

MARCH 2018

VOLUME 30 | ISSUE 02

# MONEY & LIFE

*The magazine for* FINANCIAL PLANNING PROFESSIONALS

## Fintech: friend or foe?

ALEX SCANDURRA ON  
MACRO TRENDS IN FINTECH

Vincent Holland: FORTY SEVEN FINANCIAL PLANNING'S  
JOURNEY TO DEVELOP PLUTOSOFT



ALSO: TECHNOLOGY IN PRACTICE | FPA FINTECH REPORT | FRICTIONLESS ADVICE  
ONLINE LEGAL SOLUTIONS | PAYING SUPERANNUATION DEATH BENEFITS



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## HARNESSING TECHNOLOGY AND INNOVATION

Emerging technology and innovation in our profession – fintech – will continue to transform and enhance the way we work.

I'm excited we've had an overwhelmingly positive response to the FPA Fintech Report released late last year. The report throws light on the role of fintech and the opportunities it presents to financial planners.

It's easy to see why there's been confusion and some fear about this rapidly evolving market. However, fintech presents cost-effective, efficient and creative solutions to help you improve business efficiency and better service your clients. This is particularly valuable given the increasing costs and regulation of our profession.

You can read more on what the FPA Fintech Report uncovered on page 14.

### FASEA CONSULTATION UNDERWAY

We currently have the Financial Adviser Standards and Ethics Authority (FASEA) looking into the detail that will underpin the new education standards framework, such as the degree requirements. It is also working on the detail of the code of ethics, CPD, exam and professional year requirements for new financial planners.

The consultation period on the proposed education standard for existing planners is currently open and runs until 29 June 2018.

We are gathering your views and ensuring appropriate feedback is given to FASEA through the FPA's formal response to the proposed standard. An important way you can stay up-to-date and contribute to this, is by joining us at the FPA National Roadshow.

### FPA NATIONAL ROADSHOW

We've now announced the dates for this year's FPA National Roadshow and we're looking forward to meeting with as many of you as possible as we travel to 33 locations across Australia.

The proposed education standards for financial planners will be a hot topic of discussion at these events. You will receive the latest updates and have the opportunity to help contribute to our response back to FASEA.

We are also pleased to be partnering with Perennial for the Roadshow. Perennial will share the latest insights and strategies with the profession.

The Roadshow is accredited for two CPD hours and is a great opportunity to catch up with your peers. Registration for each location opens this month. For more details and to register your attendance, go to [fpa.com.au/roadshow](http://fpa.com.au/roadshow).

Enjoy reading this edition.

**Dante De Gori CFP<sup>®</sup>**  
CEO



Follow Dante on Twitter @ddegori10

VISITING 33 LOCATIONS

# WE'RE COMING TO YOU!

Join us at the FPA National Roadshow to better understand the proposed education standards of the Financial Adviser Standards and Ethics Authority (FASEA). This is your opportunity to contribute to the consultation process.

Register at [fpa.com.au/roadshow](http://fpa.com.au/roadshow)



FINANCIAL PLANNING  
ASSOCIATION of AUSTRALIA

## 2018 NATIONAL ROADSHOW

APRIL - JUNE 2018

### ACT

Friday 1 June

### Albury Wodonga

Wednesday 6 June

### Ballarat

Thursday 19 April

### Bendigo

Friday 20 April

### Brisbane

Tuesday 22 May

### Cairns

Friday 25 May

### Far North Coast

Wednesday 2 May

### Geelong

Wednesday 18 April

### Gippsland

Thursday 19 April

### Gold Coast

Thursday 3 May

### Goulburn Valley

Thursday 7 June

### Mackay

Thursday 14 June

### Melbourne

Wednesday 23 May

### Mid-North Coast (Coffs Harbour)

Tuesday 1 May

### Mid-North Coast (Port Macquarie)

Tuesday 1 May

### New England

Wednesday 2 May

### Newcastle

Friday 15 June

### Northern Territory

Thursday 17 May

### Riverina

Tuesday 5 June

### South Australia

Thursday 17 May

### South East Melbourne

Wednesday 18 April

### Sunraysia

Friday 18 May

### Sunshine Coast

Wednesday 30 May

### Sydney

Wednesday 13 June

### Tasmania (Hobart)

Monday 28 May

### Tasmania (Launceston)

Monday 28 May

### Toowoomba/Darling Downs

Friday 4 May

### Townsville

Wednesday 13 June

### Western Australia

Wednesday 16 May

### Western Division (Dubbo)

Monday 14 May

### Western Division (Orange)

Tuesday 15 May

### Wide Bay

Friday 15 June

### Wollongong

Thursday 31 May



## SURVEY THROWS SPOTLIGHT ON AGED CARE

**With findings from the Australian Institute of Health and Welfare showing that Australians will spend a staggering 20 per cent of their retirement years in aged care, financial planners are being encouraged to place greater focus on the future care needs of their clients. This means better understanding the many options available in the aged care space.**

planners and dealer groups.

David said the results showed that Australians tended to seek aged care advice only after a medical event or crisis, often when it is too late and their options are limited. Instead, she said consumers would be better placed to deal with their aged care needs well in advance, such as when they are planning for retirement.



In releasing the findings of an *Aged Care Advice* survey, Aged Care Steps director, Assyat David said the survey results had wide reaching implications that affected consumers,

“The sad reality is that as we get older, most Australians will be in need of some type of aged care, whether that’s residential care or home care. So, how do they expect to fund aged care costs given the shift

towards a greater user-pays system? Is there a willingness on their behalf to access the equity in their home, instead of a focus on inheritance, and can they rely on family and friends to provide care and financial support,” David said.

“These are all key issues that planners should be discussing with their clients.”

The survey, which was a joint initiative between Aged Care Steps and Swiss Re, showed that Australians are grappling with the affordability of care, whilst navigating through the aged care process, making informed decisions and ensuring they access the right care.

The *Aged Care Advice* survey also revealed the opportunities available to planners by including aged care as part of a practice’s offering, particularly in response to increasing client demands and an ageing population.

Aged Care Steps director, Louise Biti CFP® added that with the Government’s cost of aged care rapidly increasing, it was likely that the sector would shift to a user pays system.

“Currently, everybody in residential care receives a Government subsidy,” Biti said. “On average, the Government is spending approximately

## FPA SUPPORTS WORLD CANCER DAY

**The FPA recently highlighted its involvement in the Cancer Council’s Pro Bono Financial Planning Referral Service, as part of global efforts to raise awareness about cancer for World Cancer Day on 4 February, 2018.**

The objective of World Cancer Day is to globally engage with as many people as possible to talk about cancer. As part of the pro bono program, many FPA members are already actively involved, donating their time to assist cancer patients

and their families by offering them a wide range of professional services on a pro bono basis.

“Financial planners can make a huge difference to families in need of assistance. They can help people with accessing superannuation and insurance, reviewing existing insurance policies and managing finances,” said FPA chief executive officer, Dante De Gori CFP®.

“This program is contributing to the wellbeing of people affected

by cancer by reducing stress and financial burden. I am proud of the charitable work being done by our members, and look forward to seeing the financial planning community helping more Australians in need.”

Since the FPA started working with the Cancer Council to support the Pro Bono Program in June 2017, FPA members from 67 financial planning practices across the country have registered to be involved.



\$65,000 per person per annum in residential care. Clearly, as more people enter aged care, this figure won't be sustainable for the Government, which means aged care funding needs to become part of the conversation planners have with their clients."

Key results from the survey include:

- 90 per cent of surveyed planners expect an increase in client demand for aged care over the next three years;
- 80 per cent of planners say they will increase their business focus on aged care advice;
- 85 per cent of planners report that clients are proactively

seeking aged care advice, with 29 per cent saying this is happening a lot;

- 30 per cent of planners provide aged care to service existing clients; and
- 25 per cent of planners provide aged care services to attract family/friends of care recipients.

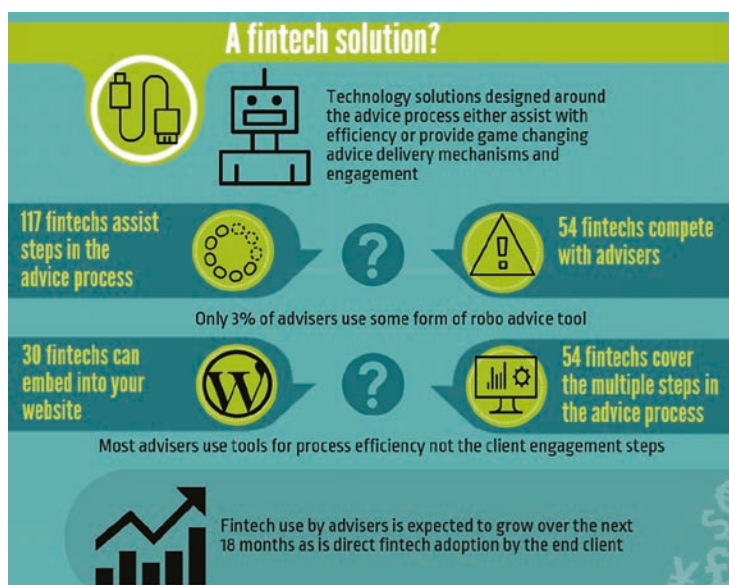
**The Aged Care Survey was jointly developed by Aged Care Steps and Swiss Re. The survey was issued in October 2017, with the results compiled from 173 respondents.**

## SPECIAL: THE AUSSIE FINTECH LANDSCAPE

*Money & Life* turns the spotlight on fintech for this issue, with practitioners and experts sharing their insights on fintech and how it is improving business efficiency and client engagement. Read about macro trends and the types of software solutions being used by planners.

# a fintech

## SOLUTION?



Source: Mapping Fintech to the Financial Planning Process.  
For more analysis, go to p14.

## FINANCIAL LITERACY FOR TEENAGERS

Helping young Australians understand the basic concepts of personal finance is an invaluable life skill. Yet many teenagers have limited access to personal finance education.

The FPA has recently developed a presentation to enable FPA practitioner members to deliver these skills in a fun and engaging manner at a local school. The trivia-style presentation can be accessed at the FPA website – [fpa.com.au](http://fpa.com.au) – in the Member Centre. This presentation is part of a new suite of financial literacy initiatives that also includes Banquer, an online financial education tool for primary students.

**The FPA congratulates the following members who have been admitted as**

## CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

### NSW

Heath Ueckermann CFP®  
**Lipman Burgon & Partners**

Matthew Cummins CFP®  
**Westpac**

### VIC

Jason Hugo CFP®  
**Wealth Market**

### QLD

Megan Knowles CFP®  
**Rowland Financial Advisory**



# 5 steps

## FOR IDENTIFYING BENEFICIAL OWNER REQUIREMENTS

A new five-step fact sheet has been released to help businesses better understand and comply with their beneficial owner identification requirements.

The fact sheet, released by AUSTRAC – Australia's financial intelligence agency and regulator –

draws on feedback from businesses and past compliance assessments conducted by AUSTRAC to clarify the key steps for businesses to determine beneficial ownership.

“Criminals use complex ownership structures to hide and move their illicit profits from crimes, such as fraud, drug trafficking and corruption,” said Dr Rachel

Challis, AUSTRAC's Acting National Manager Compliance.

“Not only is beneficial owner identification an anti-money laundering and counter-terrorism financing (AML/CTF)

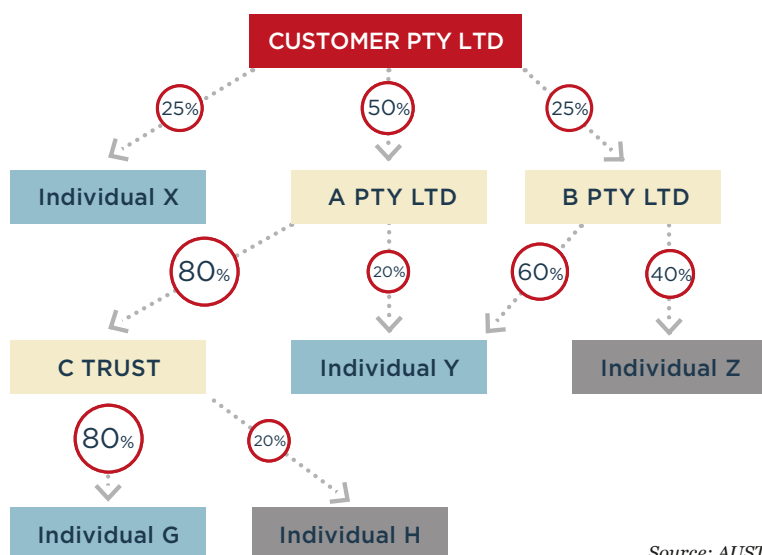
obligation, it is an important tool for businesses to know who they are really doing business with to help stop crime.

