events at universities that showcase financial planning are definitely needed," she says. "Many accounting firms already visit campuses. So, I feel that financial planning businesses really need to get involved with students while they're still studying. This includes having a presence at career expos, offering scholarships and internships through the university, and reaching out and engaging with students about financial planning."

SOCIAL INFLUENCE

However, Azaria believes financial planning is still not widely known or considered by most tertiary students as being a viable career option, and that's something she is hoping to change via her YouTube videos.

"My advice for any students considering financial planning is to think outside the box. Although it's great to have perfect grades, the thing that is going to set you apart and open doors for you is the extra-curricular stuff," she says.

"Get involved on student societies, get involved in your local community and network. And think of anything creative you can do that will make you stand out. There's going to be hundreds of other people graduating with the same degree qualifications as you, so you've got to think about what makes you unique and what makes you worth stopping to talk to."

And finally, Azaria adds: "Don't be afraid of making the first move and reaching out to those firms or planners you want to work with. You've got to take control of your own career."

Congratulations

The FPA congratulates the runners-up of the FPA University Student of the Year Award:

- **Jonathon Halls AFP®**
- **David Steyn**

Gwen Fletcher Memorial Award

AGE IS NO BARRIER

As the winner of the Gwen Fletcher Memorial Award for being the highest achieving student in Semester 2 of the CFP® Certification Program, Michael Forer AFP® shows there's no such thing as age when it comes to learning.

At 43, Michael Forer AFP® believes there's no such thing as age when it comes to sitting the CFP® Certification Program. In fact, he is one of many established and mature planners putting their hands up for CFP® Certification.

And he reckons when it comes to studying, he's still as sharp as the younger generation. It's a point not lost on his colleagues at Next Level Financial Services, with Michael taking out the prestigious Gwen Fletcher Memorial Award for being the highest achieving student in Semester 2 of the CFP® Certification Unit.

WEALTH OF EXPERIENCE

But with 13 years already chalked up as a successful and sought after planner, why did it take the Melbourne-based father of two so long to undertake the program?

It's a good question, says Michael.

"I had always found a reason to put off doing the CFP® Certification Program, but I finally decided to stop finding reasons and just do it," he says.

"Why? Because I wanted to be personally comfortable that my knowledge and skills were at the level required and expected of being a financial planner. And secondly, I believe it's important for my clients to know that I hold the highest designation in the profession and that I'm committed to continuous improvement."

Michael believes that as the financial planning profession continues to evolve and complexity increases, completing the CFP® Certification Program is essential for improving the knowledge and skills of practitioners.

"In fact, given the many changes since I completed my undergraduate and postgraduate studies, I felt the CFP® Certification Program was a great opportunity to update my knowledge and skills in many areas."

It's a decision he doesn't regret, with Michael excelling in his studies.

"My clients will ultimately benefit from my improved knowledge and skills that were developed by completing the CFP® Certification Program."

AWARD RECOGNITION

So, what does winning the Gwen Fletcher Memorial Award mean to him?

"Naturally, it was a great honour to win the award," he says. "Gwen was such a strong advocate of ongoing education and training, and a highly respected and successful practitioner in her own right. So, I'm sure she would have been pleased to see an experienced adviser complete the CFP® Certification Program."

Michael is also confident that winning this award is not only validation for him, but also for his colleagues at Next Level Financial Services, that they all have the relevant knowledge and skills expected of financial planners today.

BALANCING ACT

But taking out this award didn't come without its challenges. As a husband with two children, and the demands of his clients and practice, Michael concedes it was a struggle to get the work/life/study balance right.

"The CFP® Certification Program was time-consuming but in my case, it was only for a relatively short time," he says. "Life is always busy and there will always be a reason to put things off, but I felt completing this program was not only important for my career and our business, but most importantly, it was important for our clients.

"I also found that the material covered in the CFP® Certification Program was an extension of what I do at work every day, so that made it easier knowing the business would benefit from the program."

Without any colleagues to undertake the program with, Michael was on his own. Although he had the support and encouragement of family and work associates, he found himself turning to the materials supplied on the FPA's student portal, including webinars, forums and past exam papers.

Michael Forer AFP®

Educational Qualifications: BCom, Grad DFP

Position: Director and Senior Financial Adviser

Practice: Next Level Financial Services

Licensee: Integrity Financial Planners

FPA Professional Practice: No

Date of CFP designation: In process of applying for CFP® designation

Years as a financial planner: 13 years

FPA chair Neil Kendall CFP® presenting Michael Forer AFP® with the Gwen Fletcher Memorial Award for Semester 2.

