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MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS

The weight of servicing clients

STEWART BELL AND THE VALUE OF ADVICE

Jason Andriessen CFP®

GETTING A GRIP ON BEHAVIOURAL ANALYTICS

+ ALSO: PLATFORM TRENDS | HEALTH AND WELLNESS | FUTURE PROOFING YOUR BUSINESS
SUPER PLANNING CONSIDERATIONS | ETHICS EDUCATION IN FINANCIAL PLANNING COURSES

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

Contents.

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TRANSFORMATION OF OUR PROFESSION

So far, 2018 has been marked by upheaval, uncertainty and the inevitability of change.

We're currently in the midst of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. At the same time, the proposed framework for the education and professional standards for our profession is under consultation. I acknowledge and appreciate the pressure that many of you are under.

I'm also heartened by the strong support of FPA members who have taken the time to complete our recent questionnaire to help us better understand your views on the proposed education standards and code of ethics. We value your contribution and this will help us shape the FPA's response to the Financial Adviser Standards and Ethics Authority (FASEA) on these topics.

Of course, it's important to remember the broader vision of why all this scrutiny and transformation is vital for the relevance of our profession and the service that we provide to Australians to improve their financial futures. It's the change we need to continue to make our profession great.

THE BUSINESS ISSUE

In this issue of *Money & Life* Professionals magazine, we shift our focus on financial advice businesses, including the challenges of servicing clients, keeping staff happy, managing compliance and operating efficiently. You can read about ways that behavioural analytics, fintech solutions and a focus on personal wellbeing can take your practice management to the next level.

FPA ROADSHOW

Our National Roadshow is now underway and I strongly encourage you to join us at this event happening in your local area. This is an important opportunity to gather with your peers and hear the latest on the FASEA proposals.

If you haven't yet registered, head to fpa.com.au/roadshow to register.

CONSUMER AD CAMPAIGN

Our CFP® consumer advertising campaign is currently in full swing. The ads demonstrate how a CFP professional can help everyday Australians achieve a better financial future.

Our ads are running across outdoor locations, including bus shelters, and in major metropolitan and regional shopping centres.

Also, sophisticated digital advertising means our ads will be seen in areas where CFP® professionals are directly located. The latest technology allows us to reach our audience in a highly targeted way, with ads appearing on premium, highly frequented websites. You can find out more about the campaign on Advertising HQ at fpa.com.au.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10


IN YOUR CLIENTS' MOMENT OF NEED, WE'RE HERE.
In 2017 alone, we paid over $1.3 billion in claims. That's over $5 million every working day.
Because we're here for your clients when they need it.
ADV3997_A4 04/2018

News

ASIC RELEASES INDICATIVE LEVIES FOR 2017–2018

New funding arrangements for ASIC came into law on 1 July 2017, with all organisations regulated by ASIC required to contribute towards the regulator's costs incurred in the previous financial year.

Some organisations will be required to pay a flat levy, with the cost of regulating a subsector shared equally among the entities operating in that subsector, while others will pay a graduated levy, with the entity's size or level of business activity determining their share of costs.

The indicative levies currently used by ASIC are estimates only, and the amounts are likely to change when ASIC's actual regulatory costs are known in November this year. For example, in the 'financial advice sector', ASIC's current indicative levies for 2017-18 are outlined in Table 1 below.

Note: Between July and September 2018, all organisations that ASIC regulates must log on to a new online ASIC portal to submit or validate their business activity metrics.

In June, ASIC will send a letter to the person listed as its contact for each organisation. This letter will contain a unique security key for the portal and detailed information on the process.

ASIC will use the information in these submissions to calculate final invoices, and in future years, generate estimated levy amounts for the entire regulated population.

ASIC will publish its actual regulatory costs in November, along with population and business activity metric data provided by the industry, which will enable entities to better estimate their individual levy.

This data requirement will enable ASIC to calculate each entity's share of the 2017-18 regulatory costs. Final invoices for the 2017-18 financial year will be issued by ASIC in January 2019.

PERSONAL ADVICE MODEL

The final model for licensees providing tier 1 personal financial advice (section 43) includes a fixed levy component plus a graduated levy component using the following formula:

MINIMUM LEVY COMPONENT
+
GRADUATED LEVY COMPONENT

The minimum levy component is $1,500. You must add to this amount the graduated levy component based on the following formula:

[ASIC'S SUB-SECTOR REGULATORY COSTS
−
(MINIMUM LEVY COMPONENT OF $1,500 X NUMBER OF LICENSEES)]

X

[(NO. OF ADVISERS OF LICENSEE X NO. OF DAYS TIER 1 PERSONAL ADVICE LICENCE AUTHORISATION HELD)
/
(TOTAL NUMBER OF ADVISERS ON FAR X 365 DAYS)]

OTHER LEVIES MAY APPLY

It is important to remember that the application of each levy is determined by the authorisations held on your licence and the definition of each section within the regulations. So, in addition to the personal advice levy, you may also incur other levies.

For more information, visit asic.gov.au.

Table 1

Subsector	Levy metric and description	Indicative minimum levy/flat levy	Indicative graduated levy
Licensees that provide personal advice to retail clients on relevant financial products	Adjusted number of advisers on the financial advisers' register	$1,500	No threshold. Data not available to estimate indicative levies
Licensees that provide personal advice to retail clients on products that are not relevant financial products	Number of days authorised	$719	n/a
Licensees that provide general advice only	Flat levy	$2,058	n/a
Licensees that provide personal advice to wholesale clients only	Flat levy	$596	n/a

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

NSW

Alexander Galvin CFP®
Centric Wealth

VIC

Leigh Fernando CFP®
Blue Rock Private Wealth

NATIONAL ROADSHOW ROLLS INTO 2nd month

The 2018 FPA National Roadshow is now in its second month, with the FPA recording good attendance number at the six presentations in April.

Over the next two months, the roadshow will visit 27 locations, finishing on 15 June at the Wide Bay and Newcastle Chapters.

The roadshow features important updates on:

- **Understanding the proposed FASEA education and professional standards;**
- **The latest Government and regulatory policy updates; and**
- **How to enhance client experience and strengthen client relationships with best practice guidance, including case studies.**

"We know there's a lot of confusion among existing financial planners about how exactly the proposed FASEA standards will affect them. The annual FPA National Roadshow is an important opportunity for financial planners to unite across the profession and discuss what all the changes will mean," said FPA chief executive officer, Dante De Gori CFP®.

"I encourage FPA members to share their concerns, so we can address the issues and build a solid position to respond to FASEA in an appropriate and meaningful way. Our aim is always to support FPA members to meet their education and professional obligations and this will be a focus of our discussion at the roadshow."

As the official partner of this year's roadshow, Perennial Value Management will share insights on how passive and active management can co-exist in a client's portfolio.

Attendees will earn two CPD hours and each session will include Q&A time.

Attending the roadshow is open to FPA members and non-members, and is free to attend. To register, visit: fpa.com.au/roadshow.

SAVE THE DATE

Tuesday 1 May
Mid-North Coast (Port Macquarie) – 12pm-2pm

Wednesday 2 May
Far North Coast – 7:30am-9:30am
New England – 12pm-2pm

Thursday 3 May
Gold Coast – 12pm-2pm

Friday 4 May
Toowoomba/Darling Downs – 7:30am-9:30am

Monday 14 May
Western Division (Dubbo) – 12pm-3:15pm

Tuesday 15 May
Western Division (Orange) – 9:30am-12:30pm

Wednesday 16 May
Western Australia – 7:30am-9:30am

Thursday 17 May
Northern Territory – 7:30am-9:30am
South Australia – 12pm-2pm

Friday 18 May
Sunraysia – 12pm-2pm

Tuesday 22 May
Brisbane – 12pm-2pm

Wednesday 23 May
Melbourne – 12pm-2pm

Friday 25 May
Cairns – 12pm-2pm

Monday 28 May
Tasmania (Hobart) – 12pm-2pm
Tasmania (Launceston) – 12pm-2pm

Wednesday 30 May
Sunshine Coast – 12pm-2pm

Thursday 31 May
Wollongong – 12pm-2pm

Friday 1 June
ACT – 12pm-2pm

Tuesday 5 June
Riverina – 12pm-2pm

Wednesday 6 June
Albury Wodonga – 12pm-2pm

Thursday 7 June
Goulburn Valley – 12pm-2pm

Wednesday 13 June
Sydney – 12pm-2pm
Townsville – 12pm-2pm

Thursday 14 June
Mackay – 7:30am-9:30am

Friday 15 June
Newcastle – 12pm-2pm
Wide Bay – 7:30am-9:30am

** Breakfast or lunch is included. Registration is approximately 15 minutes before the start time.*

The 2018 National Roadshow is an important opportunity for FPA members to voice their concerns about the FASEA proposals, which will assist the FPA in building a solid position in which to respond to FASEA.

News

MANAGED ACCOUNT FUM UP 19%

Funds under management (FUM) in Australian managed accounts now stand at $57.05 billion – an 18.9 per cent increase in the six months to 31 December 2017. And for the 12 months 'year on year' period, this represents an annual growth rate of 45 per cent or $17.87 billion.

Commenting on the findings of the IMAP/Milliman Managed Accounts FUM Census, the Institute of Managed Account Professionals (IMAP) Chair, Toby Potter said $1.7 billion of this increase had come from companies that had been added to the six-monthly census, but over half of the increase was organic growth.

"This is because advisers are increasingly viewing managed accounts as their preferred service model for a certain client segment," Potter said.

The Managed Account FUM Census is a bi-annual study of the FUM invested through the main forms of managed accounts, including SMA, MDA and IDPS-like services. The survey is conducted by IMAP in conjunction with global actuarial firm, Milliman.

In addressing the results, Milliman (Australia) practice leader, Wade Matterson estimated that 41 per cent ($4 billion) of the FUM increase could be attributed to very buoyant investment markets, with the value of the ASX/S&P 200 Accumulation Index increasing by 8.37 per cent over the six month period.

"This compares with a 1 per cent or $0.39 billion market growth factor in the previous six months," Matterson said.

Potter believed that $3.37 billion of the increase in FUM was due to inflows of new funds from existing participants growing their managed account business, compared with $4.4 billion in the previous six month period.

"This gives us a total figure for the past 12 months of $7.88 billion in new fund inflows for 2017," Potter said.