The new fact sheet sets out the main beneficial owner identification obligations and describes AUSTRAC's expectations in terms of meeting these obligations, by taking businesses through a five step process:

- 1. Assess** the money laundering/terrorism financing risk posed by the beneficial owners of your customers.
- 2. Determine** the identity of the beneficial owner(s) of your non-individual customers.
- 3. Collect** and take reasonable measures to verify each beneficial owner's identification information.
- 4. Keep records:** You must keep records of the beneficial owner identification processes that you undertake.
- 5. Document** how you will fulfil your obligations in your AML/CTF program.

“We are confident that this fact sheet will assist those reporting entities that may be struggling to understand their obligations or implement their processes,” Dr Challis said.

### Example: Determining beneficial ownership



Source: AUSTRAC

**Individual X** is a beneficial owner because they directly own 25% of CUSTOMER PTY LTD.

**Individual G** is a beneficial owner because they hold 80% of the units in C TRUST (a unit trust) which in turn owns 80% of A PTY LTD, which owns 50% of CUSTOMER PTY LTD (meaning Individual G has an indirect  $.8 \times .8 \times .5 = 32\%$  ownership of CUSTOMER PTY LTD).

**Individual Y** is a beneficial owner because they have two interests that collectively amount to an indirect 25% of CUSTOMER PTY LTD:

- The first is their 20% interest in A PTY LTD, which owns 50% of CUSTOMER PTY LTD (providing an indirect  $.2 \times .5 = 10\%$  ownership of CUSTOMER PTY LTD).
- The second is their 60% interest in B PTY LTD, which owns 25% of CUSTOMER PTY LTD (providing an indirect  $.6 \times .25 = 15\%$  ownership of CUSTOMER PTY LTD).
- Adding these together, Individual Y has a  $10\% + 15\% = 25\%$  interest in CUSTOMER PTY LTD.

The new 'Meeting your beneficial owner obligations' fact sheet can be downloaded at: [www.austrac.gov.au/sites/default/files/beneficial-owner-factsheet.pdf](http://www.austrac.gov.au/sites/default/files/beneficial-owner-factsheet.pdf)







## MANAGED ACCOUNTS AND CLIENT'S BEST INTEREST

Clients having their portfolio managed through a managed account – whether a Separately Managed Account (SMA), a Managed Discretionary Account (MDA) or some other form of service – is initially no different from any other investment recommendation. However, the adviser needs to proceed with care through the steps outlined in s961B of the *Corporations Act*:

- Identifying the client's objectives, financial situation and need;
- Determining they are competent (and authorised) to provide the advice; and
- Conducting a reasonable investigation into the financial products that might meet the needs of clients.

When advisers, using the traditional

approach of constructing a portfolio of investments from their licensee's APL, make individual investment recommendations, then each recommendation is subject to be tested under s961B.

However, according to the chair of the Institute of Managed Account Professionals (IMAP), Toby Potter, by adopting a managed account structure – particularly the widely used multi-asset class portfolio approach – advisers can better manage the risks they are assuming.

"By becoming knowledgeable about the specific service, whether platform-based SMAs or their own in-house MDA service, an adviser can focus on ensuring the suitability of the portfolio in total, in relation to the client's needs and circumstances," Potter said. "They are relieved of the obligation to be responsible for each individual

investment in the client's portfolio, as this obligation transfers to the responsible entity of the SMA or the MDA provider."



Toby Potter

Indeed, implicit in the safe harbour test in s961B is a requirement for advisers to be able to demonstrate they are sufficiently knowledgeable about the financial product they are recommending and are confident in that recommendation in relation to the client's needs and circumstances.

"Many licensees are addressing this by implementing an accreditation process for their approved managed account services and the investment programs or SMA portfolios available under that. Supporting this will be far simpler than accreditation on every fund or security under a conventional single security APL approach," Potter said.

## EVERY HEADLINE ACT NEEDS A SUPPORT CREW

We're here to support your business all the way – from rehearsal to show time. It's a partnership we take very seriously, because without you we're just a roadie sans band.



## OPINION CORNER

# THRIVE AND SURVIVE

**Question:** In what ways are you using new technology to improve your clients' experience with the financial planning process?



**Brian May CFP®**

Managing Director, Horizon Wealth Management

**Licensee:** Horizon Wealth Management

It is imperative that advice businesses invest significantly in order to become more 'fintech' oriented, if they are to remain relevant.

We continue to invest in technology across our business to make it as efficient as possible. An area of focus is the on-boarding process from client engagement to fulfilment. We have also re-designed our client investment and insurance review documents to ensure the ease of output, and that the content is clear and concise.

We recently built a reverse fact find to enable our clients to engage with us and we continue with the development of a portal for our clients, populating it with relevant content and tools.

Whilst we have invested significant sums

of money customising XPlan, the product providers remain well behind in their ability to streamline the processes in the vertical supply chain, most notably in the opening of new accounts. It would assist advice practices if we could open both investment and superannuation accounts electronically (straight through processing) from an interface within our advisory CRM (XPlan) system.

Despite this, we continue to make improvements in the areas we can; namely with the production of both Statements and Records of Advice.

Although technology plays a large part, this needs to be within a business culture of continual improvement, a strong client service ethic, and the ability to be able to produce great content.

Technology remains a key focus for our business – not just from an efficiency perspective but also allowing us to present a 'world class' client experience, at a fair and reasonable price.



**Charles Badenach CFP®**

Principal and Private Client Adviser, Main Street Financial Solutions

**Licensee:** Fitzpatrick's Private Wealth

Technology has been a powerful tool that has enabled small businesses to compete on an equal footing with larger institutions like never before, whilst also providing a very different client experience.

As a business, we are constantly reviewing what technological applications we can integrate into the advice process to improve our back-end efficiency and also improve the client experience.

Some of our preferred applications include: Calendly, Skype, Zoom, Xero, LastPass, G Suite, Dropbox, YouTube, Vimeo, XPlan, Twitter and Facebook.

To ensure we remain at the forefront of technological developments in our profession, we subscribe to a number of key podcasts, including Michael Kitces – Financial Adviser Success, My Business, HBR Podcast, Between Now and Success with Steve Sanduski, Tim Ferris Show, Future Thinkers Podcast, and the WSJ The Future of Everything. These podcasts allow us to work locally but engage globally.

Possibly, one issue we may face going forward is that these forums will replace the traditional adviser conference!

As Matt Heine, the managing director of netwealth says: "It's not Man versus Machine, but Man with Machine versus Man without Machine." To thrive and survive in future, technology will be a key part of that process. What worked in the past is not necessarily going to work going forward. Good luck.



## Question: In what ways are you using new technology to improve your clients' experience with the financial planning process?



### Reuben Zelwer CFP®

Director, Adapt Wealth Management  
Licensee: Paragem

Technology has assisted my practice in a number of areas of client engagement, including;

1. **Attracting clients.** Distribution of content across multiple social media platforms as part of an authority building strategy using social media software (Buffer).

Over the last 12 months, I have also recorded 25 podcasts, which are produced and shared through a podcast platform (Omny).

My website has recently been revamped (WordPress) to provide a clear message to the types of clients we work with. It includes regularly updated blog posts and provides prospects with downloadable content when joining our mailing list.

2. **Client on-boarding.** We use online data collection software (Astute Wheel) and online meetings (Zoom) to engage with clients more efficiently.
3. **Ongoing client management.** I engage in regular, targeted email campaigns (MailChimp), so that clients receive information relevant to their circumstances. I also gather information regarding changes in client situations via online forms and allow clients to do reviews online. I have incorporated personalised voice messages (Voxer) to summarise agreed actions after a client's review meeting.

Adopting new technology provides both opportunities and challenges for financial advice practices. There is a tension between using multiple technologies, which are 'best of breed', versus making the most of existing software, which in my case is XPlan. My focus this year is to consolidate the number of systems I am using, so that I can maximise efficiency, reduce re-keying of data and maintain good compliance records.

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#### BOND BASICS

## How do bonds generate a return?

#### WHAT YOU WILL LEARN:

Explain to your clients how they can make money from bonds  
Discuss key criteria for bond selection  
Describe the role of the secondary market

## MARKET INTELLIGENCE

BY PIMCO

### HOW BONDS GENERATE INCOME

Governments and corporations issue bonds when they need to raise money. In return for buying the bonds, the investor – or *bondholder* – receives periodic interest payments known as coupons. The coupon payments, which may be made quarterly, twice yearly or annually, provide regular, predictable income to the investor.

At the end of the bond's life known as *maturity*, the *principal* is paid back to the investor. For example, a company may decide to issue five-year bonds with a face value of \$1,000 each paying an annual coupon of 4%. The investor will pay \$1,000 to buy the bond and, assuming there are no defaults, they will receive:

Annual coupon	\$40 (\$1000 x 4%)
Total coupons over the life of the bond	\$200 (\$40 x 5 years)
Repayment of principal	\$1000

### FACTORS TO CONSIDER WHEN CHOOSING BONDS FOR INCOME

There are three key things to consider when choosing a bond as a source of income: the coupon, the *credit quality* of the issuer and the time to *maturity*. We will examine each in turn.

### MAKING MONEY FROM THE SECONDARY BOND MARKET

Just like shares, investors can buy and sell bonds in a *secondary market*, where the prices of bonds fluctuate in response to market conditions. Investors can take advantage of these price movements as another way of making money from bonds.

Investors may be confused about why the price of bonds can change when the face value is fixed. An important distinction to make is that the face value of a bond never changes, while the market price can change daily.


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## Question: In what ways are you using new technology to improve your clients' experience with the financial planning process?



### Damon Bensein CFP®

Head of Private Wealth, Elston

Licensee: EP Financial Services

At Elston, we are big believers in utilising technology to help us improve our client experience. The greatest challenge is not using the technology itself, but keeping up with changes as technology evolves, and being nimble enough to adapt.

As an early adopter of the latest technology, Elston is always on the look out for new initiatives. Our in-house Asset Management Team has developed our own managed account solutions, by working in conjunction with HUB24, Macquarie Wrap, netwealth and IRESS Portfolio System (IPS). This allows us to be more proactive on client accounts, match cash flow to goals, manage risk and reduce the inefficiencies that Records of Advice place on both advisers and clients.

We are always striving to improve our communication with clients and staff, and advances in technology have certainly made this easier to achieve. Office 365 enables our staff to work remotely when required. It

also allows us to take our 'office' to the client's home or premises, so all the information required is on hand.

Skype for Business, which is also part of the Office 365 suite, provides excellent video conferencing capability — allowing us to offer clients a convenient way to meet at a time and place that suits them.

Recently, many of our clients indicated they would like to receive texts regarding matters like changes to investments within their portfolios and appointment reminders. With this in mind, we now use a combination of technologies to communicate with clients via text messaging. Plus, we recently rolled out a real-time client feedback capability, which gives us valuable insights into how we can further improve their experience.

We also understand the importance of collecting client data and combining it with new technologies to provide a more tailored, individual experience for each client. While we will continue to utilise new technologies as they become available, personal service will always be an integral part of Elston's client-adviser relationships.



### Cody Harmon AFP®

Financial Adviser and Managing Partner, Hard Line Wealth

Licensee: Fitzpatrick's Private Wealth

There are many ways we are using technology to improve our experience with clients. We have received positive feedback from clients on using iPads in front of them for image drawing, if we happen to be out of the office, and also during SOA presentations when a screen monitor is not available.

Clients (regardless of their age) have told us they prefer the electronic style of viewing, as it looks more professional and is less overwhelming than the alternative of providing copious quantities of paperwork.

For example, scrolling through an SOA on the iPad, while switching seamlessly to OneNote to provide context to complex concepts, is great for the client experience (using the Apple pencil).

There is also another app called Calculator, which allows you to draw equations with the Apple pencil and solve them in front of the client. This has also enhanced the overall experience clients are having with us.

In addition, iPads can also double up as a monitor for a MacBook by using an app called Duet Display. This is a great way to justify the purchase of an iPad and apps for use in the office with clients.

**Would you like to join our panel of FPA members willing to voice their opinion on various topical issues?**

Email [fpmag@colloquial.com](mailto:fpmag@colloquial.com) to register your interest.





## Question: In what ways are you using new technology to improve your clients' experience with the financial planning process?