"From these materials, I had a very clear idea of what was required in the assignment and what to expect in the exam," he says.

"Being an open book exam, the temptation is to go in with a mountain of notes. However, I avoided this and only took in the *Australian Master Financial Planning Guide*, as I was confident every answer was in there. It sits on my desk now and I refer to it almost daily." It's a good tip for any student.

ELEMENTS FOR SUCCESS

As the Gwen Fletcher Memorial Award winner for Semester 2, Michael believes there are three core elements that make a successful practitioner, and it's advice he is only too willing to pass onto up-and-coming CFP® professionals.

"You need to be passionate about what you do; you need to enjoy going to work every day; and never stop learning," he says.

"I believe these are fundamental to being a good financial planner, because if you don't enjoy what you do and are not open to new ideas, your clients will ultimately suffer."

The Gwen Fletcher Memorial Award

The Gwen Fletcher Memorial Award was established in 2014 in memory of Gwen Fletcher AM, who was considered by many to be the 'first lady' of financial planning.

The award honours in perpetuity the memory of Gwen Fletcher, and supports one of her key legacies in her lifelong endeavours to champion the vital role of education and its central importance in nurturing the financial planning profession.

Gwen Fletcher was not only a respected financial planner but also an educator and mentor, and helped shaped the industry into an emerging profession. She was also responsible for bringing the CFP® Mark to Australia in 1990.

The Gwen Fletcher Memorial Award is presented each semester to the highest achieving student in the CFP® Certification Unit, which covers all three required assessments in the CFP® Certification Program.

As part of the award, recipients receive a certificate of recognition and $1,000, which is funded by the FPA.

ONE STEP AT A TIME

Gavin Wright CFP®, from Wright Planning in Melbourne, participated in one of the Tassie Challenges prior to last year's FPA Professionals Congress in Hobart. He talks about his motivation to support Future2.

Gavin Wright savouring the moment.

1. WHICH TASSIE CHALLENGE DID YOU UNDERTAKE?

I took part in the Walls of Jerusalem – Alpine Hiking Challenge. This was a four day, three night adventure that was graded as 'moderate'. It featured a series of superb day walks in Tasmania's only true alpine wilderness region, and was an opportunity to experience wilderness camping.

2. WHAT MOTIVATED YOU TO PARTICIPATE IN THE CHALLENGE?

Not only was there the fundraising aspect of Future2 that motivated me to undertake this challenge, but I was also attracted to this adventure by the challenge of the walk, the beauty of the Tasmanian wilderness and getting to meet like-minded people.

3. WERE THERE DIFFICULTIES IN YOUR CHALLENGE?

Personally, the most challenging part was getting all that we had to carry into our packs. I also found the first afternoon's walk to be very steep and hot.

4. WHAT STOOD OUT FOR YOU IN THE TASSIE CHALLENGE?

The scenery was an obvious highlight, but actually, the real highlight was seeing the FPA staff work together to support each other. We had two walkers who were not quite prepared. So, it was uplifting to see the support their team gave them, and then their courage and positivity to continue on.

I think a definite lowlight of the Challenge was getting to camp on the first night and then having to walk back about 200 metres to another camp, as ours was taken. That was a bit shattering.

Two hundred metres might not sound like much, but after the walk we had just done, it felt like two kilometres!

5. WAS IT DIFFICULT TO FUNDRAISE FOR THE TASSIE CHALLENGE?

The fundraising was a bit difficult for me, as I registered late for the walk. So, only three people contributed to my fundraising. But my firm has a policy of supporting causes and doing pro bono work, so I ended up contributing the lion's share of my target.

I think these fundraising initiatives are very important for the profession. I have not been very involved with Future2 until 2017, but I really like how the Future2 Foundation supports community initiatives with grants. So, for my group to undertake the walk that we did and raise money to help others less fortunate, was really terrific.

Gavin Wright CFP® is Director at Wright Planning.

HIKING FOR YOUTH

Some delegates attending last year's FPA Professionals Congress participated in one of three unique hiking challenges. The three hiking challenges included:

A four day Future2 East Coast Challenge, which was graded 'easy'; a four day Alpine Hiking Challenge, which was graded 'moderate'; and a five day Extreme Hiking Challenge, which was graded 'difficult'.