A total of 42 companies participated in the December 2017 Managed Accounts FUM Census, ranging from the very large (major platforms and banks) and MDA providers, to individual licensees.

Wade Matterson

Managed Account FUM - 31 December 2017

Managed Account category	31 Dec 2017 ($ billions)	30 June 2017 ($ billions)	Increase/ Decrease ($ billions) Jun to Dec 2017	Increase/ Decrease (%) Jun to Dec 2017
SMA/MIS	$17.04	$13.90	$3.14	22.59%
MDA services	$25.47	$23.37	$2.10	8.09%
Other services	$14.54	$10.70	$3.84	35.88%
Total	**$57.05 billion**	**$47.97 billion**	**$9.08 bil. increase**	**18.93%**

Source: IMAP/Milliman Managed Accounts FUM Census - 31 December 2017

TIME RUNNING OUT **FOR FASEA FEEDBACK**

Neil Kendall

The consultation period on the Financial Adviser Standards and Ethics Authority's (FASEA) new guidance on proposed education standards and Code of Ethics for planners is coming to an end, with consultation on the Code of Ethics closing on 1 June 2018 and consultation on the proposed education standards closing on 29 June 2018.

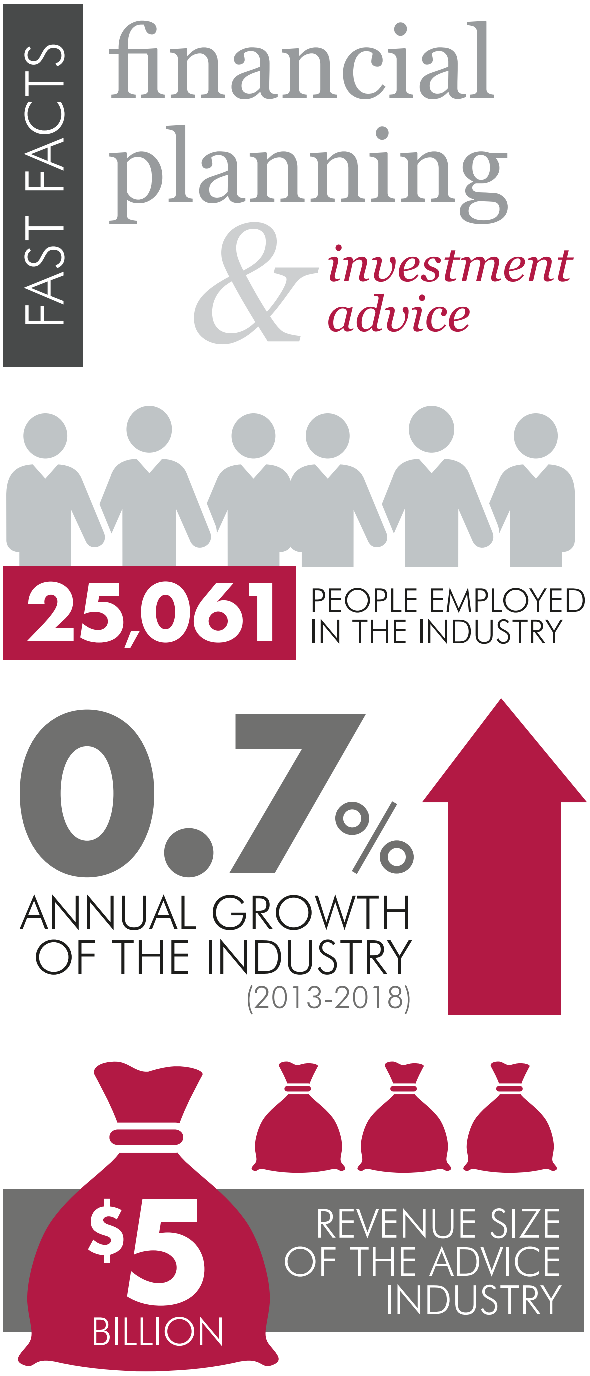
With consultation closing soon, FPA chair Neil Kendall CFP® is urging all FPA members to respond to the FPA's online questionnaire, to enable the FPA to gather valuable feedback on the potential impact of the proposals.

"We believe FASEA's latest proposal does not give sufficient recognition to financial planners who have completed a degree and undertaken additional studies in financial planning," Kendall said. "Failure to recognise study completed by existing financial planners is likely to reduce the availability of planners and drive up costs for consumers.

"The active participation of our members in the consultation period is important, so they can be heard. We would expect all members have now had the opportunity to review the latest FASEA announcement, and we strongly encourage them to take the time to complete the questionnaire."

Kendall confirmed that member feedback was crucial in helping the FPA formulate its response to the FASEA proposals.

Members can contact the FPA concerning the FASEA proposals at: FASEA.feedback@fpa.com.au



Source: IBISWorld Financial Planning and Investment Advice – Australia Market Research Report, January 2018.

OUT AND ABOUT

A snapshot of FPA members

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

1: Presenting Nathan Stirling from Kids off the Kerb with an $8,000 Future2 grant is FPA endorsing member Troy Rosenlis AFP® (left) and FPA Melbourne Chapter Chair, Julian Place CFP® (right).

2: Western Australia Chapter regional members enjoying an event together.

3: FPA Melbourne Chapter Chair, Julian Place CFP® presenting Nick Pearce from HoMie and Homeless of Melbourne with a Future2 grant cheque.

and guests enjoying some recent Chapter events.

4: Future2 grant endorser, Lisa Farnell CFP® is with Amanda Brunelli of Short Term Accommodation for Youth (STAY) and Western Australia Chapter Chair, Fran Hughes CFP®.

5: Attending a recent South East Melbourne Chapter breakfast were (L to R): David Jennings AFP®, Andrew Bragg (Cryptotax) and Chapter Chair, Scott Brouwer CFP®.

6: 2017 Future2 grant recipient – Short Term Accommodation for Youth (STAY). (L to R): Heather Stewart (STAY), Future2 grant endorser Lisa Farnell CFP®, Emma Cook (Magellan), Amanda Brunelli (STAY) and Western Australia Chapter Chair, Fran Hughes CFP®.

OPINION CORNER

UNEXPECTED LESSONS

Question: What has been the best 'unexpected' business tip or advice you've received that has helped you professionally?

Tony Sandercock CFP®

Owner and Financial Adviser, wetalkmoney

Licensee: AspectFP Dealer Services

You don't expect to get business tips from your 80-year-old clients, but it's this type of feedback that has transformed my client engagement model.

Here's an example.

After reading a blog we did around estate planning and the challenges of sustaining wealth with a generational focus, an elderly client rang me and said: "Tony, my son should be reading this, not me!"

So, we agreed to invite her son to our next catch-up.

It was such a positive meeting for all involved, that we now include, as part of our estate and generational planning review, an educational mandate to teach the trustees, beneficiaries and children (and perhaps grandchildren) of clients about their potential responsibilities, stewardship and the importance of managing their own affairs.

This means they participate in that review – it's a great outcome for clients, which also happens to be the ideal way of introducing the next generation of clients to our business.

It's this feedback from clients, the questions they ask and the topics they want to know more about, that has done more to mould me professionally than any other source.

I suppose that shouldn't be so 'unexpected'.

Cameron McLean AFP®

Acumen Wealth Management

Licensee: Futuro Financial Services

When I initially started out in financial planning, it seemed like the right thing to do was to get in front of as many people as possible and convince them that I was the best person to deal with.

However, the first time I was told to start saying 'no' to people, it made a huge difference.

After spending so much time trying to chase business, I was forced to focus on looking for my ideal client.

This decision freed me up to take control of what to spend my time on and who I should work with.

As a financial planner, I can't help everyone and there needs to be a point where you have to realise this.

I have always felt that that a major benefit of being a planner is that I get to choose who I work with. By trying to help everyone, you end up helping no one.

By focusing your time on the right people and the right issues, those who you take on as clients will experience greater benefit from you.

In business, it's important to make a profit and when we have the time to make sure our clients know they are valued by us, they are more than happy for us to profit.

Question: What has been the best 'unexpected' business tip or advice you've received that has helped you professionally?

Laura Menschik CFP®

Director, WLM Financial

Licensee: WLM Financial Services

The best tip I ever got was from a BDM in 2012, to read one of their articles: 'Why SAA (Strategic Asset Allocation) is Flawed.'

I did take the time to read it, and it fundamentally changed the way I think about managing my clients' investments. It was a real 'light bulb' moment for me. The article emphasised the rate of failure and the impact that SAA had on clients – not to mention the business risk/turnover that implies.

I was aghast to think that what I thought was the right thing to do could possibly not be.

It led us, at WLM, to have a serious period of reflection on what we were doing for our clients and whether we could do it better.

Fortunately, we found what we think is a much better portfolio management solution for clients: Goals Based Investing.

It ticked all the boxes:

- It matched up to what clients wanted (and expected);
- Clients all intuitively understood it and why they were investing (whereas they didn't 'get' risk profiling);
- It delivered on their number one priority – 'don't lose my money' – through its focus on capital protection; and
- It was forward looking and provided the capacity to be more dynamic in an increasingly complex world.

Basically, it was everything the clients wanted and really helped us build the bridge between our strategic advice, which is our main focus, and the investments that specifically met their needs.

As a result, clients are happier and we're happier.

Lisa Palmer CFP®

Head of Financial Planning, Statewide Super

Licensee: Statewide Superannuation

It wasn't so much an unexpected business tip, but more of an unexpected 'reset' at a low point of my professional career.

It was early 2009, during the worst of the market decline of the GFC. I was feeling personally responsible for the erosion of my clients' portfolios, despite working hard to shore up their financial positions over the previous few years.

I was at a conference, but I had been distracted because I'd been responding to client emails and trying to take in what the outlook for the year ahead was. I was mentally exhausted and considered heading off early because I hadn't heard of the key speaker.

As I started packing up to leave, the keynote speaker, Peter Baines, started to share his story of helping the Thai people after the Boxing Day tsunami in 2004.

I had spent my honeymoon in Thailand, so this tragic event felt very personal to me. I was mesmerised by the passion with which he delivered his work and his message. The resounding message was: "If not now, then when? If not you, then who?"

Anyone who has heard Peter speak will be able to recite this quote... not because he repeats it over and over, but because it resonates with many.

I've seen many motivational speakers in my career, but something struck a nerve that day and I've been guided by it both personally and professionally ever since.