### Barney Ellis CFP®

Director and Adviser,  
miPlan Advisory

Licensee: miPlan Advisory

Anything that makes your business more efficient allows you to charge less, because the advice uses less resources. I'd argue that today, if you aren't focused on efficient business processes, you'll rapidly fall behind. That's because you will be undercut by those who can deliver good advice and ongoing service for less.

We've built a CRM to support our business, which is the 'one source of truth'. The aim is data entry once, and have that data flow automatically to populate application forms, client reports or financial plans.

For example, our CRM auto populates the FDS with all the work done for the client in the last 12 months (emails, phone calls, reviews, tasks) and the revenue received. Clients like to know what they are paying for,

and we can see if we are over or under servicing a client.

Even better, we've built a portal that clients or advisers can use to input (or change) client details in a live environment.

For example, if a client's wage changes, and therefore the SG contribution, the data will flow on to reflect the client's retirement goal, showing an earlier or later retirement forecast. This all happens in real time in front of the clients' eyes.

Clients can log in any time and see their financial position, including cashflow, assets, debt and how they are tracking towards their goals. This improves the experience for clients, who are more engaged in the advice process as a result.



### Gil Gordon CFP® AEPS®

Proprietor and Senior Adviser,  
RI Lower Hunter

Licensee: RI Advice Group

Technology? Perhaps it's easiest to break technology tools into three functions;

#### Client Engagement Tools

1. SMS messaging to remind clients about reviews and appointments;
2. Social platforms, like Facebook, LinkedIn, email newsletters, blog posts and so forth;
3. Webinar technology, such as GoToMeeting or Zoom; and
4. Client Insight tools. We are using a gamified client engagement tool called Wealth Projector, which can be emailed to hundreds of prospects, collects data and provides cool reports and personalised insights to the client, without needing any input from a human being.

#### Services

1. Cashflow monitoring services, like Moneysoft, automatically collects and categorises client spending data, providing updates and reports direct to their phone;
2. Living Wealth Models that clients and advisers can use to make decisions and test strategic options against the overall goals of clients;
3. Estate Planning For Life, which is an online service that collects data, briefs lawyers, maintains an information register and provides a crisis management plan to guide clients through a crisis; and
4. Property reporting tools like RP Data, which enable the adviser to provide meaningful data about the client's family home or potential investments.

#### Operational

1. Voice dictation software for file notes; and
2. XPlan functions like Case Manager that validate the delivery of client services, thereby enabling fully automatic FDS production.



## FINTECH: FRIEND OR FOE?

In a first for the profession, the FPA has recently released the **FPA Fintech Report**, which matches fintech solutions to the financial planning advice process.



In what is the first of its kind for the financial planning profession, the FPA has released a new fintech report that specifically plots and matches fintech solutions available in Australia to the financial planning advice process.

Speaking to *Money & Life*, FPA Head of Policy, Ben Marshan CFP<sup>®</sup> says there were three reasons that motivated the FPA to undertake the research and analysis for the report:

1. Increasing costs and regulatory change will add additional costs to the advice process;
2. Encourage planners to carefully consider the cost of their advice process; and
3. Break down the fear and confusion surrounding fintech solutions.

"The *FPA Fintech Report* took us about five months to complete, starting in June and finishing in November 2017," Marshan says.

"We really wanted to dispel many of the myths and fears surrounding fintechs, while encouraging planners to think about the increasing costs of delivering advice and the role fintechs and technology can play in assisting them with streamlining their costs and the operational efficiency of their businesses.

"This includes the potential to enhance the client experience and create greater efficiencies in client relationship management."

The comprehensive report, titled '*Mapping Fintech to the Financial Planning Process: Why Fintech is not a Threat*', shows that through the appropriate adoption of fintech solutions, planners can achieve greater revenue generation, reduce client costs, and cater for more clients with differing levels of advice needs and engagement requirements.

Significantly, the report maps fintech solutions to the six step financial planning process:

1. establishing the scope of engagement;
2. identifying goals and financial issues;
3. assessing the financial situation;
4. preparing the financial plan;
5. implementing recommendations; and
6. reviewing and revising.

By undertaking this process, the FPA has been able to clarify the relevance and effectiveness of fintech solutions for the financial planning process. The result is a sub set of Australian fintech companies that can then be assessed by planners and advice practices to determine which solutions fit into their business objectives for engaging with their target market.

Commenting on the report, FPA chief executive officer, Dante De Gori CFP<sup>®</sup> says planners should look at how fintechs can help them innovate their services and enhance the process of advice delivery to transform their business.

"Fintech tools have been available to planners for some time, but to a degree, have been ignored. This is due to a combination of factors, including confusion about the fintech



Ben Marshan CFP<sup>®</sup>



Dante De Gori CFP<sup>®</sup>





landscape and the speed of change in technology.”

However, De Gori believes fintechs present a real opportunity for the profession.

“Until now, what has been lacking is a thorough understanding of the solutions on offer to planners, licensees and the wider profession, in terms of how fintech technologies work, and whether or not these solutions can actually deliver on their promises.”

According to De Gori, the research undertaken in the *FPA Fintech Report* cuts through this uncertainty and delivers key information on which fintechs can help planners to make their businesses more efficient, more engaging and more sustainable in an environment of increasing costs and regulatory obligations.

## FINTECH UNIVERSE

The report uncovered that at any one time, there are approximately 400 fintech companies operating in Australia in varying stages of their life cycle. So, by mapping these companies to the six step planning process, the FPA has been able to provide planners with a map to technology solutions that do not create new processes but instead, streamline and enhance the delivery of advice.

**Table 1: Planner technology**

Advice step	Fintech solution
Defining the scope of engagement	SimpleKYC, SuiteBox, Avoka, FindBroker, Nod
Defining goals and objectives	Capital Preferences
Assessing the financial situation	Abakus, BankStatements, BillSumo, Boomeringo, MoneyBrilliant, MoneySoft, Xero
SOA development	Optimo Financial, Swipe
Implementation	Acorns, AxiTrader, BetaSmartz, Cashper, Ezidox, Hero Broker, iSignthis, Nitro, OneVue, OpenMarkets
Review	Kyckr, SMSFCheck, Valuiza
Multiple planning steps	Advice Intelligence, Adviser Logic, Astute Wheel, BGL, Capital Road, Class, Decimal, Enzumo, Financial Mappers, Fincast, Flamingo, Hub24, Ignition Wealth, Imperium Markets, INDX.guru, Investfit, InvestmentLink, IRESS, MA Operator, Mafematica, Managed Accounts, MapMyPlan, Midwinter, myprosperity, NowInfinity, PractiFI, Praemium, Presagen, Prospera, Rubik, Superstash, Yodlee, YTML, True Profile, Wealtho2, worksorted

Of these 400 companies, the FPA used a robust research process to identify 63 fintechs that provide assistance to planners in the delivery of the advice process, including those companies that claim to provide

solutions across multiple steps of the planning process. Table 1 identifies these companies, which are mapped to the financial planning process.

*Continued overleaf*



## 6 challenges of Fintech

- 1** The rapid advancement in the algorithmic management of client portfolios, means the concept of a planner being an 'investment manager' using static post-dated research has a very limited shelf life. Portfolio construction and constant monitoring can now all be accessed online without any human intervention.
- 2** The answer to this is for planners to do what algorithms can't do – have deep and powerful conversations around client goals and objectives, and provide insights into how these goals line up.
- 3** Adapting automated advice (robo advice) concepts to existing planning businesses. By doing so, planners can utilise technology to enhance their processes.
- 4** Understanding, assessing and mitigating risks with any technology and particularly, data security. The use of apps, mobile sign-in to client portals and the use of smart devices, opens up client data and business operations to cybersecurity threats.
- 5** Client communications will increasingly move to a digital footing, as clients expect immediacy and accessibility of their communications. This includes email, text messaging and social channels.
- 6** Clients are no longer comparing the services of a planner to banks and institutions. Instead, they are comparing financial planning to the flow of information that is timely and relevant from the likes of Google and Facebook.

Interestingly, when it comes to offering diversity of functionality in the financial planning process, the FPA research found that YTML came out on top as an end-to-end financial planning and technology solutions provider.

The report found that YTML's functionality assists planners manage workflow, create and manage websites, and converts excel and PDF into web-based forms for engagement efficiency.

Following are some of the other key report findings around engagement, time savings and integration.

### ENGAGEMENT

In terms of planner engagement, the fintech solutions that stood out included Astute Wheel, Capital Preferences, My Prosperity, Presagen and Prospera.

The report's findings recommend Presagen as a company to watch. Still in development, it is working on applying artificial intelligence to parts of the engagement process that require human reasoning and decision-making.

The report's findings reveal that when technology solutions are utilised to their capacity and when integrated with other financial planning tools and processes already in use, they can deliver considerable compliance, engagement and process efficiencies for planning businesses. It's these areas that are top of mind for planners.

### TIME SAVINGS

Over 60 per cent of fintechs surveyed claimed to provide time savings of more than three hours per client. For example, Fincast says its applications are designed to help planners be more efficient in constructing goals-based planning solutions and increase client engagement.

While MoneySoft, used by over 4,000 planners, provides a system that enables planners to identify

gaps within their assessment of a client's financial situation. The system is claimed by MoneySoft to save over three hours per client in the planning process.

### INTEGRATION

When it comes to the integration of planning software, XPlan remains the product of choice by the majority of planners. However, the report found that most fintechs are agnostic. The fact that these modern technologies are built with open architecture means they can connect and integrate with any CRM system willing to do the same.

More recently, IRESS has become more open in its architecture, enabling third party providers to 'plug in'. This allows planners to access these resources via XPlan.

Newer CRMs have been built on very open platforms that allow easy connectivity between applications, providing planners with a simple way of integrating their software.

### WHY ADOPT FINTECH?

The *FPA Fintech Report* identified over 50 fintech solutions that have a role to play in some aspect of the financial planning process, with at least 30 of these able to be embedded in a planner's website or be white labelled.

According to the report's findings, while process matters, engagement and connection to the planner is a key element to the enhancement of the planning process, as viewed from the client. And not to be forgotten, significant cost and time savings can be made by using the right fintech solution, ranging between \$1,000 and \$3,000 per client and from one to three hours per client.

Commenting on the report's findings, Marshan says what stood out for him was the fact there were not too many fintechs trying to compete directly with financial planning businesses.

"The aim of this report was to start a conversation around fintechs







GUEST CONTRIBUTOR

## FRictionLESS ADVICE

*How to provide an Amazon-like customer experience*

**Matt Heine** looks at how the advice process is being significantly shaped by technology, making it a more seamless and engaging experience for clients.

Technology is driving new business models and creating new opportunities every day. Companies, in just about every part of the economy, whether it be wealth management, retail, manufacturing or even fast food, are examining how they can use technology to win over and keep their customers.

However, for most companies, harnessing the benefits of new technologies will not put them ahead; it will just help them keep their heads above water, as customer expectations continue to evolve at a rapid rate.

Clients are no longer comparing advice businesses to other financial planning firms, banks or institutions; they are comparing

growing number of channels. Technology will change the advice process and the ongoing delivery and service model.

Here are two areas of the process that can easily be improved and will have a significant impact on how you service your clients.

### 1. CUSTOMER PROFILING AND ON-BOARDING

Customer profiling and on-boarding, which includes the fact find, is arguably the first interaction many advisers have with a client and, in addition to meeting regulatory requirements, helps identify a client's objectives and risk profile, which subsequently shapes the strategic plan and/or investment strategy.



*For most companies, harnessing the benefits of new technologies will not put them ahead; it will just help them keep their heads above water, as customer expectations continue to evolve ...*

them to leading technology brands, such as Google, Airbnb, Amazon and Uber, and they are, or will, demand the same level of personalised service, experience and engagement they get from the services they interact with every day.