Ten participants signed up to one of these hiking challenges, raising $30,000 for the Future2 Foundation. These funds will go towards helping disadvantaged Australian youth.

Anne Graham CFP® LRS® and David Graham CFP® received the inaugural Hiking Challenge Award for raising the most funds as part of the 'Extreme Hiking Challenge' they were involved in.

Reon Botha was happy to complete the arduous seven day ride.

TASTE OF TASSIE

Reon Botha recently took on the seven day, 726km Future2 Wheel Classic ride, but tackling the Tasmanian mountains was something that caught him by surprise.

1. WHAT MOTIVATED YOU TO PARTICIPATE IN THE FUTURE2 WHEEL CLASSIC?

It was actually my colleague, Sam Tremethick, AIA's Head of Distribution, who asked whether I was interested in participating and representing AIA. I didn't think twice about the decision.

2. WHAT WAS THE MOST CHALLENGING ASPECT OF UNDERTAKING THE WHEEL CLASSIC RIDE?

Before the ride, the most challenging aspect was finding the time to get in some training. However, during the ride... well, have you seen the mountains in Tassie lately!

3. WHAT WERE SOME OF THE HIGHLIGHTS OF PARTICIPATING IN THE WHEEL CLASSIC?

For me, a definite highlight was making it to the finish line on Day 1, having climbed Cradle Mountain with around 1,800m of elevation for the day.

Another highlight was the camaraderie amongst the riders; seeing the fitter riders assisting the less fit throughout the ride and offering advice where needed. Special thanks to Phil and Darren here. And seeing the whole group make it to the finish – no one was left behind.

As for a lowlight, having one of the riders crashing on a fast downhill section. Luckily, no broken bones or serious injuries.

4. HOW DID YOU END UP WITH THE NICKNAME – THE 'SMILING ASSASSIN'?

I think it was 'Ecky' who gave me the nickname when he took a pic as I reached the top of one of the climbs – whether it was me smiling or grimacing from the pain, I'm not sure!

Other than that, I was having a great time. Tassie is really spectacular.

The Future2 Wheel Classic cycle event is an awesome one. You're with a great bunch of riders and organisers, and you know you're making a real difference to the lives of disadvantaged young Australians. What could be better than that?

5. HOW IMPORTANT ARE FUNDRAISING INITIATIVES, LIKE THE WHEEL CLASSIC?

They are vitally important! What resonated for me, when listing to a few of the grant recipients, was to hear their success stories. Personally, just making a difference in one young person's life is rewarding enough for me.

There is so much work that needs to be done in this area of the community. Hats off to the volunteers and other people working day in and day out to make a difference in this space.

Every dollar we raise through events, such as the Future2 Wheel Classic, is repaid when you hear of a young person turning their lives around, and finding their place and value in the community, and then positively influencing others.

Reon Botha is a Senior Client Development Manager at AIA.

FUTURE2 WHEEL CLASSIC

The 2017 Future2 Wheel Classic followed a seven day route, starting in Tasmania's Devonport and finishing in Hobart. The route covered a distance of 726km.

Nineteen cyclists participated in the eighth Future2 Wheel Classic, which included almost 7,000 metres of climbing, making it one of the toughest Wheel Classics to date. Grateful thanks to Future2 gold sponsor, AIA Vitality, and silver sponsor, IRESS. Through sponsorship and fundraising, the cyclists helped raise $130,000 for disadvantaged youth.

Tony Sandercock CFP® received the Jack Griffith Memorial Award for being the highest individual fundraiser. The IRESS team took out the Susan Grice Memorial Award for fundraising the most as a team, while Mark Thelwell received the Perpetual Purple Peddle Award for his determination and achievement in completing the ride.

REDUNDANCY CONSIDERATIONS

Brooke Logan

UNISUPER

This article is worth
0.5 CPD HOURS

FPA Dimension
Critical Thinking

ASIC Knowledge Area
Financial Planning

INCLUDES:

- Taxation of redundancy payments
- Employment Termination Payment cap
- Whole of Income cap
- Division 293 tax

A person may receive a redundancy when their employer decides they no longer need the employee to do that job. Redundancy can be triggered by a number of factors, including business restructuring, streamlining or introducing new technology.