Not only did it see me become involved with Peter's charity – Hands Across the Water – but I was also able to better articulate the purpose of my work with my clients.

Drawing empathy, humanising the financial planning process and being present for them is something I took in on that day, and it has become a guiding principle in my work and life ever since.

Question: What has been the best 'unexpected' business tip or advice you've received that has helped you professionally?

Kim Betts CFP®

Financial Planner, Cooper Wealth Management
Licensee: Cooper Wealth Management

The best 'unexpected' business tip or piece of advice that I have received that has helped me throughout my career was from my first senior adviser.

He advised me that: 'The product or investment should be the last consideration for a client and it's all about the strategy.'

This piece of advice has provided me with the knowledge that my role as a financial adviser is and has always been about the building of relationships with clients. It is not about a quick sale or the product.

Not only has this piece of advice kept me focused on what I am trying to do, but also it has provided me with life-long clients who have followed me from one employer to the next.

The beauty of this building of the relationship is not only does my client base remain loyal to me, but they also provide me with regular referrals from other people needing advice.

And once you are focused on a strategy and what you are aiming to achieve for the client, then what happens in the markets is not such a big focus. They understand fully what you are hoping to achieve for them and they are focused on the strategy, not the underlying investments.

This piece of advice has also helped me decide where I would like to take the direction of my career and has seen me move more into aged care, after many years as an adviser specialising in retirement planning and Centrelink.

Michael Hayward CFP®

Private Client Adviser, Capital Partners
Licensee: Capital Partners Private Wealth Advisers

The best unexpected business advice I've received during my professional career has been to 'constantly look at ways of making your current role redundant'.

A scary prospect, right? But the premise is brilliant.

By making your current role and those associated tasks redundant, it means you're then freed up with time; time to spend on more productive work that is probably more challenging and most likely, more rewarding.

But this benefit is not yours alone to enjoy.

As your role has now been made 'redundant', it means someone else in the team is now in charge of those tasks. Someone else is being challenged with something new to learn, something that will drive them to be better and accelerate their career.

If everyone in the organisation thought and acted in this way, working and learning together as a team, imagine the leverage in ability this would build over time. It would provide the greatest probability of long-term success and great client outcomes.

One of the ways of making your role redundant might also be to find a more efficient way of completing the work. Perhaps using technology, perhaps evaluating whether that individual task really adds value to the client.

I've been reminded of this concept every year over the past 13 years. Whilst it was certainly unexpected at first, it now forms a part of my thinking every day.

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

Email *fpmag@colloquial.com* to register your interest.


Insight

THE WEIGHT OF SERVICING CLIENTS

The value of your advice can't be measured in hours, and neither can your service offering, writes **Stewart Bell.**

Most advice firms only address 50 per cent of the equation when it comes to business improvement.

You know the conversation we have each year. It goes something like this...

"What do you want to achieve this year?" ...and it stops.

There's a second vital part many miss.

"...and what's likely to stop us from achieving it?"

In our Leveraged Advice Firm coaching program, this is the 'outcomes' and 'constraints' part of the planning process.

For many advisers right now, it's the inability to clear the decks of the obstacles that stand in the way, stopping them from making business improvements and enhancements.

- Lack of time.
- Lack of support.
- Unable to get the technology right.
- Not having enough leads.

As the saying goes, it's easy to forget you meant to drain the swamp when you're knee-deep fighting alligators.

Within our program, we work with clients across three key business improvement 'pillars', underneath which nest nine core strategies for building an advisory business model that scales.

The key question is often; where do we start?

The answer is usually; by attacking the biggest issues that will stop progress.

DON'T GET TIED IN KNOTS

We also have a tool (one of many) called the Problem Protocol. It's a dynamic list of 106 of the most common issues constraining advice firms, linked to the solutions we coach to help get our new clients 'off the beach'.

I'd like to share a few and give you a sense of how to solve them. Here are four:

- My service offer isn't differentiated.
- I'm the centre of everything and it's killing me.
- Our servicing is so manual.
- I don't know what or how to charge, and I don't even know if I'm making a true profit on my ongoing.

In most cases, these tie back to one bigger question: How can you build a completely profitable (and compelling) ongoing service offering that doesn't tie you in knots?

First though, let me share the most common constraints firms fall prey to.

They bring on board a bunch of clients and create a service offer. In the desire to add value, they add in 'stuff'. Reviews, reports, events, newsletters, things only advisers would know about and 'stuff' that no-one really wants, but goes in anyway.

In the face of this stacked offer, some clients love it. Others don't get it, but they like what you do. Some give pushback on fees.

Meanwhile, as the challenges of tech, legislation and communication in a digital world grow, you get busier and busier, whilst the difference between the revenue received and the cost to deliver slowly converges over time.

Most want the opposite; a lean and tight service offer, price points at all the right levels, a model that can manage more clients as you grow and is profitable at each service level.

It's not too much to ask, is it?

No, but there are three key things you need to know to get it.

1 85% OF THE MARKET ARE NON-DELEGATORS

We've all heard the statistic; only 15 per cent of Australians get advice.

The reason is the other 85 per cent aren't ready to hand it all over to someone else to do. They either want help with some of it and the ability to get guidance (validators), or they want to drive it themselves but have the ability to access expert help when it's needed (self-directed).

So, essentially we're only getting one part of the market. The offer isn't working for the other two. If you're reading this, thinking, 'I don't care. I only want delegators', that's fine, but ask

Continued overleaf

the fee. Then I explain that this isn't for the client.

Maybe it's FDS that's caused it, but over the last few years, many advisers have become focused on the 'how' part of their offer. It's almost like because that's what has to go into the envelope on the mandated template, that's all you do.

But it's not. Your service offer is so much more than that.

It's the framework you provide for making sure people take charge of their money and stay in charge.

It's the watchful eye you keep over legislative changes, economic shifts and the ongoing desire of political classes to pull levers at will with no idea what they do.

It's being on the end of a phone or email to talk a client down from investing it all into Bitcoin, or dropping everything into cash because their first year in retirement produced negative capital returns.

yourself this: How does someone become a delegator?

Usually they transition from self-directed (or head in the sand), to wanting someone to do part of it, eventually realising it's worth the investment to get an expert to do it all.

Robo-advice offerings know this, and they're seeking to reduce the entry point for younger or less affluent clients today, to reap the benefits tomorrow. They're damming the river at the source.

What if you could have an offer to capture that lower price point? I know what would need to change!

2 PERSONAL ATTENTION DOESN'T MEAN CLIENTS GET YOU

We can add in technology to make things faster, but the biggest cost in your business processes is you – the senior adviser.

Each time you pick up the phone, send that email, replace the copier cartridge – costs add up. The amount you need to charge the client to cover the costs of your business, and the lost opportunity cost because you're not working on the big rocks, all adds up.

Any person starting a business intending to be able to step away over time, must confront the reality they can't be the main point of contact forever.

As sure as Richard Branson won't serve drinks on the next Virgin Sydney to Melbourne flyer, you need to sell clients on the idea they're not buying your expertise. Instead, they're buying a business-enabled system designed to help them achieve financial freedom.

You're still there in the background, making sure it all goes to plan. It's just that you're the fleet commander, instead of the one driving the ship.

3 ACTIVITY ISN'T VALUE

This final point is key.

When I do a 90-minute fee model build with new clients, it produces a table outlining services offered, annual frequency and, at the bottom,

It's helping clients change behaviours and keep paying for things they'll only care about when they need it and realise it's there.

It's opening the doors, paying the staff, working weekends, and caring about your clients' future more than they do sometimes.

ADVICE CAN'T BE MEASURED IN HOURS

According to the science around the weight of electrons, the internet weighs 50 grams. It's hard to think of something so transformational, on so many levels (good and bad), weighing so little.

Can you imagine if we only valued things based on their weight?

The value of your advice can't be measured in hours, and neither can your service offering.

Stewart Bell is business coach and founder at Audere Coaching & Consulting.

4 KEYS TO SWITCHING ADVICE

Switching advice needs to leave the client in a better financial position, and it must take into account, and be appropriate to, their individual situation and objectives, writes **Louise Macaulay**.

Every year, the Australian Securities and Investments Commission (ASIC) completes a large number of advice file reviews, looking at the quality of financial advice that is being provided to consumers.

One common type of advice is a recommendation that the client replace their existing financial products with new ones (switching advice). But all too often, ASIC finds that the file doesn't demonstrate why this is appropriate advice.

ASIC has worked on a range of projects looking at quality of advice in the last few years, and many of the results have not been encouraging. Drawing examples from some of our biggest reviews and surveillances, the recent vertical integration and conflict of interest report (REP 562) found that 75 per cent of the advice did not demonstrate compliance.

ASIC's advice compliance report (REP 515) has, thus far, led to more than $50 million in compensation, and 45 people have been banned from providing financial advice through our Wealth Management Project.

ASIC is working hard to assist the industry to improve the quality of advice that consumers are receiving, and switching advice is an area that the financial advice industry can easily improve on.

Switching advice needs to leave the client in a better financial position, and it must take into account, and be appropriate to, their individual situation and objectives.

If an adviser provides a client with switching advice, they must clearly articulate and provide genuine reasons why moving to the recommended product will leave the client in a better position, taking into account the existing product's characteristics and costs.

The following four areas are key to keep-in-mind when providing switching advice.

1. IMPROVES THE FINANCIAL SITUATION

ASIC frequently sees advice that recommends a new product which does not improve the client's overall position — keeping in mind that switching advice must improve, and not simply maintain, the client's position. Any switching advice you provide should be able to demonstrate that the client will be in a better position overall, and that any higher fees will be offset by improved benefits that the client requires.

2. RELEVANT TO CIRCUMSTANCES

ASIC sees a surprising number of files where an adviser has appropriately investigated the client's existing product, but has not then used this information in developing the advice. We also see a large number of files where switching advice is provided based on the theoretical benefits of a new product, such as a broader choice of investments, but the client's specific circumstances do not indicate that this benefit is required or appropriate.

Your advice must take into account the client's particular situation and objectives, and product comparisons must include this information, not simply the product description.

Louise Macaulay

3. INDIVIDUALISED ADVICE

Every person's advice should be specific and tailored to their personal situation and objectives. Situations where an adviser's client list are all receiving the same advice or are invested in the same product would raise red flags with ASIC. Make sure that your advice is individualised, tailored and specific to the client.