In addition to expecting more from their existing relationships, the ability for your clients to connect, interact and seek answers from a vast variety of sources has never been greater and therefore, you need to be able to interact and engage with them across a

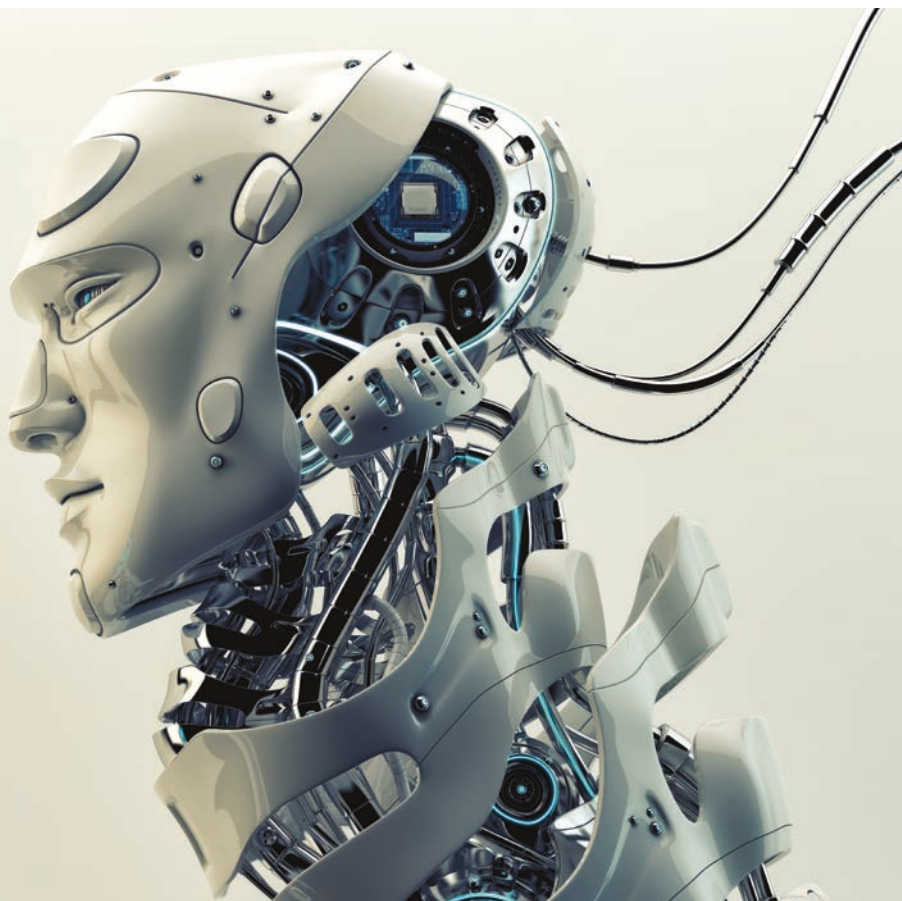
It is also the point at which a client establishes their view of an adviser or practice and will set their expectations for the future, as well as influence their decision to move ahead with a financial plan.

Today, this process typically commences with an interview or perhaps an online survey, but in the future, I believe we will (and need to) see this part of the advice process change significantly.

According to the 2017 *Netwealth AdviceTech*







implementation simpler and less time-consuming.

A lot has been written about the benefits of managed accounts and today, about 35 per cent of advisers are utilising them in some way in their practice (*2017 Netwealth AdviceTech Research Report*).

Importantly, managed accounts are becoming increasingly sophisticated to support a broader set of asset classes, including international equities, as well as providing greater levels of customisation and 'model of model' solutions that broaden the appeal to different client segments.

Further, new developments, such as the ability to mass generate and implement Records of Advice (ROA) directly from your platform, look to remove friction from the investment process and ensure a timely and consistent client experience, more akin to the tech giants referenced earlier.

While robo services are still in their infancy (only 3 per cent of advisers are using them, according to the *2017 Netwealth AdviceTech Research Report*), it is foreseeable that robo-investing will evolve and service parts of the market that are not currently viable for an adviser to manage, due to the cost of delivering advice or geographical barriers.

## FRICION IS THE ENEMY OF TECHNOLOGY

Technology has the ability to impact and improve many parts of the advice process, including how advice is delivered, client communications, the management of risk, compliance and to create operational efficiencies.

With a focus on the client and their friction (or 'pain') points throughout the advice process, practices will go a long way in identifying and prioritising which parts of the process they should focus on first, in order to deliver an outstanding and engaging client experience.

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*Matt Heine is Joint Managing Director at Netwealth.*

*Research Report*, only 23 per cent of advisers use online self-service tools to capture client (or prospect) information used in the fact find process and risk profiling process.

Given the obvious benefits to clients and the relative ease of implementing this technology, we feel this statistic should improve in the coming years.

Technologies already exist, such as chatbots, where advisers can easily create online surveys and publish them to a person's preferred messaging tool, such as Facebook Messenger, which then directly syncs with the various systems required to complete the on-boarding process.

One of the important benefits of a chatbot is that they are inherently appealing to younger generations who are already using their phone and messaging app to engage with businesses and resolve customer service enquiries.

Simpler technology, like online surveys, can be implemented with little overhead or tech experience and tools, such as Typeform, can easily transform what is currently a 'clunky' process.



*Simpler technology, like online surveys, can be implemented with little overhead or tech experience ...*

In addition to data collection, 'big data' and artificial intelligence (AI) is increasingly being used to source and analyse information, such as census, social media and banking data, to enrich the information advisers can use to profile and understand their clients.

## 2. INVESTMENT EXECUTION

With the continued evolution and adoption of managed accounts and scalable investment solutions, there are ample opportunities to deliver superior client outcomes, whilst also making investment and portfolio



# Insight<sup>®</sup>





# FINTECH: *the black box of magic*

**Stone & Chalk's Alex Scandurra** talks to **Jayson Forrest** about macro trends in fintech and discusses how technology is helping to improve the efficiency and engagement of planning practices today.

It's been a fast ride in the technology space over the last two decades, with financial technology – or 'fintech', as it's more commonly known – revolutionising the way we do business.

In fact, turn back the clock 10 years, and most fintech innovation was occurring in payments. Today, fintech is impacting the entire value chain; from front-office to back-office, wealth management and superannuation, retail banking, investment and credit.

At times it can seem like a struggle to keep up with advancements in technology, with infrastructure and network innovations, like Cloud services, and distributed systems, like blockchain, all driving greater efficiencies and reducing costs to businesses.

Today, technological innovation is all pervading – not only in business but in the lives of all Australians. And for businesses to thrive and survive in tomorrow's future, technology will be the key.

## FRIEND OR FOE?

But is fintech really a threat to financial services?

"Absolutely not," says Alex Scandurra – the chief executive officer of Stone & Chalk – an independent, not-for-profit fintech hub that helps foster and accelerate the development of fintech start-ups.

"Instead, I prefer to use the term 'impacting', as not every fintech is disrupting financial services incumbents," he says.

"In fact, the vast majority of fintech start-ups are enablers to incumbents.

That is, they see banks and financial institutions as their customers and partners. They are creating tools which improve the customer experience. They are providing solutions for data analytics and are digitally automating manual processes that are helping companies deliver a better experience to their customers at a reduced cost."

However, Alex does believe the impact of fintech is being felt differently in various markets, depending on a range of factors, such as the market

infinite in its ability to access, process and deliver accurate and reliable solutions for customers," Alex says.

## INNOVATION TRENDS

Indeed, through his involvement at Stone & Chalk, Alex is privy to world-class innovation, and he identifies several areas in which fintechs are changing how the technology game is played on a macro level. Two that come to mind are currently the flavour of the month – Bitcoin and blockchain.

Put simply, blockchain is a public ledger where transactions are recorded and confirmed anonymously. It's a record of events that is shared between many parties, and importantly, once information is entered, it cannot be altered. Whereas Bitcoin is a decentralised digital currency (or cryptocurrency) system that works without a central bank or single administrator.

"We could spend hours debating whether Bitcoin and blockchain are real or not but in the space of about a year here in Australia, these two terms have gone from topics of discussion to the start-up world.

"What the outcome of blockchain will be, ultimately from a consumer's point of view, is anyone's guess, but I don't think the world will ever be the same again and that will be a good thing for us all."

In recent years, Alex has seen an increasing number of fintechs take root in Australia, with a number of non-bank lenders entering the market and beginning to gain scale.

Some examples include: Spotcap,



*"You can think of these innovations as being the 'black box' of magic. Their capability for changing the way we do things and how we make decisions, will be enormous."*

mix of key players. Here in Australia, like the UK, the big four banks control about 80 per cent of the market and so, gaining penetration and market share for fintechs can be slow early on.

"But in the long run, because fintechs lead with a digital first/digital only strategy, fintechs benefit from the significantly lower cost structures and computational power that is, in comparison to humans, arguably

*Continued overleaf*



*“You can’t hide from change and think that things will remain the same. Change is happening all the time and just like in other areas of our lives, innovation changes the rules of the game.”*

Prosopa, Moula, RateSetter, SocietyOne and most recently, MoneyPlace. Whilst none of these fintechs have yet supplanted a major bank, they are certainly increasing the size of the SME and consumer market, providing these markets with a source of affordable finance that is approved in a matter of days or, in many cases, hours. In the case of SMEs, Alex believes that’s something that many institutions are still far from being able to do.

### FEAR VS FACT

Traditionally, financial planning has been a sector fearful of fintechs rolling out technology that might replace it or dilute the planner/client relationship. So, how will fintech impact the client value proposition

provided by the profession?

“You can’t hide from change and think that things will remain the same,” Alex says. “Change is happening all the time and just like in other areas of our lives, innovation changes the rules of the game.”

Just as digital cameras killed off film, which is now being taken over by the digital experience offered by Apple products, Alex believes so too will it be for financial services. He says fintech will change the sector from being partially analogue and digital to being fully digitally-enabled, “where humans play a role only where they outperform computers”.

In fact, Alex is bullish in the role fintech is already playing in

supporting planners within their own businesses, including providing greater operational efficiency, reducing costs and providing improved outcomes for clients.

“Fintech is helping planners in many ways, such as in areas of engagement with their clients, improving access to information, providing greater capability and efficiency to bespoke solutions, and ultimately, helping clients meet their financial and lifestyle goals,” he says.

“In fact, fintech is enhancing the financial planning process, not detracting from it. And while adopting new technology provides both opportunities and challenges for financial advice practices, technology can’t yet replace the empathy and personal service that is so integral to the trusted client-planner relationship. That’s where the ‘human element’ outperforms computers.”

### GROWING INTEREST

So, what excites Alex the most about what he is currently seeing in fintech?

It might sound clichéd but he claims to be most excited about the fact more Australians are also excited about fintech.

“Three years ago, fintech was a term hardly anyone knew about. Now we have people from all levels of Government – from the Prime Minister down – all realising how fintech is helping to transform our economy and helping to support other areas of innovation, such as in cyber security, insurance, connected devices, data science through to agriculture. And this is to name just a few.

“I’m also excited by the growing numbers of angel, venture capital and institutional investors looking to participate and invest in fintech for the same reasons. And I’m excited by the sheer quality of founders and start-ups which, despite many being first-timers, on average come with over 20 years’ experience.”

As for macro trends, Alex reckons blockchain and cryptocurrencies are the ones to look out for, but also firmly on his radar are robotics,



## Top 20

Planners share some of their favourite tech tools and platforms – some of which you may not have heard of.

**Astute Wheel** offers client engagement software, calculators and tools.

**Buffer** manages accounts in social networks by enabling users to schedule posts to Twitter, Facebook and LinkedIn.

**Calendly** provides a simple way to let people schedule meetings with you when you're available.

**Dropbox** is a file hosting service that offers Cloud storage and file synchronisation.

**Duet Display** lets you use your iPad or iPhone as an external monitor

**G Suite** is a brand of Cloud computing tools, software and products developed by Google.

**GoToMeeting** is software for online meeting, desktop sharing and video conferencing.

**LastPass** is a Cloud-based password management service that stores encrypted passwords in private accounts.

**MailChimp** is an email marketing service.

**Moneysoft** enables users to link their personal bank accounts for goal setting purposes.

**Omny Studio** is an audio capture, storage, editing and analytics solution for radio and podcasters.

**OneNote** gathers users' handwritten or typed notes, drawings, screen clippings and audio commentaries.

**Skype** provides video chat and voice calls between computers, tablets, mobile devices and regular telephones.

**SuiteBox** is a digital workspace offering online meetings, video conferencing, screen

share, digital signature and other tools.

**Vimeo** is a video-sharing website.

**Voxer** is a 'walkie talkie' messaging app for smartphones.

**Wealth Projector** is a tool to help clients forecast their financial future.

**Xero** is a Cloud-based online accounting software for small and medium-sized businesses.

**YouTube** is a video-sharing website.

**Zoom** provides a Cloud platform for video and audio conferencing, chat and webinars across mobile, desktop and traditional room systems.

artificial intelligence and automation.

"You can think of these innovations as being the 'black box' of magic. Their capability for changing the way we do things and how we make decisions, will be enormous."

And then there's quantum computing, which takes a new approach to processing information. Built on the principles of quantum mechanics, it harnesses complex laws of nature to run new types of algorithms that processes information more holistically.

"We all need to acquaint ourselves with the strange and exciting world of quantum computing," Alex says. "Quantum computing may be 5-20 years away, but it's going to change everything. We still have no real comprehension of just how significant quantum computing will be, particularly when we're still grappling with moving from analogue to digital to automation."