THE PAYMENT

The components of the redundancy payment will vary depending on the industrial agreement or employment contract. However, a redundancy may include:

- Payment in lieu of notice;
- Severance payment based on a number of weeks' pay for each year of service;
- A 'golden handshake' – a lump sum usually provided to executives.

Wages owing or accrued annual and long service leave owing do not form part of a redundancy payment, even though they may be paid out to the employee at the same time.

REDUNDANCY PAYMENTS

Under current rules, no part of a redundancy can be rolled into super but must all be taken as cash.

A redundancy payment which qualifies as a genuine redundancy will be tax-free up to a limit based on the employee's years of service – provided the person is (usually) aged under 65 at the time of dismissal. The tax-free amount is indexed annually and for the 2017/18 financial year is $10,155 plus $5,078 for each completed year of service. Any remaining balance will be treated as an employment termination payment (ETP).

A redundancy will not be classified as genuine in cases where the employee has their contract terminated or is dismissed for disciplinary reasons. An ETP may have a tax-free component if:

- The payment relates to employment before 1 July 1983; or
- Employment ceased because the employee sustained a permanent disability. The ETP will then have an invalidity segment, which is tax-free, and represents the time between cessation of employment and the employee's 'normal' retirement age (usually 65).

The remaining ETP will be a taxable component. The taxation of the ETP will depend on the person's age and whether the Whole of Income (WOI) cap needs to be considered. See Table 1.

The ETP cap is $200,000 for the 2017/18 financial year and WOI cap (non indexed) is $180,000.

Tip: For ETP tax, preservation age is based on the age at the end of the financial year. For example, assume Nicky receives an ETP from genuine redundancy (after deducting the tax-free amount) of $100,000 in August 2018 when she is 56. She turns 57 in April 2019. As she had reached preservation age by 30 June 2019, the ETP component of her redundancy will be taxed at 17 per cent.

To receive the concessional tax treatment outlined in Table 1, an ETP must generally be paid within 12 months of termination. Payments outside this timeframe are generally included in the person's assessable income and taxed at their marginal rate. There are a few exceptions to this rule. For example, if payment is delayed due to legal action, genuine redundancies or if the employer is now facing bankruptcy.

ETP CAP OR WOI CAP?

The ETP cap will be applied to redundancy payments known as 'excluded payments'. This includes:

- Genuine redundancy and early retirement scheme payments in excess of the tax-free limit;

- Payments that would have been a genuine redundancy, except that the employee has reached age 65;
- Payments due to invalidity (excluding the invalidity segment which is tax-free);
- Compensation payments; and
- Death benefit ETPs.

Other ETPs are known as non-excluded payments and are subject to the lesser of the ETP cap and WOI cap. Examples of non-excluded payments are:

- Golden handshakes;
- Non genuine redundancies;
- Payment in lieu of notice; and
- Payment for unused sick leave.

TIP: In the ETP Payment Summary provided by the employer, an ETP with a code of 'O' or 'P' will generally indicate it is a non-excluded payment and the WOI cap needs to be considered.

The $180,000 WOI cap is reduced by all 'other taxable income' earned in the same financial year that the ETP is received. However, if the person has a tax loss, their 'other taxable income' will be $0.

Example: ETP paid in instalments

Lily, age 59, receives a non-excluded termination payment of $100,000, with the first $50,000 received in December 2017 and the balance in May 2018. Her 'other taxable income' for the financial year is $90,000.

The lower of the WOI cap and ETP cap will apply to Lily's termination payment. Her WOI cap is reduced to $90,000 ($180,000 - $90,000) and as this is less than the ETP cap of $200,000, the WOI cap applies. Therefore, the first instalment of $50,000 falls within her WOI cap and is concessionally taxed.

Her WOI cap is reduced by the first ETP and is now $40,000. Therefore, when she receives the second instalment, only $40,000 will be within her WOI cap and the remaining $10,000 will exceed her cap and be taxed at 47 per cent.

Example: ETP comprising excluded and non-excluded payments

Adrian receives a redundancy of $220,000, comprising a genuine redundancy of $170,000 and payment in lieu of notice of $50,000. His 'other taxable income' for the financial year is $30,000.

We first consider the excluded payment. With 10 years service, his tax-free amount is $60,935 and the balance of the genuine redundancy of $109,065 (taxable component) will be subject to the ETP cap.