4. GOOD RECORD-KEEPING

A large number of advice files are assessed as being non-compliant due to poor record-keeping. If your record-keeping is so minimal that a file reviewer or ASIC can't tell whether you are meeting your obligations, then you are de facto not meeting them.

Comprehensive records protect you, protect your clients and are the hallmark of professional advice. Not only should the advice you give be logical, justified and appropriate to the circumstances, but you should be able to simply and easily demonstrate why.

Louise Macaulay is the Senior Executive Leader of the Financial Advisers team at ASIC.

Insight

PLATFORMS

TOP 5 TRENDS IN PLATFORMS

AMP's **John Keating** identifies the top five trends in platforms and discusses how these trends are impacting planners and their clients.

1 INVESTMENT CHOICE

Top of the list of major trends currently occurring in the platforms sector is 'choice', which is centred around platforms being able to provide the best range of investment solutions for planners and their clients. This includes platforms providing planners with a greater range of managers from which to choose, at competitive price points.

Under the banner of 'choice', AMP Head of Platform Development, John Keating also includes the availability of managed portfolios that are professionally run by research teams.

"We have recently launched 12 separately managed portfolios across our platforms that provide even greater choice for planners and their clients," Keating said. "The products provide planners and their clients with access to a diversified range of managed funds designed to meet specified investment objectives."

John Keating

Keating says the portfolios, which come in three investment categories – accumulation, income and objective-based – reflects a wider trend in the industry to provide planners and their clients with investment choice that is delivered seamlessly and efficiently.

"Clients benefit from professional investment management, the ability to track the performance of underlying assets and, importantly, the client owns each of the individual assets in the chosen managed portfolio," Keating says.

2 PLANNER EFFICIENCY

A continuing trend in the platforms sector is the delivery of greater efficiencies, enabling planners to spend more time focusing on client engagement.

Keating points to managed portfolios as being a good example of a platform enhancing its offering to provide greater efficiency for its users.

"For planners, we see the benefits around access to professional investment management. Through the ongoing and professional management of those portfolios, it provides greater overall efficiency for planners, enabling them to spend more time engaging with their clients around their goals and objectives."

Platforms are also focusing on addressing compliance and risk management issues for planners, while reporting tools are also becoming a mainstay of platform functionality, including tools that provide planners with a quick snapshot of their clients' holdings.

"These tools are providing planners with the ability to quickly see what the state of play is in terms of their platform business, funds under administration, their clients' product holdings, value, fee revenue and so forth," Keating says.

The third tenet of planner efficiency identified is the continued integration of the advice process on platforms.

"For example, how do you take what comes out of the advice process and advice documents, and push that into a new business application or transaction on platform? This type of functionality will really save time for planners and their staff in terms of re-keying information," Keating says.

Investment Trends senior analyst, King Loong Choi agrees, saying transactional efficiency continues to be a key focus for investment platforms, with platforms making headway on two main fronts – managed accounts and the ability to generate Records of Advice (ROAs) on platform.

"For years, financial planners have sought to achieve greater administration and transactional efficiencies in their practice, and in recent times, many have embraced managed accounts as a solution," says Choi. "Many platform providers have responded by broadening the accessibility and functionality of managed accounts to their users."

The Investment Trends *2017 Platform Benchmarking & Competitive Analysis Report* found that the main improvements related to a wider range of managed account structures, models and managers being made available, improvements to model manager portals, and an easier in-specie transfer process.

"In addition, platforms like HUB24, Netwealth and OneVue have recently introduced the ability for planners to generate ROAs on platform, creating even greater efficiencies in the advice delivery process," Choi says.

"In fact, Investment Trends' latest *Planner Technology Report* shows that planners want the next generation of platforms to play a greater role in advice delivery, and many leading platforms have risen to this challenge."

3 CONTROL AND FLEXIBILITY

According to Keating, control and flexibility on platforms is about enabling planners to manage their advice strategies in the way they want to. As an example, Keating refers to the model portfolio functionality AMP has on its platform that provides access to bulk trading, and allows planners to manage their own models, or the models they choose to use, across their client base.

And under this trend of control and flexibility, there is also a strong emphasis from platform providers to support the wide variety of planner business models operating in the marketplace.

"This is quite relevant where a practice might be operating under a Managed Discretionary Account type structure," Keating says. "And where planners are providing bespoke client solutions, platforms need to be able to support that as well."

Moving forward, I believe enhancing the overall client experience, particularly via digital offerings, is going to be critical for platforms.

— John Keating

4 CLIENT EXPERIENCE

Key to enhancing the client experience with platforms is the use of complementary 'digital' offerings, with three key trends emerging in relation to this. They are:

- allowing clients easy and timely access to their portfolio information;
- platforms providing users with choice on how they access that information, whether that is via the web, tablet or smartphone; and
- the need for platforms to link the information and insights they are sharing with users, back to their individual goals that their planner is helping them to achieve.

"Moving forward, I believe enhancing the overall client experience, particularly via digital offerings, is going to be critical for platforms," Keating says.

5 SCALE

From a platform provider's perspective, the fifth trend identified playing out in the platform space is the importance of scale, capital strength and strong governance.

And as technology continues to rapidly evolve, the importance of capital investment by platform providers, in terms of innovation

Continued overleaf

and development to stay ahead of the technology wave, is critically important.

Keating believes that platform providers that have access to capital for research and development, and complementary resources within the business, like access to business analytics, which are overlaid with strong governance practices and processes, are best placed for continued growth.

"Planners, their clients and the regulators demand rigorous governance standards, so strong governance practices and constructive relationships with the regulators will continue to be essential as platforms continue to evolve," he says.

AN EVER-EVOLVING LANDSCAPE

So, how will the platform sector evolve over the next 5-10 years?

Planner efficiency
Keating believes platforms will continue to remain highly relevant in the financial services sector, as platforms seek to deliver greater operating efficiencies for planners. This includes deep integration of advice processes and the advice experience, which will continue to figure largely in the evolutionary path of platforms.

"I expect platforms to remain an essential wealth management tool for planners and their clients," he says. "It's all about providing investment choice and flexibility. And also, continuing to deliver the basics well and at scale, like investment

> *Platforms are not immune from technology-driven disruption. We have to stay ahead of the technology wave.*
> *— John Keating*

administration, record-keeping and efficient methods of managing investment portfolios."

Technology and cyber fraud
Secondly, in terms of the evolution of platforms, the key theme here centres around technology and the pace of change happening within the sector. "Platforms are not immune from technology-driven disruption. We have to stay ahead of the technology wave," Keating says.

Some good examples of what the platform sector is already doing to respond to the challenges of technology disruption are the use of robotics and algorithmic intelligence, and the testing of chatbots in platform businesses.

However, Choi acknowledges that planners are increasingly concerned about the threat coming from cyber fraud and the risks this poses to platforms.

According to Investment Trends research, one-quarter of planners are aware of fellow planners who have received fraudulent client withdrawal requests in the last three years. However, Choi says many platforms are responding to this growing risk and have taken steps to boost their cyber security.

"Fraudulent client withdrawal requests is a key area where platforms have focused their cyber security efforts," Choi says. "While nearly all platforms currently send alerts to clients when a withdrawal request is made, or when their bank account details are updated, some platforms have taken security to the next level with client validation of withdrawal requests."

Choi adds that the option for client validation of withdrawals is highly sought after, with three in five planners seeking this feature from their platforms.

Platform consolidation
Keating predicts further consolidation of the platforms sector, with the issues of scale, operating cost efficiency and regulation all remaining high on the agenda.

"So, we are going to see platform providers moving faster around consolidation and simplifying their offerings to drive those scale and efficiency benefits," Keating says.

"But I remain of the view there will be fewer platforms available in the years ahead, and those that will be successful, will be the ones that are best able to integrate with the advice process and have strong distribution.

"It's my view that the platform providers that have a deep understanding of the advice process, the regulatory landscape and are nimble with technology to support planners, are the platforms that will ultimately be successful in this ever-evolving landscape."

ANALYTICS

BEHAVIOURAL ANALYTICS AT WORK

Getting a good grip on behavioural analytics can increase productivity and improve the service planners deliver to their clients, writes **Jason Andriessen CFP®**.

Imagine if you knew what your clients were going to do, before they really even knew it themselves. Armed with this knowledge you'd know how to communicate with them, what to say to them and when. You could offer them new services when they're most likely to seek them or deliver new insights to them when they're most likely to be listening.

In short order, you could significantly improve the efficiency and productivity of your business and, at the same time, the quality of the customer experience. That's the aim of behavioural analytics, and it's an approach to using customer data that's well suited to financial advice.

However, the trouble is, far too few people access quality financial advice.

According to CoreData Research, fewer than one-third of people have an active relationship with a financial planner. And this could be because planners aren't giving what clients want, when they want it, or in the way they want to receive it.

SOMETHING HAS TO CHANGE

There's a number of reasons people don't access advice. First, there are trust issues. Financial advice and product failures attract media attention, and the general public becomes wary of planners.

They're also frightened. Frightened of looking silly. Frightened of getting bad news. Frightened of being embarrassed about previous decisions.

They have regrets. Some people have done things that they shouldn't have, like invest in things that they didn't really fully understand. And most people know there are things they should have done but haven't, like save more or start investing sooner.

Most people don't think their financial circumstances warrant a financial plan. A financial plan is about portfolio construction, yield maximisation and tax structuring. They don't need all of that. Their situations aren't that complex.

The FPA's whitepaper, *Mapping Fintech to the Financial Planning Process — Why Fintech is Not a Threat*, reveals that clients just want someone to help them set achievable goals and create an action plan to achieve them.

But a significant reason more people don't seek advice is simply that most people believe it's just too expensive. According to research conducted by CoreData, around two in five super fund members are interested in receiving advice but are unwilling to pay for it. They just don't value it.

Good financial advice actually costs way more than nothing to prepare and deliver. The FPA's whitepaper estimates that a comprehensive planning assignment would take, on average, 26 hours of work, and cost in the range of $3,715 to $6,063.

So, in a world where customers are pricing financial advice at nil, something has to change.

INEFFICIENT PLANNING MODELS

The problem with the traditional financial planning model is that it doesn't meet the clients where they're at. And it's highly inefficient. The entire process of providing a comprehensive advice solution – from initial meeting to implementation – is likely to take months. Most financial planning firms have been slow to embrace new technologies for efficiency and to adapt to changing consumer behaviour. According to CoreData, just one in four planners use electronic tools in client meetings.