Alex also acknowledges the FPA's initiative of releasing its own Fintech

Report – *Mapping fintech to the financial planning process*. He is particularly impressed by the process undertaken to map fintech solutions to the six step financial planning process.

"It's the quality of research underpinning this report that makes it essential reading for planners. The findings clearly debunk a lot of myths surrounding fintech, whilst clearly demonstrating the value of fintechs in the financial planning process."

### THINK GLOBAL, LOOK LOCAL

When it comes to the adoption of fintech, Australia punches well above its weight. According to the *EY FinTech Australia Census 2017* report, Australia comes in fifth at 37 per cent, behind the likes of China (69 per cent), India (52 per cent), UK (42 per cent) and Brazil (40 per cent).

Alex agrees it's an impressive statistic but believes what's needed to keep the innovation ball rolling is to help Australia become the most attractive market for fintech in Asia.

He says this means extending and deepening the incentives for investment into fintech, as well as incentivising established firms to procure from, and be a customer of, fintech start-ups.

That said, Alex still believes there is much the Australian financial planning profession can learn from looking at the range of technologies available to them and their practices.

And the best way of doing this, he says, is by visiting Stone & Chalk or Fintech Australia to see what start-ups they are working with and what solutions are available for planners.

"These are the best places to start," he says. "Frankly, given the size and sophistication of our super industry, I have seen solutions here that are miles ahead of the biggest players in the U.S. in terms of technical innovation."

"So, don't underestimate our local talent and the fintech solutions they offer to your business," says Alex.

## AIMING FOR NEW HORIZONS

One Perth-based practice has embraced technology by developing its own software to improve the efficiency and profitability of its business, while enhancing the overall experience of clients. **Jayson Forrest** reports.

There's an old saying: Good things come in small packages. And the same can be said for Forty Seven Financial Planning – a family-owned practice operating out of the Perth suburb of Innaloo.

Offering financial planning, legal, accounting and mortgage broking services, this fully integrated practice punches well above its weight, as it positions itself to roll-out its own proprietary software – Plutosoft – to the wider profession.

“We really believe that being an integrated group is a point-of-difference for us,” says Vincent Holland, who along with his parents

But perhaps what makes Forty Seven Financial Planning unique is its proprietary technology platform – Plutosoft.

### PLUTOFT

According to Vincent, Plutosoft – named after the skill, precision and vision behind the recent NASA led New Horizons flyby study of Pluto – is a comprehensive financial planning software and practice management program, which took the business just over three years to develop.

“Plutosoft has enabled us to have a highly systemised practice,” he says. “Our advice documents, which once took us a couple of days to prepare, can now be produced through



*As an example, the time it was taking us to produce advice documents for clients was unacceptably long.*

*So, we wanted this software to transform our practice and make it significantly more efficient.*

Lindsay and John Holland and Leanne Bogoev, make up the four principals of the business.

“It all starts with a well constructed financial plan, which is the core of what we do. Once the plan is constructed, we assemble a team of experts from within the practice to put the plan into action. This includes an investment specialist for portfolio recommendations, a tax accountant to prepare returns and a lawyer to draw up wills and possibly set up a structure, such as a family trust or SMSF. We're a one-stop shop.”

Plutosoft in less than one hour. It has noticeably transformed the business.

“The system also allows us to do modelling directly in front of clients, which they find informative. This has improved client engagement at meetings.”

The software also provides clients with their own online portal, which they can access to update their information and book appointments to see staff.

“It's a whole-of-practice software solution,” says Vincent.



## Forty Seven Financial Planning

**Principals:** Lindsay Holland CFP®, John Holland CFP®, Vincent Holland DFP BCom (Finance) LLB (Hons) (*pictured above*), Leanne Bogoev CA

**Practice:** Forty Seven Financial Planning

**Established:** 2001

**No. of practitioners:** 4

**No. of CFP® practitioners:** 2

**Became an FPA Professional Practice:** August 2011

challenges that advice practices are faced with.

The process of developing the software began with the practice principals dissecting the business and mapping all procedures and activities within the office. This enabled the business to identify where the pain points were and what was not running efficiently.

“As an example, the time it was taking us to produce advice documents for clients was unacceptably long. So, we wanted this software to transform our practice and make it significantly more efficient.

“Once we actually defined what our issues were and what we needed the software to resolve, we were then able to develop a scope for change.”

From there, Forty Seven Financial Planning began building its software

*Continued overleaf*

## MOTIVATION

But why spend the time and energy developing proprietary software when there are solutions already on the shelf?

For Vincent, it was a no-brainer.

“We firmly believe that to truly grow our business, we needed to have a world class technology solution,” he says. “At the time, we were using existing software, but we weren’t satisfied with it. We searched for more customised software, but there wasn’t a compelling offering we could use.”

In stepped practice principal, Lindsay Holland CFP®. Using her expertise as a software development specialist, the business decided to create its

own bespoke software.

However, Vincent admits it was a massive undertaking for the business, requiring considerable planning, including a ‘proof of concept’ process, as well as the actual development. All up, it took the practice just over three years to complete. “That’s one year longer than it took to build the Titanic,” Vincent jokes.

But unlike the Titanic, this software is still afloat today, which is a tribute to the careful planning and processes put in place from the outset.

## MODULAR PROCESS

Plutosoft was developed entirely in-house, from the ground up, to specifically address the various





in modules, starting with the task and workflow management module. Before moving onto the next module for development, each module would first go through a process of refinement and testing, ensuring all glitches were ironed out before being fully implemented within the business.

Other modules subsequently rolled out included portfolio reporting, the client portal, advice production and automation, and finally, the module for financial modelling and forecasting.

The software, now in its completed form, has been running in the business for around 12 months.

## SECURITY

Living and working in a highly digital and connected world, software security was a key consideration in the development of Plutosoft. It's a fact not lost on Vincent.



*Because we maintained clear communication throughout the process, we didn't experience any issues moving clients onto the portal.*

"Security of data is so important in this day and age," he says. "Our software is Cloud-based technology and the actual software is built on an Oracle database. All our data is securely stored on an Oracle server in Sydney.

"And our IT specialists who maintain the technology, are using the latest in data security and encryption. As a business, we take the security of our data very seriously."

## ENGAGEMENT

This investment in development, functionality and security has paid off for the business, with clients responding favourably to Plutosoft. In fact, when it comes to the online portal, the practice has a 90 per cent conversion rate, with clients logging on to manage their information and book appointments.

"Plutosoft automates almost all of our non-value adding functions, like compliance and administration," says

Vincent. "This means our staff are more engaged with clients, because more of their time is devoted to meaningful value-adding tasks."

But Vincent emphasises that the successful and rapid uptake of Plutosoft by clients would not have been possible without clear communication.

"When you're changing systems, you need to clearly communicate what you're doing and why. So, we ensured that clients were properly notified about the client portal and we clearly explained to them the reasons behind what we were doing. We then stepped them through the process of how to use it.

"Because we maintained clear communication throughout the process, we didn't experience any issues moving clients onto the portal. In fact, clients have been very positive about the change and far prefer it to our previous system."

## AVAILABILITY

Such has been the success of Plutosoft – having been built by professionals, for professionals – that Forty Seven Financial Planning is now planning to make its software



available to the wider profession.

"Plutosoft has worked so well in our own business that we're now looking to make this software available to other planning practices, which means running it as a separate business to Forty Seven Financial Planning," Vincent says.

To assist the business realise this objective, it has recently appointed Wynand Kruger to head up the new software business. Wynand's experience includes leading the development of the point of sale software system for British Airways.

In addition, Lindsay Holland continues as the lead software engineer on Plutosoft, in addition to her role as a CFP® practitioner.

"We're fortunate to have Lindsay's expertise. Because she is a planner, she has the unique skill set of knowing what the software needs to deliver as a user. And as a software specialist, Lindsay knows how to actually build, code and create a program that will resolve the issues that planners face in their businesses," Vincent says. "It's a very unique skill set to have."

Technical support and integration specialist, John Bogoev, is the third IT specialist of the software team, with Vincent rounding out the four person team as head of sales and business development for Plutosoft.

## KEY LEARNINGS

Having successfully rolled out Plutosoft, what were some of the key learnings Forty Seven Financial Planning uncovered by travelling down the customised software path?

"Firstly, you need to be very clear about what you're trying to achieve. That means clearly understanding what the problem is you're trying to solve and whether technology can actually solve that problem."

Vincent's second tip is to never underestimate the enormity of the task involved in building software from scratch. Speaking from experience, he says it's a massive undertaking.



*There's been much talk about fintech and 'robo' advice being a threat to the profession, but I think that's a misguided view. Clients will value human advisers, as long as the advisers are delivering on their service proposition.*

"We knew from the outset that developing our own custom software was going to be a time consuming process, so we didn't impose a strict timeframe on ourselves in terms of how long this would take us to develop. It took us just over three years to complete. But it didn't stop there. With software, you're always looking to improve and refine what you've got."

However, Vincent concedes that his practice's situation was somewhat unique in that the business already had the requisite expertise in-house to draw upon.

"For us, this was the right decision to make. By undertaking this process, we've learnt that as a business, you can't be static. You have to be proactive in creating the change you want to see."

And thirdly, Vincent reiterates that any change requires clear communication to staff and clients, in order to engage all stakeholders involved.

"And don't forget to ask for feedback," he says. "That's always been very important for us. We always ask for feedback from clients, because clients are very honest with their opinions. The feedback we've got back from clients has been invaluable in rolling out the software and enhancing it."

## EVOLUTIONARY CHANGE

Forty Seven Financial Planning is one of the rare breed of practices that actually 'walks the talk' when it comes to software development. And while it's not without its challenges, it does demonstrate

that a small practice can innovate in the fintech space.

"There's been much talk about fintech and 'robo' advice being a threat to the profession, but I think that's a misguided view," Vincent says. "Clients will value human advisers, as long as the advisers are delivering on their service proposition."

The key challenge, according to Vincent, is understanding how the profession can actually use technology to work for it and not against it.

"In other words, how can we use technology to enhance our clients' experiences, and make our practices more efficient and profitable. That's the key."

*For more information on Plutosoft, Vincent Holland can be contacted on (08) 9445 2247 or at [vincent.holland@plutosoft.com.au](mailto:vincent.holland@plutosoft.com.au)*



# PARTNERING WITH THE LAWYERS

## Online legal solutions for your practice

**Gil Gordon CFP®** explores the new breed of law firms partnering with planners in serving estate planning. Such partnership can provide a powerful extension to your client value proposition and potentially save your clients thousands of dollars in legal fees.



- [thelegalhub.com.au](http://thelegalhub.com.au)
- [topdocs.com.au](http://topdocs.com.au)
- [viewLegal.com.au](http://viewLegal.com.au)
- [yodal.com.au](http://yodal.com.au)

All are excellent solutions run by passionate skilled practitioners in the field of estate planning. Partnering and supporting financial planners is in their DNA and they see their role as enhancing your value proposition to clients.

In my last article on 'Building and executing an estate planning value proposition within your practice' (September 2017 issue), I included Table 1 (see below) describing how advisers can partner with lawyers.