Next, we look at the non-excluded payment of $50,000. This is subject to the lower of the WOI and ETP cap. His ETP cap has reduced to $90,935 ($200,000 – $109,065) and his WOI cap is $150,000 ($180,000 - $30,000). Therefore, the ETP cap applies and all of Adrian's redundancy is concessionally taxed.

LEAVE PAYMENTS

Annual and long service leave paid due to genuine redundancy will be taxed at a maximum of 32 per cent, with the exception of long service leave accrued pre 16 August 1978, which is taxed more concessionally (5 per cent taxed at the marginal rate). These concessional tax rates won't apply if the person is age 65 or over at the time of dismissal.

Unused sick leave paid out on redundancy will generally form part of the ETP. The exception to this is

Continued overleaf

Table 1

Income component derived by your employee in the income year	Age of person at the end of the income year that the payment is received	Component subject to PAYG withholding	Rate of withholding	Cap to apply
Life benefit ETP – taxable component Payment is because of: • early retirement scheme • genuine redundancy • invalidity • compensation for personal injury, unfair dismissal, harassment or discrimination	Under preservation age	Up to the ETP cap amount	32%	ETP cap
	Preservation age or over	Up to the ETP cap amount	17%	
	All ages	Amount above the ETP cap amount	47%	
Life benefit ETP – taxable component Payment is: • a 'golden handshake' • non-genuine redundancy payment • severance pay • a gratuity • in lieu of notice • for unused sick leave • for unused rostered days off	Under preservation age	Up to the relevant cap amount	32%	Smallest of ETP cap and whole-of-income cap
	Preservation age or over	Up to the relevant cap amount	17%	
	All ages	Amount above the relevant cap amount	47%	

Source: ATO withholding rates for ETPs 2017/18 – www.ato.gov.au. Note: Assumes tax file number was provided.

if payment of unused sick leave was something that the employee would have received upon resignation from their position.

DIVISION 293 TAX

A client who has received a redundancy may get a nasty surprise when they receive notification from the ATO that they are liable to pay an additional 15 per cent Division 293 tax on their pre-tax super contributions in the year the payment is received. Division 293 tax is payable when a person's income exceeds $250,000 per annum. Income is calculated as:

- 'Income for surcharge purposes' (excluding reportable super contributions); plus
- Low tax (non excess) concessional contributions.

A client may never have been liable for Division 293 tax in the past. However, inclusion of the redundancy in their taxable income may increase their 'income for surcharge purposes' and potentially bring them over the threshold for that financial year. The additional 15 per cent tax is payable on the lesser of the low tax contributions and the amount above $250,000 per annum. This can be paid personally or deducted from super.

Example

Ellie retires in March 2018 and receives a genuine redundancy and leave payment as follows:

- *Tax-free amount – $111,715;*
- *Balance of redundancy (ETP) – $122,000;*
- *Accrued long service leave – $30,000;*
- *Accrued annual leave – $10,000.*

Her taxable salary for the 2017/18 financial year is $110,000 and she has used up her concessional contribution cap of $25,000 ($11,000 employer super guarantee and $14,000 salary sacrifice).

For Division 293 tax, her income in the 2017/18 financial year is calculated as $297,000:

- *Income for surcharge purposes (excluding reportable super contributions) = $110,000 + $122,000 + $40,000 plus;*
- *Low tax contributions = $25,000.*

She is therefore subject to an additional 15 per cent tax on her $25,000 concessional contributions.

SUPER CONTRIBUTION

Although ETPs can no longer be directed into super via a directed termination payment, a person could still use part of their redundancy payment to make a concessional or non-concessional contribution to super, within their available caps and subject to other eligibility criteria. This may be particularly beneficial if they have no debt or large expenditure needs and are seeking to retire soon and commence a retirement income stream.

For persons who have yet to reach preservation age, caution needs to be taken when contributing funds into super, which may not be accessible. The funds may be required to meet any income shortfall whilst the person is seeking new employment.

MINIMISING TAX

From 1 July 2017, any person may be eligible to make a personal deductible contribution to super, regardless of their status as an employee or income earned from employment. Therefore, a person could potentially use part of their redundancy payment to make a contribution to super and claim a deduction. This would reduce their taxable income, which would in turn increase their WOI cap.

This strategy may be more effective when a person is made redundant early in the financial year and who intends not to work again in that income year. They would have minimal employer super contributions and therefore, a large portion of their concessional contribution cap available.