Too many planners are still performing their tasks like their parents did when financial planning evolved from stockbroking and the life insurance industries in the '80s and '90s.

Jason Andriessen CFP®

Financial planning advice is generally conducted face-to-face, but that's not what clients are asking for. Another study by CoreData tells us that while eight in 10 clients want to meet in person with a financial planner initially, once trust is established, the majority are happy to be serviced in other, more convenient ways.

So, if you haven't incorporated the digital channel into your service offer, you're frustrating your clients.

An engaging website with interesting content, including calculators and webinars, will allow your clients to learn and grow in confidence. They'll ask you better questions, so that your advice is more valuable.

And it's through the smart and effective use of data that planners can understand more about what clients need and when they're likely to need it.

BEHAVIOURAL ANALYTICS

Behavioural analytics is the repeated, methodical exploration of raw data to reveal insights into the behaviour of consumers by identifying patterns and correlations. A subset of business analytics, behavioural analysis focuses on using data to understanding how consumers act and why they act that way, which enables predictions to be made about how they are likely to act in the future.

Behavioural analysis takes a human view of data and enables service providers, like planners, to make the right offers to the right consumer segments at the right time. It should be a weapon in every planner's arsenal.

Data-driven behavioural analytics can improve efficiency of every client interaction, and is one of the few

Behavioural analysis takes a human view of data and enables service providers, like planners, to make the right offers to the right consumer segments at the right time. It should be a weapon in every adviser's arsenal.

remaining ways businesses can hope to achieve ongoing productivity gains and sustainable growth. Organisations use behavioural analytics to develop deeper knowledge of what customers want and need, to improve the customer experience.

Real-time understanding of how clients are likely to behave allows businesses to tailor products and services in a way previously unimaginable, and to meet consumers' increasing expectations of 'digital intimacy' in the relationship with service providers. They expect you to know what they want, when they want it, and for things to be easy.

Behavioural analytics work carried out by Janus Analytics has been shown to predict more than half of customer churn, and to predict it in time for businesses to act to prevent it. It has improved client acquisition by 25 per cent and increased cross-sell conversions by a factor of four. It has enabled businesses to move from a reactive footing in dealing with clients to getting on the front foot, bringing new products and services to their attention in a timely manner.

WHAT ARE YOU TRYING TO SOLVE?

Humankind has only ever developed technology to help tip the advantage our way. The very human traits of persistence, adaptability and the ability to form trusting relationships, ultimately win the day.

Technological efficiencies can help planners to focus on what truly makes them indispensable to clients and to remain adaptable to client needs, reducing the likelihood of future obsolescence. It's important to remember that at the end of the day, technology and data in isolation do not solve people problems, people do.

Businesses that have developed successful behavioural analytical solutions to improving client service have focused on a few key points.

1. They have done their homework
They understand the needs and objectives of their business, as well as its comparative advantages and limitations, and they have developed an analytics strategy to match. Before starting, it's clear what data they need to collect, and how best to collect it.

2. They never lose sight of the problem
You're ultimately aiming to solve people problems. A simple, commonsense solution, developed and implemented effectively, can be at least as effective as a seemingly elegant data solution. Pragmatic and practical business applications must firmly overlay any data-driven insights and proposed action.

3. They strive for improvement
Behavioural analytics is a living, breathing solution to lifting business performance and improving the customer experience, and it's not a one-time, set-and-forget proposition. A behavioural analytics solution evolves with a business and its clients.

Putting behavioural analytics to work effectively takes commitment and the right attitude. Former US Secretary of State and former Chairman of the Joint Chiefs of Staff, Colin Powell, once said there are no secrets to success.

"It is the result of preparation, hard work and learning from failure," he said. "Excellence is not an exception, it is a prevailing attitude."

Jason Andriessen CFP® is the managing director of CoreData.

DON'T SWEAT THE SMALL STUFF

Verona Ritossa AFP® made an undertaking two years ago to improve her business by improving her own wellbeing. **Jayson Forrest** reports.

Two years ago, Verona Ritossa AFP® struggled to walk a couple of kilometres along the beach. She freely admits to having been overweight and not as active as she would have liked to have been. If you has asked her then if she'd be tackling some of the world's most challenging hikes, she would have laughed you off.

Back then, Verona realised that her health and wellness were negatively affecting her – both personally and professionally.

So, she did something about it, by committing to a program of health improvement. It's been an undertaking that has not only improved her own physical and mental health, but has substantially improved the way she now runs her business and engages with clients – and all in just two years.

It's been a remarkable transformation for the 44-year-old sole practitioner of Adelaide-based planning practice, Search Planning.

In that time, Verona has tackled the Owen Stanley Range and countless ravines as she walked the Kokoda Trail. And last month, she trekked to Mt Everest Base Camp in Nepal.

But Verona is the first to admit she hasn't become a hard-core fitness junkie.

"As we get older, it's easy to put on a few extra kilos and fall into a more sedentary lifestyle. That's what happened to me. But I could see that my personal and professional life was suffering because of my unhealthy and inactive life choices. I realised that things had to change, and that meant improving my health and wellness, which has greatly benefited my business.

"Today, when I'm focused on my health and wellbeing it provides me with a clear headspace, which enables me to work at my peak," Verona says.

"I think the term 'work-life-balance' means something completely different for each person. But I think it's very important for practitioners to work out their own 'work-life-balance', to ensure they are actually spending time on themselves and not just on their business. If they get that balance right, then they, their clients and their business will be the better for it."

Verona Ritossa AFP®

Position:
Financial planner

Practice:
Search Planning

Licensee:
Charter Financial Planning

Years as a planner:
10 years

THE WAKE-UP CALL SHE NEEDED

Verona's journey to better health and wellness really began two years ago, when she opted-in to the AIA Vitality Executive Wellness Program – a 12 week behavioural coaching program to help financial planners improve their personal health and wellbeing, as well as the health of their business and their clients' wellbeing, through a lifestyle and wellbeing value proposition and advice offering.

The program featured a series of workshops, with topics covering personal effectiveness and productivity, business strategy and value, and client engagement solutions.

The program also taught Verona strategic leadership skills that enabled her to enhance the value of her business.

These included:

- how to make smarter choices about growth through better strategic conversations;
- how to recognise and play to strengths; and
- how to create innovation and new perspectives on current business challenges.

her with the ability to have deeper conversations with the clients of Search Planning.

"At the time of signing up to this program, I was overweight, inactive and I was struggling with my business. But by participating in the program, it really made me realise I had to do something to change the way I approached my business."

Two years on, it's this 'goals-based' approach to reaching personal targets that has helped Verona stay mentally and physically fit. Now, Verona hikes three times a week and regularly works out with her personal trainer, as well as hitting the gym.

"I dedicate time every day to fitness. This is 'my' time, where I take time out for myself," she says. "My fitness and wellbeing program provides me with the clear headspace I need to function at my peak within the business. It also gives me the opportunity to relax and de-stress from my busy life."

My fitness and wellbeing program provides me with the clear headspace I need to function at my peak within the business. It also gives me the opportunity to relax and destress from my busy life.

— Verona Ritossa

IT'S ALL ABOUT SUPPORT

Making a commitment to improved wellness doesn't have to be onerous. Verona made small changes over time, which has enabled her today to spend between 60 and 80 minutes each weekday working on her fitness regime, while on the weekend she sets aside 2-3 hours – something she wouldn't have considered previously.

Along with being guided through the process of designing her client segmentation model and developing an improved client value proposition, importantly, the program also showed Verona how to integrate a lifestyle and wellbeing framework into her service offering.

Having successfully completed the program, she is now an advocate, saying it helped her change her business and personal life for the better, including better equipping

Verona was particularly impressed by the wellbeing component of the program, which prompted a visit to her doctor for a health check. This proved to be one of those epiphany moments and was the wake-up call she needed.

"It was then that I made the decision to change my lifestyle, and improve my health and wellness. That's when I decided to walk the Kokoda Trail, with that trip being my kick-start to get into shape."

But making the decision to get fit and improve your own wellbeing is the easy part. Actually doing it and then remaining focused on your regime is the hard part – a point not lost on Verona.

Continued overleaf

Executive wellness

The AIA Vitality Executive Wellness Program is a 12 week behavioural coaching program to help financial advisers improve their personal health and wellbeing, as well as the health of their business and their clients' wellbeing, through a lifestyle and wellbeing value proposition and advice offer.

The program runs twice a year and encourages financial planners to utilise health and wellness as inspiration to grow personally and professionally.

The program is broken into three stages, each running over a four week period.

They include:

STAGE 1

- Discuss what client's really desire within their lives and identifies what defines a 'life well lived';
- Looks at where the financial planner is today with stress, business management and health. Planners are confronted with their own honesty and realisation that potentially things need to change for them;
- Teaches planners to work to their own personal energy levels and working preferences to gain greater performance within their day;
- Encourages planners to teach others around them the same learning to drive business efficiency;
- Starts the planner's personal exposure to health and wellness programs that they are now having to discuss with clients on a daily basis; and
- Starts the planner on their personal journey to a 'life well lived'.

STAGE 2

- Reviews the planner's learnings over the last four weeks;
- Discusses the planner's challenges and successes;
- Teaches planners to create a high level strategy within their business that aligns their business to deliver change; and
- Ensures that any changes planners are wanting to make are logical to the business and to their personal comfort. This delivers engagement and a better opportunity of success.

STAGE 3

- Reviews the planner's learnings over the last four weeks;
- Discusses the planner's challenges and successes;
- Teaches a planner to map and monitor their strategy to ensure that it's working and that any issues can be adjusted; and
- Successful alumni come back to share their learnings, the challenges and their conversations with clients around health and wellness.

ONGOING WORK

- An AIA Vitality Coach continues to work with these participating planning businesses.
- Playbooks are available on the Business Growth Hub to support planners.
- Weekly emails from the Vitality Coach are sent to program participants to either share with their clients, team or for their personal development.

While the AIA Vitality Executive Wellness Program has been a good incentive for her to re-energise her personal and professional life, Verona also relies on additional external resources to keep her focused.

"I have a personal trainer who I meet with twice or three times a week. We also work together on my fitness and nutrition. It's a great relationship for keeping me on track with my goals."