I believe that online lawyers provide planners with the opportunity to bring the legal solution in-house, thereby providing better service to clients at a lower cost. I have only been able to identify four major online legal solutions in the Australian marketplace today. They are:

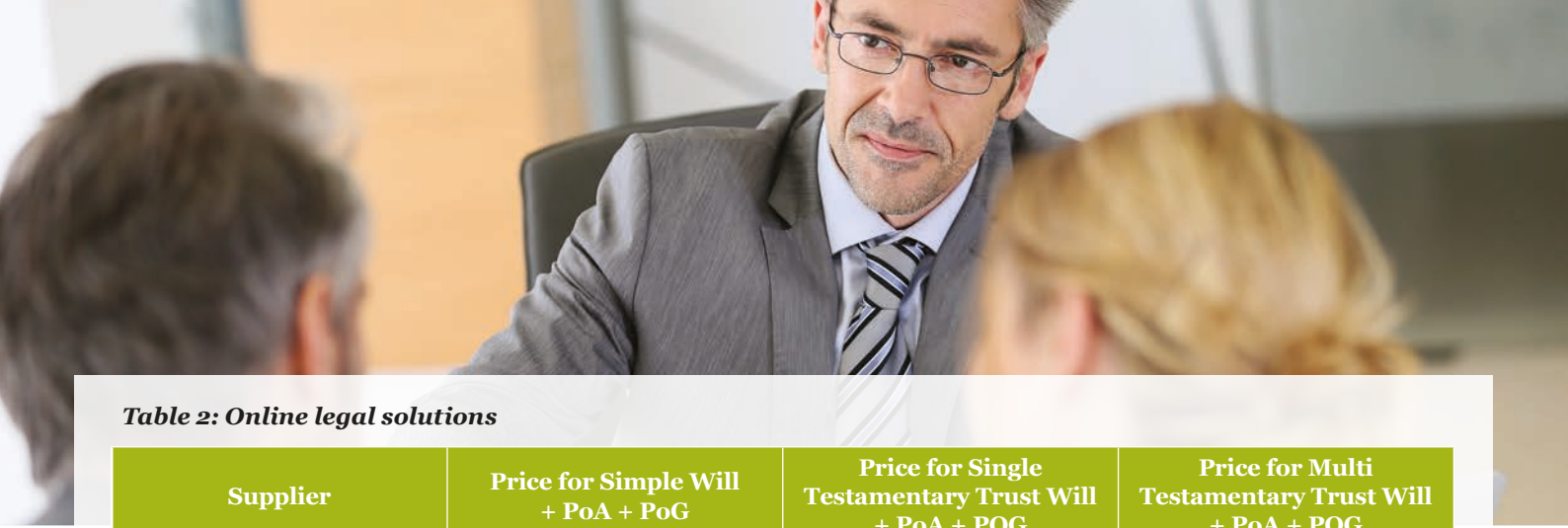
Whilst the client outcomes in all cases are similar (high quality advice leading to quality documents), every firm is delightfully different and therefore, they will all appeal to different advice practices in different ways.

*Disclaimer: In the comparison that follows, it is important to note that I have not attempted to assess competencies for high level legal skills or the pricing for complex or HNW clients, as I am addressing a scaled solution for the majority of clients.*

**Table 1**

Referral Option	Considerations	Fee Potential
<b>Cold</b> <i>'Go and see your solicitor...'</i>	<ul style="list-style-type: none"> <li>• Not a value proposition of your advice firm.</li> <li>• Lawyer may lack relevant skills and undermine the adviser.</li> <li>• Very hard for referring adviser to charge fees.</li> </ul>	<b>Very Low</b>
<b>Warm</b> Adviser briefs the lawyer	<ul style="list-style-type: none"> <li>• Suitable if client has strong relationship with the lawyer, complexity exists or if adviser relationship is reciprocal (rare).</li> <li>• Not a value proposition of advice firm.</li> <li>• The lawyer is positioned as an 'alpha adviser', not the financial adviser.</li> <li>• Risk lawyer may undermine adviser or lack skills.</li> <li>• Difficulty charging fees: <i>'Why do I have to pay you and the lawyer?'</i></li> </ul>	<b>Modest</b>
<b>In-house</b> Lawyer is a part of the adviser's client value proposition	<ul style="list-style-type: none"> <li>• In-house or online lawyer who validates and supports the advice firm.</li> <li>• Specialist online estate planning lawyers are set up to work this way.</li> <li>• Very easy to charge 'facilitation' fees.</li> <li>• Generally lower overall net cost for client.</li> <li>• Lawyers accept liability in writing for legal advice</li> </ul>	<b>Strong</b> <ul style="list-style-type: none"> <li>• Hourly Rate.</li> <li>• Value based fee.</li> <li>• \$1,100 to \$11,000+</li> </ul>





**Table 2: Online legal solutions**

Supplier	Price for Simple Will + PoA + PoG	Price for Single Testamentary Trust Will + PoA + POG	Price for Multi Testamentary Trust Will + PoA + POG
<b>thelegalhub.com.au</b>	\$880	\$1,100	\$1,650
<b>viewLegal.com.au</b>	\$500	\$950	\$1,200
<b>topdocs.com.au</b>	\$297 (instant) or \$880	\$1,320	\$1,320
<b>yodal.com.au</b>	\$1,135	\$1,320	\$1,320

**PRICING**

Skilled estate planning law firms are quite hard to find, particularly away from the major cities, and typically their prices are quite steep. As a metric for price comparison, I will use the following services as a base:

- Typical mum and dad mirrored wills, with adult children beneficiaries.
- Estate left to spouse and then to adult children via multiple testamentary trusts with bloodline restrictions.
- 2 x Power of Attorney.
- 2 x Power of Guardianship.
- 2 x Letter of Wishes.
- At least one face-to-face or electronic meeting with a lawyer to deliver the advice.

Anecdotally, physical law firms that have specialist estate planning lawyers will typically charge between \$4,000 and \$15,000 for quality estate planning advice for low to mid complexity clients. Whereas the online lawyers will typically charge between \$900 and \$2,200 for similar work.

This price differential enables the adviser to charge a healthy facilitation fee for their time (typically between one and three hours work) and still save the client thousands of dollars. In our practice, we typically charge between \$1,100 and \$2,200

for facilitation work with no price resistance. For greater complexity, this fee can be much higher.

Table 2 is a price guide for comparison only and assumes that planners are ‘facilitating’ the service by providing client information via an online portal. Not all sites publish their pricing and as such, the numbers are not guaranteed and may be subject to change. Also, there are distinct differences between the offerings and service standards, so you should not

**+**  
*The price differential enables the adviser to charge a healthy facilitation fee for their time and still save the client thousands of dollars.*

use price alone as a yardstick. All of the online solutions offer a lawyer facilitated (rather than planner facilitated) service, however, the cost is higher and the opportunity for planner fees are reduced. All firms, other than Yodal, will send documents directly to the planner or the client for signature, although depending on location (i.e. capital cities), the other three providers permit clients to visit an actual lawyer’s office (additional fees may apply). Yodal sends documents directly to the local lawyer, who liaises with the planner

and arranges printing and execution of the documents at no additional cost.

**FACILITATION VS LEGAL ADVICE**

By law, only lawyers are permitted to provide legal advice. So, what is legal advice?

Google defines it as “professional advice provided by a lawyer”, which is a definition that helps no-one! Because of the absence of a better definition of legal advice, it is important that planners partner with

lawyers to protect themselves and their practice.

ViewLegal and Thelegalhub provide a certificate or letter confirming that the planner did not provide the legal advice to the named client. Topdocs and Yodal do not provide this document, however, they are confident that their process provides a similar, if not more general, guarantee.

I like the personalised client letter and feel it provides a more robust PI protection. In addition, we require the

*Continued overleaf*



clients to sign an engagement letter that clearly delineates the fees and services provided by the law firm and the advice business. In this letter, the client waives any right to legal action against the planner relating to the estate planning services facilitated by the advice business.

## NSW

It should be noted that in NSW the law requires that PoA and Guardianship documents must be co-signed by a lawyer or clerk of the court and cannot be signed by a person, such as Justices of the Peace. Some of the online law firms have relationships with local lawyers who are willing to certify these documents for a small fee. The clerk of the local court will do this for free by appointment.

## THE FOUR PROVIDERS

### THELEGALHUB

Thelegalhub is a true legal marketplace and the company's director, Brant Dillon, who was also one of the founders of Australia's first virtual law firm, said their goal is to act as the adviser/client advocate and ensure their lawyers deliver quality and value.

They are not lawyers and do not provide the legal advice but once you have entered your client data into their system, they seek fixed price quotes from their panel of lawyers who are located in all the major capital cities and can provide both virtual and face-to-face meetings.

You will be provided with a fixed price quote and scope of works via return email within three days and this should then be approved by your clients. Alternatively, a 'Legal Concierge' service is offered, where the client is contacted directly by the lawyer and the planner has a lesser role in the conversation.

Their entry process is fast and simple at around 10-12 minutes, with the planner not required to input instructions around appointment,



*With the new breed of online solutions, there is alignment and the potential to be paid for the work, whilst still saving clients a substantial amount of money.*

trusteeship and construction of any testamentary trusts or structures in the wills. Thelegalhub expect the planner to provide an extract of file notes that the lawyers read in providing legal recommendations or they will accept briefing reports from providers, such as Estate Planning for Life and Astute Wheel, with no additional data entry required.

In my experience, the pricing is quite predictable and doesn't change once a scope and quote has been issued. Draft documents are emailed for proofing prior to the online client presentation and final documents are printed, bound and mailed to the planner or client.

Thelegalhub also provides regular webinars on technical matters to planners, as well as contact with the relevant lawyers on more technical client matters.

### VIEWLEGAL

ViewLegal offers a comprehensive and arguably the most cost-effective online service, with a range of services far beyond estate planning. ViewLegal founder, Matthew Burgess is passionate about using technology to create exceptional value for planners

and clients. ViewLegal have around 20 lawyers on staff, they conduct regular webinars and education sessions, and have a range of books and ebooks available for sale.

ViewLegal's input of instructions process is quite substantial and detailed, taking between 30-60 minutes to input information. This will be substantially less for subscribers to the Astute Wheel service, which can automatically upload data into ViewLegal's system.

ViewLegal states that once a scope is accepted, their pricing rarely changes and never without prior planner/client approval. It has a four tiered service level from which the planner can choose and it offers a comprehensive planner support program, including more than 20 publications, a weekly blog, five online courses, monthly webinars and a national roadshow.

### TOPDOCS

Topdocs Legal is one of Australia's oldest and most respected online law firms. Topdocs has provided a wide range of documentary solutions to accounting, financial planning and legal professions for many years.

Topdocs enterprise manager, Chris Blair says it has around 11 lawyers on staff, with offices in Melbourne and Sydney, while other areas are served







by the internet. Topdocs claims that 99 per cent of its estate planning work is completed for the quoted price.

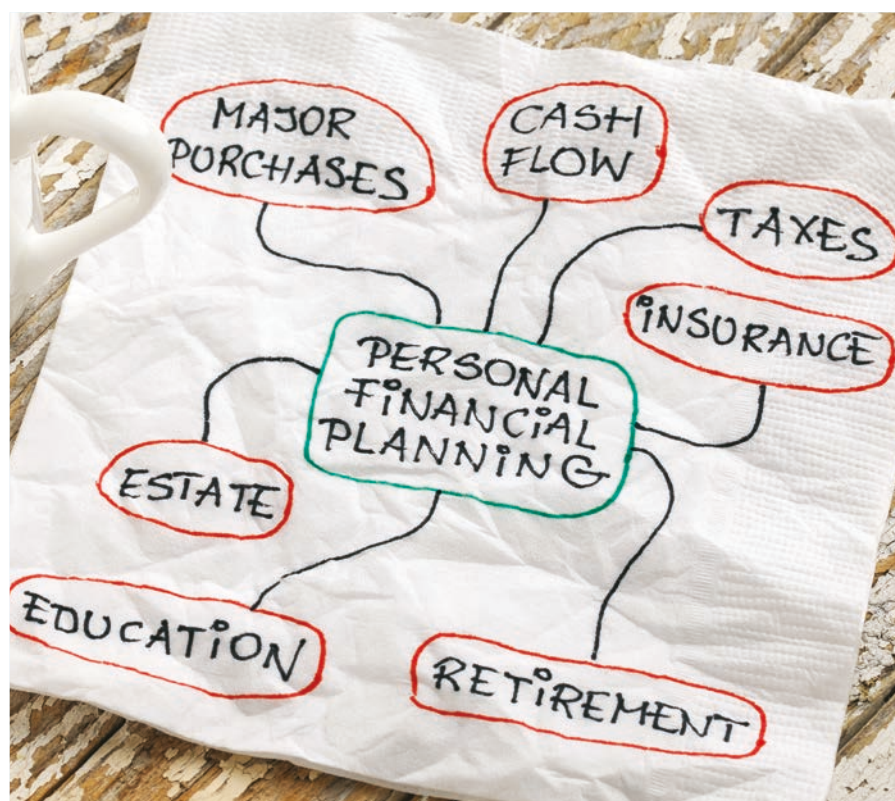
Topdocs has a service called Topdocs Protect, where the client completes instructions for an instant online will, with the option of lawyer input if required. Its planner facilitated input process is detailed but relatively quick at around 20 minutes, which is followed up by a conversation with the lawyer.

Topdocs provides excellent training, plus monthly webinars and free online phone support to financial planners.

### YODAL

Yodal is quite innovative in this space and like thelegalhub, it acts as a go-between for local lawyers and planners. As such, it's not a law firm. Associated with Redchip Lawyers, Yodal produces documents automatically once data has been input by the planner and sends those documents to a lawyer of the planner's choice within minutes. The lawyer proofs the documents and delivers the legal advice to the client.

Yodal's model is extremely quick and it's possible to go from start



the planner and a nearby lawyer to find each other and collaborate.