CENTRELINK BENEFITS

Receiving a redundancy can be stressful. With no future job lined up, a client may look for Centrelink benefits to assist with cash-flow in the interim. However, the redundancy will impose a waiting period on allowance payments, such as Newstart, known as an income maintenance period (IMP).

Any termination payment received will be treated as ordinary income and apportioned evenly across the period covered by the IMP. This is calculated by adding the number of weeks that the leave payments and termination payment represent. Where a portion of the payment is not related to the employee's wage, then the payment will be divided by the weekly wage to get an equivalent timeframe. This is regardless of whether the funds are immediately spent or contributed to super.

The reasoning behind this is that Centrelink believes you should use your redundancy to meet your income shortfall initially, before relying on the Government.

Any IMP will be served concurrently with the liquid assets waiting period.

When a person is subject to an IMP, assessable income for the Low Income Health Care Card is determined by apportioning the lump sum payment over a 12 month period.

Example

Josh has been made redundant and receives a redundancy payment of $68,600 consisting of:

Table 2

Payment	Income Maintenance Period
5.5 weeks annual leave	5.5 weeks
Eight weeks long service leave	8 weeks
$50,000 golden handshake	40 weeks^
Two weeks payment in lieu of notice	2 weeks

^$50,000/$1,200 (Josh's gross weekly income) = 41.7 weeks rounded down to 40 weeks.

- *5.5 weeks annual leave;*
- *Eight weeks long service leave;*
- *$50,000 golden handshake; and*
- *Two weeks payment in lieu of notice.*

Josh's IMP will be calculated as outlined in Table 2.

Josh's total IMP will be 55.5 weeks and the redundancy of $68,600 will be apportioned as ordinary income over this period. For the Low Income Health Care Card, his assessable income must include $1,319.23 ($68,600/52) each week for the 52 weeks since receipt of the payment.

For Age Pension, a redundancy will not be assessed as income, as there is no continuing employment relationship. However, if the redundancy was placed in the bank account, the proceeds would be assessed as an asset and deemed under the income test.

ACCESSING SUPER

For those ready for retirement, redundancy may be the starting point to commence a retirement income stream from super. Even for clients seeking to return to the workforce, it could still be beneficial to access their super at least in the short-term to provide additional cash-flow.

Persons over preservation age but under age 60 will generally only meet a condition of release if they have ceased work and intend never to be gainfully employed for more than 10 hours per week.

Commencing a pension under transition to retirement may be possible, although tax-free earnings within a transition-to-retirement pension cannot be enjoyed.

There are limited circumstances where a person can access their super early, including for compassionate grounds and severe financial hardship.

BEWARE

For a client who has met a condition of release and can access their super, a withdrawal and recontribution to super can be beneficial to increase the tax-free component of their super benefits. This strategy may reduce the amount of tax the client pays on benefits accessed prior to age 60 and also minimise 'death benefits tax' that may be incurred for any future super benefits passed to non-dependant beneficiaries.

However, for persons under age 60, the taxable component withdrawn, even if within their low rate cap (currently $200,000), will be included in their assessable income, with a rebate applied to ensure the client pays no tax, provided the withdrawal doesn't exceed their low rate cap. This means that their taxable income increases, which would therefore reduce their WOI cap and may mean more tax is paid on the ETP.

For clients receiving an excluded ETP where the WOI cap is not applicable, this strategy will not impact the taxation of their payment. However, the inclusion of the withdrawal in assessable income may have implications for eligibility for tax rebates, government co-contribution and various Centrelink payments.

Brooke Logan is Advice Technical Consultant at UniSuper Management.

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QUESTIONS

To answer the following questions, go to the CPD tab at moneyandlife.com.au/professionals

1 Which of the following is a non-excluded ETP payment and may be subject to the Whole of Income cap?

a. Compensation for personal injury.

b. Payment in lieu of notice.

c. Early retirement scheme.

d. Payments due to invalidity.

2 Bruna receives a non-excluded ETP payment of $50,000 in January 2018. Her 'other taxable income' for the financial year is $80,000. Which cap applies to her ETP?

a. ETP cap of $200,000.

b. WOI cap of $180,000.

c. WOI cap of $50,000.

d. WOI cap of $100,000.