She emphasises the importance of any practitioner considering implementing their own health and wellness program to firstly, be in the right frame of mind to commit to such an undertaking and secondly, to partner with people who are going to emotionally support you through your journey.

"Whether that's family members, friends or associated professionals, like a personal trainer. It's so important to partner with the right people who also have a positive attitude to the goals you are wanting to achieve," she says.

LIVING THE NOW

So, with her improved health and ongoing wellness program firmly in place, how does Verona actually 'live what she says', by ensuring the wellbeing advice she gives her clients also applies to her?

"It's in what I try and do every day," she says. "I take time out for myself every day and I explain to my clients about the importance of their own health and wellbeing. Financial planning isn't just about the money and the end result. It's also about 'living the now'.

"Work shouldn't always come first. It's important for clients to take time out for themselves and their family, and try and achieve a balance that works best for them. When I talk to my clients, I'm not actually telling them something that I'm not doing myself – and that's incredibly important."

Verona is confident that her personal approach to health and wellness is enabling her to build

stronger relationships and improve conversations with her clients, helping her redefine her business.

"I've always spoken to my clients about life being a balance," she says. "I spend a lot more time with my clients talking about balance, not just between work and life, but also between their short-term and long-term goals. We talk about what's going to make them happy now, which means separating their short-term goals from their long-term aspirations."

For Verona, it's important that her client conversations are not just about long-term financial planning for retirement. She believes it's just as important to talk to clients about their short-term goals and the aspirations that provide them with quality of life along the way.

"Retirement planning shouldn't be the be-all and end-all goal of the financial planning process," she says. "Rather, financial planning is a journey we embark upon with our clients, helping them with their aspirations along the way.

"And while goals are important for clients, some short-term goals are just not achievable or financially responsible to take, in which case, I'm the first to let clients know. But if a goal is achievable, like an overseas family holiday, then it's about building these goals into their plan. Short-term living is just as important as long-term saving."

Retirement planning shouldn't be the be-all and end-all goal of the financial planning process. Rather, financial planning is a journey we embark upon with our clients, helping them with their aspirations along the way.

— Verona Ritossa

It's this approach to goal-setting, which Verona has fine-tuned herself over the past two years, which she attributes to changing the way she now converses with clients.

"Goal-setting has been a real eye-opener for me, both personally and for how I view my own business. For me, it's not just about big business growth. Instead, it's also about enjoying life along the way. That means recognising what's important to you and being true to that."

She adds: "As financial planners, we tell our clients they need to set goals, otherwise they won't reach them. So, having goals – like improved health and wellness – is just as important in a practitioner's personal life, as they are for their clients. You need to practise what you preach."

A LIFE-CHANGING EXPERIENCE

Verona is clearly delighted by the results of implementing her health and wellness regime – both personally and professionally.

"Two years ago I would have struggled to walk a couple of kilometres along the beach. Now, I've walked the Kokoda Trail and I've just returned from having walked to Mt Everest Base Camp in Nepal," she says.

"So, for me, it's been amazing. It's changed the way I approach and deal with problems. It's also changed my priorities, so the adage, 'don't sweat the small stuff', really resonates with me. I'm more focused on what's important for me – at home and within my business."

Verona agrees that her journey over the last two years has been a "total life changer". By stepping back and focusing on her own physical and emotional wellbeing, Verona is now able to more clearly separate what's truly important to her and what's not.

"I've stopped comparing myself against what everybody else thinks my personal life and business should look like. And that's been a wonderful step to take. So now, I've been able to build my business the way I want it to be and I'm living my life the way I want to," she says. "You can say, 'I'm living the now'."

PRACTICE MANAGEMENT

FUTURE PROOFING YOUR CAREER

As **Michelle Gibbings** writes, technological change is creating a seismic shift in the workplace – making us more mobile, workplaces more flexible, and impacting the roles that exist now and into the future.

Technology as a catalyst for change isn't new. The difference today is the rapid pace of change and its breadth.

Society is approaching a crunch point, with the World Economic Forum dubbing this period of history as the Fourth Industrial Revolution, which involves a fusion of technologies that's blurring the lines between the physical, digital and biological.

This is where robotics, nanotechnology, artificial intelligence, machine learning, genetics and biotechnology are coming together to create totally new environments.

It's easy to focus on the negative aspects from this change and the dire warnings that nearly half of all jobs in Australia are at risk from computerisation and automation.

It's impossible to future proof your job, but you can future proof your career.

+ *Successful people know that learning is crucial to future career success and are constantly seeking out new ideas and ways to stretch themselves.*

FUTURE PROOF YOUR CAREER

The term 'future proof' is often used in the technology and medical sectors, where it's desirable to build products that retain their value and don't quickly become obsolete.

It equally applies to your career. If you want to have a long-lasting and interesting career, you need to know how to future proof it.

The work we provide is a service, and a service, just like products on the supermarket shelves, over time become obsolete and get replaced by something else. Something that's bigger, better, brighter and more innovative.

As Salim Ismail, the author of *Exponential Organizations* and an expert in helping organisations leverage technology and strategy to grow faster, says:

"Today, if you're not disrupting yourself, someone else is; your fate is to be either the disrupter or the disrupted. There is no middle ground."

Now, more than ever, you need to be comfortable designing and orchestrating your own career path.

You need to find roles that work for you, and in some cases, you have to just create your own.

You must be ready and equipped to embrace change at any moment.

Thriving in this environment means you need to be planned and always thinking ahead.

GET FUTURE FOCUSED

Take time to actively plan your career by setting aside time to reflect on the goals you want to achieve, progress you've made and identify key next steps.

This includes elevating your awareness of what is happening around you, in terms of how your role, profession, industry and sector is changing. The majority of the workforce will be impacted by automation and artificial intelligence, and you want to be ready for this.

Also, look at developments in other industries that may impact you. This helps to widen your view about what's possible for your next career steps.

KNOW YOUR PERSONAL COMMITMENTS

Your career is one part of your whole life, and the choices you make are influenced by the other elements of your life. Get clear on those commitments and know what is most important to you.

Life is often a series of trade-offs and when you know what matters most, it becomes easier to prioritise and focus your attention.

LEARN CONSTANTLY

Don't wait for the organisation you work for to develop you. Successful people know that learning is crucial to future career success and are constantly seeking out new ideas and ways to stretch themselves.

This includes taking the time to understand themselves and to develop their emotional intelligence, which in many roles is more important than technical skills.

READY YOUR FINANCIAL POSITION

Money doesn't buy happiness, but it does buy freedom.

Having a sense of financial freedom doesn't mean you are a multi-millionaire. It means you have enough money in the bank that you are not tied to one location, one job, one occupation. Freedom gives you power when you negotiate. It gives you options when you are seeking to future proof your career.

This money in the bank is what I commonly call 'F#@k You' money. It's the money that is enough to give you wriggle room, and the comfort to know you are not tied to a job. It's not enough to retire on, but it's enough to provide you with at least three to six months of reserve in the bank if you want to walk away from your job or if something happens.

The work we provide is a service, and a service, just like products on the supermarket shelves, over time become obsolete and get replaced by something else. Something that's bigger, better, brighter and more innovative.

It's true that everyone's circumstances are unique and there are many people who struggle to make ends meet. But there are also lots of people who spend money on things that are not essential, and this choice can limit their career options.

Having a cash reserve is about making conscious choices – having the occasional treat, but not at the expense of your wellbeing and financial security.

GET CONNECTED

Build a profile where you are known for something and are respected, and have a network of people willing to back you and advocate for you. That means you need to spend time thinking more about what you can do for others than what they can do for you. The more you proactively help others, the more they will want to help you.

Michelle Gibbings is a change leadership and career expert, author and founder of Change Meridian. For more information, go to michellegibbings.com or email michelle@michellegibbings.com

IN THE COMMUNITY

DRIVING HOME SELF-WORTH

Lisa Farnell CFP® has enjoyed an eight year relationship with not-for-profit organisation STAY, and has helped spearhead a driving program for at risk youth.

Geraldton-based planner, Lisa Farnell CFP® from Financial Solutions Geraldton, has enjoyed an eight year involvement with Short Term Accommodation for Youth (STAY) – a not-for-profit organisation that is funded by the Department of Communities – Child Protection and Family Support Division.

STAY provides short-term accommodation for youth in crisis, as well as referral, advocacy and support for youth. STAY also provides youth workers, recreational activities, and opportunities for access to education, employment and housing.

"My involvement with STAY started about eight years ago, when a friend who worked for STAY, approached me to join the Board. I've been involved ever since," says Lisa.

She has held a variety of roles at STAY, including Treasurer, Vice Chair and her current role as Chair.

"I'm proud to have a small involvement in such a life changing organisation," Lisa says. "The staff work small miracles every day with the at risk youth in our town and that is an amazing thing to be part of.

"It's pretty easy to live your life in a bubble, thinking that the rest of the community is just like you, but this is my reality check. I realise how charmed my life is and my involvement with STAY is a way for me to give back."

Lisa's close involvement with STAY and the life changing work it does in the community, motivated her to endorse STAY's 2017 Future2 Make the Difference! Grant, for the STAY Driving Program, of which it was a 2017 recipient of a $10,000 grant.

STAY DRIVING PROGRAM

According to STAY agency manager, Amanda Brunelli, the STAY Driving Program is part of the Life Skills Program delivered by STAY.

"The main aim of the STAY program is to transition young people to independence. As the need for a driver's licence is so important in seeking work and being an independent person within the community, STAY identified driver learning as being an aspect of our program that we needed to support," Amanda says. "The STAY Driving Program has been designed to assist young people who are at risk and without parental support to help them gain their driver's licence."

For the youth who are involved in the STAY Driving Program, it's a game changer – Lisa Farnell

Throughout the STAY Driving Program, participants are supported with up to 12 lessons from a professional driving instructor who is a partner of the STAY Driving Program. This enables young people to obtain their supported driving hours with suitably qualified STAY youth workers (who are accredited with driver training).

GRANT RECIPIENT:
Short Term Accommodation for Youth

GRANT AMOUNT:
$10,000

ENDORSED BY:
Lisa Farnell CFP®

FPA CHAPTER:
Western Australia

$10,000 GOES A LONG WAY

As a STAY board member, Lisa admits to constantly being on the lookout for opportunities that can further the work STAY does.

"The Future2 grant seemed like a really good fit for the STAY Driving Program, and the process of applying for the grant was relatively straightforward and not arduous. For volunteer and not-for-profits, this is a real bonus," she says.