Yodal will 'on board' a new lawyer for the planner and it's possible to have a panel of local lawyers to deal with. Yodal's production of the documents and engagement with the local lawyer creates alignment between the lawyer

provider is quite important from a PI perspective, so our practice uses an Estate Planning Record which captures all key information, as well as identifying 'red flag' issues that the lawyers need to be aware of.

### CONCLUSION

Anecdotally, many planners struggle to establish reciprocal relationships with law firms, which obviously limits the utility of promoting these services to clients. With the new breed of online solutions, there is alignment and the potential to be paid for the work, whilst still saving clients a substantial amount of money.

Coupled with the opportunity presented in meeting and engaging with the next generation, these online solutions present a genuine opportunity for advice businesses.

*Gil Gordon CFP® is proprietor and senior adviser at RI Lower Hunter. Gil is the architect of Estate Planning For Life, a scalable web-based system that facilitates the delivery of estate planning solutions in accounting and financial planning practices. Gil can be contacted on (02) 4013 6070 or at [gil.gordon@estateplanningforlife.com.au](mailto:gil.gordon@estateplanningforlife.com.au)*



*... these online solutions present a genuine opportunity for advice businesses.*

to finish within hours for urgent client matters. This is a genuine differentiator between Yodal and the other suppliers.

Yodal has integrated with Astute Wheel, so that with one click, the client's data is collected and interpreted by Yodal to automatically generate ready-to-sign estate planning documents.

Yodal also provides a recommendation email to the planner explaining the nature and reasons for the selection of documents appropriate for the client.

Whilst Yodal is still a relative newcomer, Redchip has been around for a long time and this model has the advantage of encouraging both

and the planner's services, so the risk of advice discord is effectively eliminated. It also runs regular training sessions for planners, either in person or via webinar.

### PROPER HANDOVER

Estate Planning software, such as Estate Planning For Life or Astute Wheel, produce briefing documents that can be provided to the online lawyers, and Topdocs, Yodal and ViewLegal have a data upload service from Astute Wheel. Topdocs, Yodal and ViewLegal have a detailed online client fact find that can be completed, whereas thelegalhub relies more on planner notes and other attachments.

My view is that proper handover of client information to the legal service



## THE GOLD STANDARD

Anthony Oppedisano CFP® has been working in the financial planning profession since 1999. Over the last 10 years, he has led teams of planners, while providing advice as required. He shares his insights on the CFP® Certification Program.

### 1. WHY DID YOU UNDERTAKE THE CFP® CERTIFICATION PROGRAM?

I recognise that we need to continue to increase the level of professionalism in our industry and education is one key way to do this. I see the CFP® Certification Program as being the new standard that financial planners in the profession hold themselves to and on that basis, I felt it was important to achieve the designation.

As a planner with StatePlus, it's a requirement to undertake the CFP® Certification Program, as everyone in the organisation views this as being the gold standard.

### 2. WHAT WERE YOUR AIMS AND EXPECTATIONS IN UNDERTAKING THE CFP® CERTIFICATION PROGRAM?

My aim was to further develop both professionally and technically, with the ultimate aim to complete the program and attain the CFP® designation. The program was challenging and time-consuming. The sense of accomplishment on completing the program was definitely worth the investment of time and effort.

### 3. WHAT ARE YOUR TIPS FOR COMPLETING THE CFP® CERTIFICATION PROGRAM?

Make sure you have plenty of time set aside and a study routine that suits your schedule and allows you to complete the requirements for all subjects. It helped that, in our office, there were at least two team members completing the individual subjects at the same time, so we were able to form a study group.



**Anthony Oppedisano**  
CFP®

**Educational Qualifications:**  
CFP®, Grad DFP, BAppFin

**Position:** Regional Manager

**Practice:** StatePlus

**Licensee:** StatePlus

**FPA Professional Practice:**  
Yes

**Began the CFP® Certification Program:** 2015

**Years as a financial planner:**  
16 years

In the absence of peer support, I strongly encourage students take advantage of the study groups made available by the FPA. I would also recommend attending the webinars provided. These were a valuable source of guidance in completing the course requirements.

### 4. WHAT DID YOU LIKE ABOUT THE CFP® CERTIFICATION PROGRAM?

I enjoy learning, so some of the areas of advice that we are not involved in on a day-to-day basis were of

particular interest. The course requirements were also of a nature that allows students sufficient time to complete the requirements at their own pace and in their own routine.

The only area of improvement that I would consider for the program is an optional localised workshop from an industry professional to aid the learning process.

### 5. WHAT DOES IT MEAN TO BE A CFP® PROFESSIONAL?

I am proud in being a CFP® professional and feel a sense of fulfillment in having completed the program. My employer shares my views with regard to the program and the need to continue to develop professionally, so as to increase the professionalism of the industry.

Most importantly, for the client, it means they can take comfort from the thought they are receiving advice from a planner and business that upholds the highest professional standards. The CFP® designation represents a strong level of education, capability and understanding for the industry, resulting in the highest quality advice to enhance a client's personal circumstances.

### 6. WHAT ADVICE DO YOU HAVE FOR OTHER PLANNERS?

The standards of our profession will, and should, continue to rise. I believe the CFP® designation will form a big part of this increase in professionalism. As challenging as the CFP® Certification Program may be, I am a firm believer that continual professional development is vital. The sense of achievement in completing the CFP® designation is well worth it.

# DRIVING CHANGE

A recent Future2 Make the Difference! grant is helping to reduce youth reoffending rates in Tasmania, while encouraging younger people to be more aware of their responsibilities and the consequences of their actions.

West Moonah Community House provides a range of services to Tasmania's disadvantaged community, including educational and training programs, social activities, physical recreation, art and craft programs, preschool, cooking, a community garden and shed facilities, free computer, internet and printing services, room hire, and access to free emergency food relief and an interest-free loan scheme.

"We have a broad range of participants at the Community House, including children and families, seniors and those from different educational, ethnic, religious and socio-economic backgrounds," says West Moonah Community House manager, Mel Knuckey. On average, 100 people access the 'house' each week.



*... encourage young people to understand that the future is bright if you apply yourself.*

West Moonah Community House was a recent recipient of a \$10,000 Future2 grant, which it is using for its L1 Licence Training Program. The grant was endorsed by James McCulloch CFP® – a Private Client Adviser at Shadforth Financial Group.

James says his decision to support the program was in recognition of West Moonah Community House's involvement with providing opportunities to young people through its ongoing support and guidance to break the cycle of community disadvantage.

"The 'learner driver' program is a practical way to improve the employment prospects of high

school students, encourage safe and responsible use of our roads and, importantly, encourage young people to understand that the future is bright if you apply yourself," James says.

The Future2 grant is being utilised for the training of a qualified instructor to attend high schools and several specialist community groups dealing with students who are not fully engaged in the education system.

"The training courses are conducted over a period of five to six weeks in 1.5-2 hour sessions, followed by a formal test," Mel says.

"The instructor is able to issue a 'competency certificate' to the student, which enables them to take it with them to Service Tasmania, along with their necessary forms of identification, to get their L1 licence. The instructor works very

closely with the teachers and youth work staff to ensure the process is followed through and help is provided as needed."

James says the training course, while improving opportunities for young adults with low literacy skills, also provides participants with practical 'life skills' from a policing and community perspective.

Mel agrees: "The Department of State Growth has been amenable and fully supportive of the new training methods as part of this program, paving the way to allow participants with poor literacy to undertake the test with the use of props, such as road maps and toy cars to answer



**GRANT RECIENT:**  
**West Moonah Community House**

**GRANT AMOUNT:**  
**\$10,000**

**ENDORSED BY:**  
**James McCulloch CFP®**  
**Shadforth Financial Group**

**FPA CHAPTER:**  
**Tasmania**



*The Future2 grant is providing renewed confidence to participants of the program.*

a question, instead of doing an online computer based test. This has significantly reduced the anxiety of participants and has instilled within them, renewed confidence."

James is delighted that the grant money has gone to the L1 Licence Training Program, which he says reflects SFG's commitment to improving the financial literacy of all Australians.

"In addition to SFG's involvement with the West Moonah Community House, SFG implements financial wellbeing programs for local communities to help people make smart financial decisions with their money," James says.



## PAYING SUPER DEATH BENEFITS

It is generally well understood that superannuation benefits do not automatically form part of an individual's estate upon death, and that relevant superannuation regulations compel cashing of the member's benefits as soon as practicable after death.

Upon death, a member's benefit may generally only be paid directly from a super fund to a beneficiary who is a dependant under super law and/or their legal personal representative (LPR) (i.e. the executor of their estate).

Under the *Superannuation Industry (Supervision) Act 1993*, dependants eligible to receive a death benefit directly from super (SIS dependants) include:

- a spouse (including de facto);
- a child of any age;
- any other person who was financially dependent on the deceased just before he or she died; and
- any other person with whom the deceased was in an interdependency relationship just before he or she died.

An individual will need to nominate the executor of their estate (i.e. LPR) and make the necessary arrangements in their will if he/she:

- does not have SIS dependants;
- is uncertain whether a beneficiary will qualify as an SIS dependant (e.g. financial or interdependency status is contentious); or
- wishes to direct their super death benefits to someone other than an SIS dependant (e.g. a non-financially dependent parent or sibling).

Where the intended beneficiary is an SIS dependant, deciding whether the beneficiary/ies or the estate should be nominated should involve

consideration of the following factors:

- whether the beneficiary is eligible to commence a death benefit income stream – and if so, the advantages and disadvantages of this option;
- taxation – both on the initial receipt of the benefit and the subsequent investment of the proceeds;
- social security implications; and
- asset protection issues.

### FORM OF PAYMENT

Super regulations govern the form in which a death benefit can be paid – that is, either lump sum and/or income stream.

However, only the following SIS dependants are eligible to receive a death benefit income stream:

- a spouse;
- a child;
- a person financially dependent on the deceased; and
- a person who was in an interdependency relationship with the deceased.

Where the beneficiary is a child of the deceased, an income stream is only possible if the child is:

- under age 18;
- between ages 18 and 25 and financially dependent on the deceased; or
- permanently disabled.

Further, the death benefit income stream must be cashed out by the time the child reaches age 25, unless the child has a disability.

Death benefit income streams can be attractive for a number of reasons, including:

- tax concessions on pension payments and earnings (subject to compliance with the pension transfer balance cap);



**Mindy Ding**

AMP

This article is worth  
**0.5 CPD HOURS**

**FPA Dimension**  
Critical Thinking

**ASIC Knowledge Area**  
Superannuation

#### INCLUDES:

- Death benefit income streams
- Transfer balance cap
- Lump sum death benefit
- Testamentary trusts



- social security advantages of extending the 'grandfathered' income test treatment of certain account based pensions;
- avoiding contribution cap limitations that would otherwise apply if a death benefit was paid as a lump sum and subsequently recontributed to super (and possible preservation issues); and
- in the self-managed super fund context, providing an opportunity to retain certain assets within the fund, effectively passing control of the asset to certain beneficiaries while continuing to hold it in a tax-friendly environment.

Should an individual wish to preserve the opportunity for an eligible beneficiary to receive a death benefit income stream, the beneficiary must be nominated directly. Otherwise, if the payment is directed to the estate, the ability to commence a death benefit income stream is lost.

#### **Pension transfer balance cap**

The introduction of the \$1.6 million transfer balance cap (TBC) on 1 July 2017 adds a further consideration.

The TBC effectively limits the total amount of superannuation benefits

## **TAXATION**

While super law sets out who a death benefit may be paid to, taxation law sets out how the benefits will be taxed.

### **Tax dependants**

For tax purposes, a death benefit dependant (tax dependant) includes:

- a spouse;
- a former spouse;
- a child under age 18;
- a person financially dependent on the deceased;
- a person in an interdependency relationship with the deceased; and
- a person who receives a super lump sum because of the death of another person where the deceased died in the line of duty (e.g. military or police).

A lump sum super death benefit paid to a tax dependant, regardless of whether the payment is received directly from the fund or as a distribution from the estate, is tax-free. Any earnings (including capital gains) subsequently derived from the proceeds will be taxed at the beneficiary's marginal tax rate.

Where death benefits are intended

However, a point of difference between a non-tax dependant beneficiary receiving the death benefit directly from the super fund (where eligible, such as an adult child) and as an estate distribution is that the Medicare levy of 2 per cent will not apply to a death benefit that is paid via the estate. Hence, in these circumstances, paying a lump sum death benefit via the estate can provide the beneficiary with a 2 per cent tax saving.