3 Renee receives a redundancy comprising five weeks accrued annual leave, four weeks lieu of notice and a golden handshake of $30,000. Her weekly salary was $1,500. What is her income maintenance period before she can receive Newstart Allowance?

a. 29 weeks.

b. 9 weeks.

c. 20 weeks.

d. 24 weeks.

4 Damian, age 58, received a redundancy of $210,000 under an early retirement scheme in July 2017. He has completed 10 years of service with his employer. How will his redundancy be taxed?

a. $60,935 tax-free and the balance of $149,065 taxed at 32%.

b. $60,935 tax-free and the balance of $149,065 taxed at 17%.

c. $200,000 taxed at 17% and $10,000 taxed at 47%.

d. $200,000 taxed at 32% and $10,000 taxed at 47%.

5 Which of the following is not included in the definition of 'Income for surcharge purposes'?

a. Employment income.

b. Share dividends.

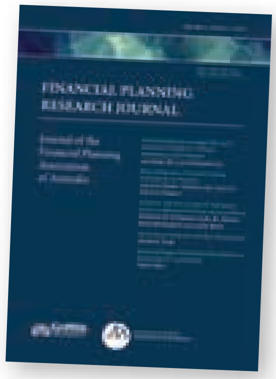
c. Net rental loss.

d. Employer super guarantee contributions.

LEARN

OVERCONFIDENCE IN FINANCIAL LITERACY:

Implications for planners



Dr Laura de Zwaan, Dr Chrisann Lee, Dr Yulin Liu and **Dr Toni Chardon** take a look at a critical behavioural bias in clients – *overconfidence.*

In order to be able to satisfy the best interests duty, financial planners need to have an accurate understanding of their clients, including their clients' attitudes and financial literacy.

There are several domains of financial literacy, and knowledge is only one aspect. How one behaves and their attitudes also impact on their financial capability (Atkinson and Messy, 2012; Oaten and Cheng, 2007). One such behavioural bias is overconfidence, particularly in one's financial literacy.

Overconfidence is of particular concern for planners given there are a number of ways it can potentially negatively impact on financial decisions (Porto and Xiao, 2016). There is evidence of behavioural issues where overconfident investors trade more and earn inferior returns (Barber and Odean, 2001), and that overconfidence can lead investors to underestimate risks and shortcomings of certain investment options (McCannon, Asaad and Wilson, 2016).

However, one of the main concerns for planners is that overconfident clients may believe they possess more knowledge and understanding than they actually do.

Inaccurate understanding of finance and investing has been shown to drive investing behaviour (McCannon, Asaad and Wilson, 2015). Clients who are overconfident in their financial literacy may pursue higher-level financial advice, which perhaps they are not fully capable of comprehending. This can create problems for the efficacy of a financial plan and could lead to disputes.

Previous studies have found a discrepancy between survey respondents' self-assessed financial literacy and actual financial literacy (Ali, Anderson, McRae and Ramsay, 2014; Lusardi and Mitchell, 2011; Van Rooij, Lusardi and Alessie, 2011), with a recent study suggesting perceived financial literacy has a similar influence on financial behaviour as actual financial literacy (Allgood and Walstad, 2016). In that case, a client's self-assessed financial literacy could be a better indicator of how they will approach financial decision-making.

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> *... they must also give consideration to the self-perceived versus actual financial literacy.*

This study had two aims. First, it sought to identify the prevalence of overconfidence, and second, to identify if there are any demographic characteristics associated with overconfidence. The authors used an online survey and respondents were asked to self-rate their understanding of the following eight topics: budgeting, saving, managing debt, investing, retirement planning, taxation, insurance, and super.

The study found that overall, the sample was slightly under-confident in its financial literacy. Most people can accurately identify their ability in eight areas of financial literacy, however, there are some key differences. An examination of those who are categorised as overconfident in their financial literacy found respondents with English as a second language (ESL) were significantly more likely to be overconfident.

This finding may assist planners to identify clients at most risk of this form of overconfidence, allowing them to take further steps to identify this bias and provide appropriate advice.

This study proposes that while assessing financial literacy of clients is important for planners, they must also give consideration to the self-perceived versus actual financial literacy. Differences between perceived and actual financial literacy can manifest as overconfidence or underconfidence, and while both potentially have negative behavioural and knowledge-based consequences for financial capacity, this study has focused on overconfidence, given the risks for financial planners in ensuring they satisfy their best interests duty.

These findings underscore the importance of planners using both self-rated and objectives measures when determining a client's level of financial literacy.

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