According to Lisa, the core business for STAY is the provision of accommodation for young people in crisis. The STAY Driving Program is one of the services that expands on this core service and helps young people transition out of crisis accommodation and into the wider community as resilient and responsible adults.

"The STAY staff were finding that a number of young people were already driving unlicensed. The key issues for them in getting their licence was the cost and also the time involved in getting their driving hours logged. If they don't have family to help them out, then this is near on impossible," Lisa says.

"Young people miss out on apprenticeships and work opportunities because they didn't have a driver's licence. So, the introduction of the STAY Driving Program (along with the crisis accommodation) has been life changing for some of the youth who have participated in this program."

Amanda agrees, saying the $10,000 Future2 grant will be put to good use. "The funding from the Future2 grant will be utilised by supporting 10 or more young people to achieve their full provisional licence. We have partnered with a number of supporting organisations, like Fergys Driving School and School Drug Education and Road Aware (SDERA) to assist young people break down the barriers to getting their driver's licence," she says.

"The funding will provide young people with up to 12 professional lessons, resources to pass hazard and practical driving tests, as well as the final costs of their provisional licence. And STAY will support young people with up to 50 hours of supported driving hours, in kind."

A GAME CHANGER

Lisa believes the $10,000 Future2 grant will be enormously beneficial for the STAY Driving Program – not just for at risk youth but also the wider community.

"For the youth who are involved in the STAY Driving Program, it's a game changer. With a licence, they are able to apply for apprenticeships and any number of jobs that are licence dependent," Lisa says. "And for the community, the program means we have a few less young people driving around unlicensed!"

Amanda adds that youth participating in the program have identified this as their 'off the wall' achievement.

"The driving program also provides an incentive for participants to attend school, TAFE or other educational options. And as there is a policy around drug testing prior to entering this program, all participants have to be drug and alcohol-free. This policy enables STAY to support at risk youth to reduce and then eliminate their use of alcohol and drugs."

STAY has partnered with professional driving instructors.

A little more about STAY

Short Term Accommodation for Youth (STAY) is a supported youth accommodation service located in the Mid West region of Western Australia.

STAY is solely funded by the Department of Communities – Child Protection and Family Support Division (DCPFS) and has been in operation since 1991. It has a committed group of 10 staff and a board of eight members.

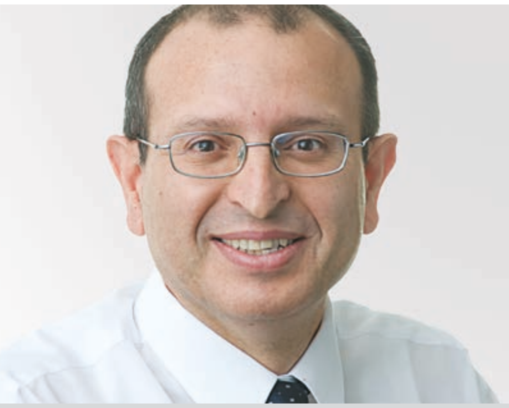
STAY supports up to 70 young people a year – aged between 15 and 19 years – with the most common length of short-term residence being 32 weeks.

STAY supports some of Western Australia's most vulnerable young people who are often homeless and/or in the care of the DCPFS.

STAY runs its program from its Quarry Street House in Geraldton, which assists young people to transition to independence. The STAY Driving Program has recently been developed to assist young people gain their driver's licence.

By empowering young people to learn new skills, such as driving, cooking, cleaning and taking care of themselves, at risk youth realise their self-worth and belonging within the community.

EOFY: SUPER PLANNING CONSIDERATIONS



John Ciacciarelli

AMP

This article is worth
0.5 CPD HOURS

FPA Dimension
Capability

ASIC Knowledge Area
Superannuation

INCLUDES:

- Concessional contributions
- Pension drawdown
- Transition to retirement
- SMSFs and transitional CGT relief

With the end of the financial year fast approaching, it's timely to review the financial plans and strategies in place for clients. It gives financial advisers a good opportunity to identify and factor in any changes in client circumstances, and continue to assist clients build and protect their wealth.

This is particularly important this financial year due to several significant superannuation changes that have applied for the first time in 2017-18, and some others that are starting on 1 July 2018. Accordingly, this article will primarily focus on reviewing superannuation aspects relevant to clients' financial goals and plans.

1 MAKE THE MOST OF SUPER: CONCESSIONAL CONTRIBUTIONS

Super typically remains a tax-effective structure through which to hold investments to accumulate retirement savings. However, current contribution caps and rules mean that planning ahead over the longer term is the best way to maximise the benefits.

Particularly worth noting are the following changes:

1. This financial year is the first where the concessional contributions (CCs) cap of $25,000 applies to everyone eligible to contribute, regardless of their age and existing super.
2. 2017-18 is also the first financial year where the less than 10 per cent employment income rule **no longer applies** when looking to claim a tax deduction for personal superannuation contributions.
3. Eligible people can make voluntary contributions from 1 July 2017 that can qualify for release under the First Home Saver Super Scheme.
4. Eligible people can make 'downsizer' contributions from 1 July 2018.
5. Beginning in 2018-19, a person can commence to accrue unused amounts of their CCs cap and 'carry-forward' these unused amounts. The first year a person can make additional CCs from their accrued unused amounts is in 2019-20, provided their prior 30 June total superannuation balance (TSB) was under $500,000.

Personal deductible super contributions

Before 1 July 2017, clients who derived income from employment during the financial year were only eligible to claim a tax deduction for personal super contributions if, in broad terms, that employment income was less than 10 per cent of their total income from all sources.

From 1 July 2017, this condition no longer applies.

Broadly, this means any individual who is eligible to contribute to super will be able to claim a tax deduction for their personal super contributions. Note, if the person is under 18, some employment/self-employment income must also be derived and personal contributions to untaxed funds and certain defined benefit funds are not deductible.

As a result, from 1 July 2017, putting prospective salary sacrifice arrangements in place is no longer a necessity for employee clients.

That is, an employee client's surplus income, bonus or other windfalls (such as a capital gain or inheritance), can now be contributed at any time in the financial year, with the client

Table 1

Total super balance as at 30 June	Available NCC cap	Bring-forward period
< $1.4 million	$300,000	3 years
$1.4 - < $1.5 million	$200,000	2 years
$1.5 - < $1.6 million	$100,000	General NCC cap only
≥ $1.6 million	nil	n/a

eligible to claim a personal tax deduction for the contribution.

However, despite this increased flexibility, many clients may prefer the disciplined approach of regular savings into super via salary sacrifice and may continue to do so.

Clients wishing to make deductible personal super contributions will have to be disciplined savers. For some clients, it may be difficult to save the after-tax salary amount needed to get the same effective tax deduction that is provided by salary sacrifice.

The removal of the less than 10 per cent employment income rule will also be particularly welcomed by employed persons whose employers:

1. do not offer salary sacrifice arrangements; or
2. who may be otherwise disadvantaged from entering into a salary sacrifice arrangement, such as where the employer uses salary sacrifice contributions to reduce or eliminate their SG obligation. (Note, at the time of writing, the Government is proposing to ban such arrangements.)

Importantly, the 'paperwork' requirements to qualify for a deduction for a personal superannuation contribution have not changed. That is, the member must complete a valid 'Notice of Intention' (NOI) to claim a tax deduction, lodge this with their super fund, **and** receive an acknowledgment from the fund within prescribed time frames.

Commencing in the 2017-18 financial year, lump sum commutations from the pension account no longer count towards the minimum required pension income payments.

Planning points

- Personal, tax-deductible super contributions will count towards an individual's CCs cap. If employer super contributions are also received, clients will need to ensure these are taken into account when determining how much to claim as a personal tax deduction.
- The amount of personal contributions that can be claimed as a tax deduction is limited to the member's taxable income, i.e. taxable income cannot be reduced below zero.
- Also requiring consideration is the member's tax-free threshold, potentially $20,542 in 2017-18 including the Low Income Tax Offset (LITO), or higher for those eligible for the Seniors and Pensioners' Tax Offset (SAPTO).

Non-concessional contributions (NCCs)

The new rules from 1 July 2017 limit the ability to bring-forward contributions and the amount as the client's prior 30 June TSB gets closer to $1.6 million.

In addition, from 1 July 2017, a client will basically not be eligible to make NCCs when their TSB prior to 30 June is $1.6 million or more. This is shown in the Table 1.

Planning points

- TSB is measured **every** 30 June. For example, a client's TSB may exceed $1.6 million in one year, leaving them with no NCCs cap in the following year. However, if a subsequent 30 June TSB is below $1.6 million, perhaps due to withdrawals or investment performance, the client will have a NCCs cap in the following year.
- Where a client intends to make NCCs in the following financial year but is concerned about the level of their TSB, it may be possible to reduce their TSB by making a withdrawal or taking more income from pension accounts.
- Making a withdrawal from the spouse with a higher super balance where possible and contributing in the name of the spouse with a lower super balance, can assist in keeping the TSB of each spouse under $1.6 million.
- If a client triggered the NCC bring-forward in 2016-17 (or previously in 2015-16) but had not fully utilised the bring-forward amount prior to 1 July 2017,

Continued overleaf

a reduced transitional bring-forward cap will apply for the balance of the bring-forward period.

- Qualifying amounts from small business capital gains tax (CGT) concessions may be contributed, irrespective of the client's 30 June TSB. However, once contributed, they will count towards future TSB calculations.
- Contributions are counted against the relevant caps in the year in which they are received and credited to the client's super fund. Don't leave contributions to the last minute!

Spouse contributions

In 2017-18, a tax offset of up to $540 is available for spouse contributions of $3,000 where the receiving spouse's total income[1] does not exceed $37,000.

The offset reduces once the receiving spouse's total income exceeds $37,000, cutting out at $40,000.

Contribution splitting

Members who hold an accumulation interest in a super fund are able to split part of the prior year's CCs (including personal deductible, employer SG and salary sacrifice contributions) with their spouse, provided the fund offers this facility.

Only certain contributions may be split with a spouse and other qualifying conditions must be met. The amount that can be split is the lesser of 85 per cent of the CCs or the member's CCs cap.