Further, the taxable component of a lump sum death benefit paid directly from a super fund to a non-tax dependant is included in the beneficiary's assessable income for the financial year in which the payment is received. This can have indirect consequences on the beneficiary's access to certain superannuation concessions (e.g. Government co-contribution), tax offsets (e.g. low income tax offset) and social security entitlements (e.g. Family Tax Benefit).

Another significant point of difference is that the rates of 15 per cent and 30 per cent applicable to the taxed and untaxed elements respectively are the maximum tax rates payable. If the deceased estate does not have a significant amount of other income in the financial year, then the actual tax rate applicable may be lower, particularly given that the deceased estate trustee has access to adult marginal tax rates, including the tax-free threshold.

## **ADMINISTRATIVE EFFICIENCY**

A payment of a death benefit made directly to a beneficiary, in most cases, will be received sooner than if made via the estate. By bypassing the estate, the payment of the death benefit can avoid potential delays in the estate administration process.

## **ESTATE CHALLENGES**

While an individual can choose to gift their assets upon death to whomever he or she wishes, the law recognises that some individuals also have a moral obligation to provide for certain people. As such, certain



*“While superannuation law sets out who a death benefit may be paid to, taxation law sets out how the benefits will be taxed.”*

that a person can transfer into a retirement phase income stream to benefit from tax-free earnings on the assets backing the income stream. Importantly though, the value of a death benefit income stream will also be counted towards the beneficiary's TBC.

Therefore, consideration must be given to the beneficiary's TBC when nominating them directly, as a less than desirable tax and asset protection outcome may result if the beneficiary is left with no choice but to cash out part or all of the death benefit due to the TBC limit.

for multiple tax-dependant beneficiaries with varying personal marginal tax rates, it may be advantageous to direct the payment to the estate in order to provide capital to a testamentary trust. The income splitting ability of testamentary trusts can help to provide an overall tax saving for the deceased/beneficiary's family.

### **Non-tax dependants**

Beneficiaries who are non-tax dependants are subject to paying tax on super death benefits, to the extent that the payment contains taxable component.

*Continued overleaf*





classes of people can make a claim against the estate.

Importantly, it is only assets in the estate that may be brought to satisfy family provision claims (subject to notional estate provisions in NSW).

This means that in most states, where there is a risk of a claim arising, paying super death benefits to beneficiaries directly may minimise the value of the pool of estate assets, and thereby mitigate this risk to a certain extent.

## ASSET PROTECTION

### Bankruptcy

Bankruptcy is a complex area of law and therefore it is vital that clients seek advice from a qualified professional. While a detailed discussion is outside the scope of this article, some relevant issues are considered below.

If an intended beneficiary is bankrupt or is in impending bankruptcy, careful consideration must be given to how super death benefits are directed to that beneficiary.

Generally speaking, lump sum super death benefits paid directly to a bankrupt beneficiary will be considered an interest from a superannuation fund, and accordingly will not be property that is divisible among creditors.

In contrast, super death benefits received by a bankrupt beneficiary via a distribution from an estate will generally not constitute an interest in a regulated superannuation fund. Instead, having passed through the estate, the payment is considered to have lost the connection to being a superannuation interest. Consequently, such a payment is not afforded the same protection.

Where bankruptcy of a beneficiary is a concern, ensuring that the intended beneficiary receives the lump sum death benefits directly (where eligible) by implementing the appropriate nomination, may provide asset protection advantages over directing the inheritance via the estate.

If a beneficiary is neither bankrupt



*“When it comes to the payment of super death benefits, there is no ‘one-size-fits-all’ solution.*

*Analysis of a number of factors is required on a case-by-case basis...”*

nor facing imminent bankruptcy, but has the potential to become bankrupt in the future (e.g. due to being in a high-risk profession), it may be more appropriate to first direct super death benefits to the estate, and then to a testamentary trust.

*Note: Should the beneficiary opt to receive the death benefits as an income stream, the degree of asset protection of superannuation would reduce, as pension payments are not fully exempt under bankruptcy laws.*

### Relationship breakdown

If structured appropriately, testamentary trusts can also provide a reasonable degree of asset protection in the event of a beneficiary's marriage/de facto relationship breakdown.

Assets held within the trust, including any super death benefits, will generally not form part of the pool of assets of the beneficiary's relationship, but is generally considered a financial resource. The degree of asset protection afforded will depend on numerous factors, including who the controllers and beneficiaries of the trust are, and how long the trust has been in place prior to the relationship breakdown.

If, on the other hand, the beneficiary had inherited the super death benefits directly, those assets may have a higher chance of being taken into account when making orders regarding the division of the couple's property.

## CONTROL

A concern of many clients is that if their minor children were to receive their assets upon their death, the child(ren) may not make the best financial decisions in regards to their inheritance. Similar concerns may arise when dealing with special needs beneficiaries, e.g. beneficiaries with mental disabilities or gambling, drug or alcohol dependency issues.

A testamentary trust can provide a control mechanism to alleviate this concern, as it allows clients to elect a specific age for the child(ren) to access the capital (e.g. age 30) and/or take control of the trust.

A nomination to the estate would need to be in place in respect of the super death benefits and the will updated to create a testamentary trust upon death to facilitate this.

## SOCIAL SECURITY

### Grandfathering of account based pensions

While a detailed discussion is outside the scope of this article, it may be advantageous from a social security perspective for an eligible beneficiary to receive a death benefit income stream as an automatic reversionary beneficiary.

### Means testing for social security payments

For a beneficiary who is a recipient of a means tested social security entitlement (such as Age Pension), a lump sum inheritance received either directly from a super fund or via the estate will generally be exempt under the income test.

However, the continuing asset and income test treatment will be determined by how the beneficiary makes use of the proceeds. For example, where the beneficiary invests the funds in a share portfolio, the value will be assessed as an asset and deemed.

In comparison, the treatment may differ if the recipient is a beneficiary of a testamentary trust. The assets and income at the trust level are 'attributed' to the surviving spouse of the deceased, where the spouse is a:



- trustee and/or appointor of the trust; or
- beneficiary of the trust and an associate (e.g. adult child) is a trustee and/or appointor.

Non-spouse beneficiaries are generally assessed under the standard attribution rules. Broadly, if they are deemed to control the trust, the assets and income of the trust are 'attributed' to the beneficiary. Beneficiaries who are not deemed controllers will simply have the actual distribution from the trust assessed as income for 12 months from the date of the resolution to distribute.

For eligible beneficiaries with a severe disability, a special disability trust set up through the will with estate assets may be social security-friendly. Specifically, an assets test exemption of up to \$657,250 (indexed) is available to the beneficiary in respect of trust assets, and income generated by the trust's investments is also exempt from means testing.

Accordingly, correctly structuring a gift using a testamentary trust may represent an opportunity for the beneficiary to maximise their social security entitlement.

## COST

While there may be clear benefits of directing super death benefits to a testamentary trust via the estate, the costs must also be considered. Setting up, maintaining and managing a testamentary trust can be expensive. Further, costs to maintain the trust increase significantly where a professional trustee is involved.

## SUMMARY

When it comes to the payment of super death benefits, there is no 'one-size-fits-all' solution. Analysis of a number of factors is required on a case-by-case basis to determine the optimal course of action.

*Mindy Ding,  
Technical Consultant, AMP*

## QUESTIONS

To answer the following questions, go to the CPD tab at [moneyandlife.com.au/professionals](http://moneyandlife.com.au/professionals)

**1 Jackson, age 32, is single and does not have any children. He wishes to leave his super death benefits to his parents who reside overseas and are not financially dependent on him. Which of the following statements is correct?**

- Jackson should nominate his parents directly and the super fund trustee will be bound to pay as per this nomination.
- Jackson should nominate the LPR and make the necessary arrangements in his will to direct the payment to his parents.
- Jackson's parents cannot receive his death benefits at all, as they are not financially dependent on him.
- None of the above.

**2 Which of the following is not a risk of making a death benefit nomination to the LPR, rather than an eligible dependant directly?**

- Super death benefits may be available to bankruptcy trustees if the beneficiary is undergoing bankruptcy at that time.
- Super death benefits will form part of estate assets and may be subject to a challenge to the will.
- Receiving a death benefit through the estate generally takes longer than directly from the super fund via a binding nomination.
- Super death benefits cannot be dealt with via the will.

**3 Which of the following statements is false?**

- Super death benefits received by a tax dependant are tax-free regardless of whether the payment is received directly from the super fund or as a distribution from the estate.
- Super death benefits are likely to be received sooner when paid

direct from the fund than via an estate.

- A super death benefit received directly by a non-tax dependant may impact the person's entitlement to family payments from Centrelink.
- Super death benefits received directly by a beneficiary is a fully protected asset that can never be subject to splitting in the event of a relationship breakdown.

**4 Tony nominates the LPR of his estate to receive his death benefit from super. From the estate, the death benefit (\$1.2 million) is paid into a discretionary testamentary trust. Tony's two adult children, Lisa and Andy, are the trustees of the trust. Lisa, Andy, their respective families and Tony's third child, Michael, are beneficiaries of the trust.**

**Which of the following statements is correct in respect of the impact of this strategy on Michael's Disability Support Pension?**

- Michael is likely to be assessed on his share of the trust assets (e.g. \$400,000).
- As Michael is not a controller of the trust assets, he is likely to only be assessed on the actual income distributed to him from the trust.
- If Michael meets the definition of 'severe disability', this trust may be classed as a Special Disability Trust.
- All of the above comments are correct.

**5 Following the death of an individual, assets held in superannuation will automatically be dealt with under the terms of their will.**

- True.
- False.



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# RISK PROFILING QUESTIONNAIRES:

*They're more difficult than you think*



An article published in the *Financial Planning Research Journal* - Volume 4, Issue 1 - by **Professor Stephen Moore** discusses the importance of the use of language in an investment risk profile questionnaire.

Being sensitive to the role of language in professional/client interactions is an integral part of maintaining high ethical standards in any profession.

In financial planning, investment risk profiling has received considerable attention from the Financial Ombudsman for being an ethically challenging activity. It typically involves the use of a questionnaire, and this article sheds light on the language used in one such risk profile.

The clients in the study were referrals by an Australian super fund to its contracted financial planning firm. Five authentic 'one-issue' telephone-based consultations were analysed by the researcher using applied linguistic theory to investigate communication task difficulty.

The theory proposes three key factors as contributing most to communication task difficulty:

1. Language code complexity (i.e. concerned with vocabulary difficulty and range, and grammar);
2. Cognitive complexity of task, affected by cognitive processing and cognitive familiarity; and
3. Communicative stress, including time pressure and the control a person exercises over completing a task.

Let me briefly explore these three factors.

The use of financial jargon is unavoidable in financial planning consultations, and planners should be armed with simple but clear explanations for key terms, such as 'debt assets'. They should also be

mindful of using expressions which may be interchangeable for them but which may not be recognised as such by the client.

Although English grammar is the same whether it is spoken or written, the patterns of spoken and written



*Cognitive familiarity contributes to making 'thinking tasks' easier.*

English are distinctive, and this can be consequential where written documents are read aloud by planners. Written English tends to be much denser in meanings packed into sentences than is normally the case in spoken English, so it requires more effort and cognitive processing by listeners to properly understand. For example, compare these two statements, written and spoken, respectively:

- *Investing requires choices about the level of return relative to risks.*
- *When you buy investments, you need to make choices about whether you are comfortable to take higher risks for higher returns.*

The first statement is from the risk profiling instrument; the second is the equivalent information 'unpacked' into a more commonly used spoken English form.

In the former, the agent responsible for the action is hidden; in the latter, the agent (you) is made explicit and is, therefore, easier to understand.

Cognitive processing is more difficult when questionnaire stems and/or their various options are excessively long, as this places great demands on a client's short-term memory. Cognitive familiarity contributes to making 'thinking tasks' easier.

In financial planning consultations, clients often have to think about money and risks in unfamiliar ways. This leads to greater communication difficulty and can interfere with making the best decisions.

Communicative stress also contributes to making risk profiling a challenging task for clients.

They may feel under time pressure to make complex decisions quickly; they may feel stressed by the potential high-stakes nature of their decisions; and they may feel marginalised by a lack of control over the whole procedure that determines their appetite for risk.

The full study provides recommendations for financial planning service providers and planners on how to adjust their professional practices to mitigate some of these communication task difficulties for the benefit of their clients.

*Professor Stephen Moore is a professor of linguistics at Macquarie University.*

*This report was published in the 'Financial Planning Research Journal' (Vol 4, Issue 1, 2018). To read the report in full, go to: [fpa.com.au/education/financial-planning-research-journal/](http://fpa.com.au/education/financial-planning-research-journal/)*

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