The main reasons for considering a contribution splitting strategy are to:

- help equalise the super balances of each person - this may, for example, assist with keeping each partner's TSB under $1.6 million;
- shelter assets against the Centrelink means tests by splitting contributions to a younger spouse (who is under their Age Pension age);
- access tax-free benefits earlier by splitting contributions with an older spouse;
- access two low-rate thresholds for any super withdrawals made between preservation age and age 59; and
- fund term life and total and permanent disability (TPD) insurance premiums for a low income or non-employed spouse through their super fund.

Planning points

- To split contributions made in 2016-17, a request must be made to the relevant fund by 30 June 2018. Once the member has made this application, they cannot make another one for the same contribution period.

2 PENSION DRAWDOWN

Where a fund member is in pension phase it is important, especially for SMSF members, to ensure that the required annual minimum pension payment is met, otherwise the fund risks losing the pension tax exemption for that financial year.

Advisers should contact their SMSF clients before 1 July 2018 to ensure the minimum required pension payment for 2017-18 has been met and to ensure all clients review their income needs for the next 12 months.

It's worth noting that a pension account that fails to make the minimum required payment in a year is taken to have ceased, effective from the start of that financial year, and will require a new application to re-start. In addition to the tax implications, this is also likely to lead to the loss of grandfathering provisions for the income test in respect of Centrelink or DVA income support payments or the Commonwealth Seniors Health Card.

Planning points

- If a pension is first commenced from 1 June, no pension drawdown is required for that financial year.
- Commencing in the 2017-18 financial year, lump sum commutations from the pension account no longer count towards the minimum required pension income payments.
- Clients who require more income than the minimum payment are encouraged to consider taking the extra amount as a lump sum commutation. This creates 'debits' in their pension transfer account and may allow greater flexibility for future pension commencement, including accommodating a greater amount of death benefit pension from a deceased spouse.

3 REVIEW EXISTING TTR CLIENTS

The tax exemption on earnings derived by investments supporting a transition to retirement (TTR) income stream ceased to apply from 1 July 2017. This means that earnings on fund assets supporting a TTR are subject to the same maximum 15 per cent tax rate applicable to an accumulation fund. This applies to all existing and new TTR income streams - there is no grandfathering of pre-existing TTR income streams.

Planning points

- Advisers with clients who have TTR pensions should contact their clients to review the level of pension being drawn down and the level of any associated salary sacrifice contributions.

4 SMSFS AND TRANSITIONAL CGT RELIEF

There were two super reform measures that potentially impacted the level of tax exemption on investment earnings derived by 'pension phase' assets. These were:

- The removal of the tax exemption on TTR income streams earnings; and
- The introduction of a $1.6 million (Pension) Transfer Balance Cap.

Both these measures may have resulted in some assets held by an SMSF in the 'pension phase' effectively being returned to the accumulation phase. The obvious outcome of this is that these assets no longer enjoy tax-free earnings status from 1 July 2017.

It also means that the disposal of impacted assets at any time from 1 July 2017 may result in a CGT liability being triggered where the asset would not previously have been subject to CGT (to the extent that it was recognised as an exempt pension asset).

In recognition of this, the super reform measures included **optional** CGT relief provisions to help mitigate this potential CGT impact.

In order for an SMSF to be eligible to apply this transitional CGT relief, certain transactions and/or decisions needed to have been taken prior to 1 July 2017. That is, it is now too late for an SMSF to meet the necessary eligibility criteria.

However, SMSF trustees who have met the eligibility criteria will need to choose which, if any, of the eligible assets the CGT relief will be applied to. This choice will essentially be made via an irrevocable election to the ATO through the SMSF Annual Return and will need to be made on or before the day the trustee is required to lodge the fund's 2016-17 income tax return – irrespective of the day the fund actually lodges its 2016-17 return.

Note: The ATO has recently made an announcement effectively extending the due date for SMSFs to lodge their 2016-17 returns to 2 July 2018.

Due to a deemed disposal occurring where CGT relief is applied to a particular asset, a CGT liability may arise where the chosen asset(s) have unrealised gains. As a result, it is important that appropriate tax advice is sought prior to such decisions being made. Such advice should consider:

- Whether CGT relief should be applied for; and
- If so, which assets could/should be selected for the relief.

John Ciacciarelli, Technical Strategy Manager, AMP

FOOTNOTE

1. *Assessable income plus Reportable Fringe Benefits (RFB) and Reportable Employer Super Contributions (RESC).*

QUESTIONS

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

1 Which of the following statements is incorrect for the 2017-18 income year?

a. The CCs cap is $25,000 for all people eligible to contribute to super.

b. CCs cap is nil where the person's TSB is $1.6 million or greater.

c. The less than 10 per cent employment income rule no longer applies when looking to claim a tax deduction for personal super contributions.

d. The NOI 'paperwork' requirements to qualify for a deduction for a personal super contribution have not changed.

2 Which of the following is incorrect regarding spouse contributions in 2017-18?

a. A tax offset of $540 per annum is available for spouse contributions of $3,000 where the receiving spouse's assessable income plus RESC plus RFB does not exceed $37,000.

b. The spouse contributions tax offset reduces once the receiving spouse's total income for this offset exceeds $37,000, cutting out at $40,000.

c. A tax offset of $540 per annum is available for spouse contributions of $3,000 where the contributing spouse's assessable income plus RESC plus RFB does not exceed $37,000.

d. All of the above are correct.

3 Splitting super contributions to a spouse is useful for which of the following?

a. Moving assets from an older person to a younger person for Centrelink sheltering of assets.

b. Moving assets from a younger person to an older person for earlier access to tax-free benefits.

c. Equalising or keeping both spouses' TSBs under $1.6 million.

d. All of the above.

4 Beginning in 2018-19, a person can commence to accrue unused amounts of CCs cap and 'carry-forward' these unused amounts for potential use in a subsequent year.

a. True.

b. False.

5 Which of the following statements is correct when dealing with clients who are in the pension drawdown phase?

a. A minimum pension payment is not required for 2017-18, if a client commences a pension on or after 1 June 2018.

b. Taking a partial lump sum commutation will result in a credit under the Transfer Balance Cap rules.

c. Failure to meet the minimum pension requirements will result in the pension being taken to have ceased effective from the start of that financial year.

d. All of the above.

+

FOR MORE CPD ACCREDITED ARTICLES, CLICK ON THE CPD TAB AT MONEYANDLIFE.COM.AU/ PROFESSIONALS

ETHICS EDUCATION

in financial planning courses

An article published in the *Financial Planning Research Journal - Volume 4, Issue 1* - by **Dr Michelle Cull** and **Briana Melville** investigates the current climate of ethics education across FPA accredited degrees in Australia.

Through research analyses of the publicly available curriculum data of 11 institutions offering FPA accredited bachelor and postgraduate degrees listed in the 'CFP Certification Program: Approved Degree List' (October 2016), we have been able to determine the extent that ethics have been incorporated in these degrees.

Such degrees have been accredited as meeting the Financial Planning Education Council (FPEC) curriculum requirements that have now been adopted by the Financial Adviser Standards and Ethics Authority (FASEA) and have achieved FPA approval; an accolade and benchmark within the industry.

To hold an FPA approved degree, universities must adhere to a strict set of teaching and delivery guidelines.

Curriculum data of 279 undergraduate units and 80 postgraduate units across 17 courses was analysed and a total of 55 units were found to incorporate ethics.

The bachelor degrees have on average 3.55 units with ethics (14.8 per cent of a standard 24-unit degree with ethics), while on average, 19.1 per cent of the postgraduate degrees were inclusive of ethics, greater than that of bachelor degrees.

Based on publicly available information for approved bachelor degrees, Western Sydney University and the University of Sunshine Coast possess the most units (7) with ethics incorporated, while the University of New South Wales possesses the most units with ethics (6) across approved postgraduate degrees. There was one university found to have no evidence of ethics included in any units of its course.

SIX MAJOR LEVELS OF LEARNING

For units found to incorporate ethics, the learning outcomes and learning activities were compared against Bloom's taxonomy (*Anderson et al., 2001*) to reveal the extent to which the learning of ethics was promoted at a superficial or in-depth level.

The taxonomy has been used in closely related disciplines, such as accounting and economics, and consists of six major levels of learning; remember, understand, apply, analyse, evaluate, and create. 'Remember' is at the surface level of learning, which gradually progresses to a deep level of learning – 'create'.

> *This study proves valuable in highlighting gaps within the current climate of ethics education ...*

Only two ethics related learning outcomes from all accredited planning courses in Australia were found to be at the deepest level of learning. The findings also revealed that a number of programs did not strictly comply with the FPEC guidelines.

TEACHING ETHICS COMES WITH CHALLENGES

The authors acknowledge the challenges of teaching ethics, citing the lack of resources (both educational and financial), lack of time in the program, resistance from students and/or staff, and staff not qualified or confident in teaching ethics.

The authors also reviewed a number of different approaches to teaching ethics and suggest that a shift from subject orientated learning to learning through responding to real-life problems faced by the profession (such as using dilemmas faced by planners in the workplace) is needed.

These findings suggest there is much room for improvement when it comes to ethics education in financial planning degrees. Determining whether someone is merely aware of ethics or actually engaging in ethical practices poses a challenge for educators and the profession.

However, by incorporating ethics in the curriculum at a high level on Bloom's taxonomy that allows for a deep level of learning, students gain awareness of ethical issues and develop the ability to formulate and justify a moral stance.

This study proves valuable in highlighting gaps within the current climate of ethics education in accredited financial planning courses in Australia.

Through ethics education, institutions hold a responsibility to prepare future financial planners to serve in the best interests of their clients and make a positive contribution to society.

Dr Michelle Cull and Briana Melville are from Western Sydney 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/*

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FPA Board

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Alison Henderson CFP® (NSW)
David Sharpe CFP® (WA)
Delma Newton CFP® (QLD)
Jane Bowd (NSW)
Mark O'Toole CFP® (VIC)
Marisa Broome CFP® (NSW)
Michelle Tate-Lovery CFP® (VIC)
Philip Pledge (SA)

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Chair: Michelle Tate-Lovery CFP®

Regional Chapter Committee
Chair: Delma Newton CFP®

Professional Standards and Conduct Committee
Chair: David Sharpe CFP®

Audit Committee
Chair: Philip Pledge

Governance and Remuneration Committee
Chair: Neil Kendall CFP®

Policy and Regulations Committee
Chair: Marisa Broome CFP®

Professional Designations Committee
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