JUNE 2018 VOLUME 30 | ISSUE 05

MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS

Emerging professionals

LAURA KELLY AND THE CHALLENGES OF STUDENT ENGAGEMENT

Peter Foley CFP®

THE VALUE OF LISTENING TO CLIENTS' NEEDS

+ ALSO: REGIONAL WOMEN | EMERGING PROFESSIONALS NETWORK | NEGOTIATING SKILLS
FASEA'S PROPOSED CODE OF ETHICS | DEFINED CONTRIBUTION PLANS | BUDGET ANALYSIS

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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CIRCULATIONS AUDIT BOARD

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SUPPORTING WOMEN IN WEALTH

A career in financial planning gives you the privilege to guide, coach and empower your clients.

We're in the business of helping others in a meaningful and positive way. It comes down to people, to relationships and the way you understand your clients, in order to help them achieve their goals. I know this is the motivation that drives many of you and why you love the work you do.

What's interesting is the statistics show this message isn't resonating as strongly with women, as it is with men. Within the FPA community, 26 per cent of members are female, with women making up about 20 per cent of planners in the wider profession.

We want to illuminate the opportunities that a career in financial planning presents to both males and females, and this has fuelled the launch of the FPA Women in Wealth program, which we began in the second half of 2017. FPA Women in Wealth is designed to attract more women into the profession and to foster community, innovation and leadership among existing planners (see p21). And it's also the theme for this month's magazine.

FEDERAL BUDGET 2018

The 2018 Budget was handed down last month and presented a number of small changes, rather than sweeping reforms. Nevertheless, important measures were announced that affect planners and clients. These included income tax relief measures, greater flexibility for retirees with an expansion of the pension loan scheme, as well as a new requirement for super funds to build new retirement income options for their members (see p8-9).

ROYAL COMMISSION

Following on from my appearance at the April hearing of the Royal Commission, I provide my thoughts on the experience and what possible changes could result from this process (see p6). The Royal Commission remains ongoing, with the final report not due until February 2019.

FASEA AND ROADSHOWS

Over 4,000 FPA members have responded to our recent questionnaire on the Financial Adviser Standards and Ethics Authority (FASEA) proposals – thank you. It has also been positive to see so many of you join us at our National Roadshow events. It's no surprise the proposed education and professional standards framework, and the code of ethics, are being vigorously discussed and debated at these events.

Drawing upon your feedback in the FASEA questionnaire, we have been presenting a modified FPA version of the requirements for existing planners. Live polling at the roadshow events has shown around 80 per cent of attendees support the FPA's suggested framework. Your input has shaped the FPA's submission to FASEA during this consultation period, which closes on 30 June.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10

We unearth the unsung.

We put our heads together and came up with the MicroCap Fund.

The Fund aims to provide investors with a diversified portfolio of high quality, dynamic companies outside the top ASX 200.

Ausbil MicroCap Fund as at 30/04/2018	**INVESTMENT RETURNS** 1 year	3 years p.a	5 years p.a	Since inception[1]
Fund	28.6%	16.3%	20.6%	25.6%
Benchmark[2]	25.0%	14.8%	7.9%	2.2%
Excess return	+3.6%	+1.5%	+12.7%	+23.4%

1. Inception date: 12 September 2010
2. S&P/ASX Emerging Companies Accumulation Index

Superior SQM research

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News

ROYAL COMMISSION
REVEALS MORE IMPROVEMENTS NEEDED

Dante De Gori CFP®

The FPA fronted the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (Hayne Inquiry) on April 26, where cases of misconduct and deficiencies in the financial planning profession have surfaced.

Appearing for the FPA was chief executive officer, Dante De Gori CFP®, who was cross-examined over the FPA's complaints and disciplinary process.

Asked by *Money & Life* what the key outtakes were for the FPA and the profession following his appearance at the Hayne Inquiry, De Gori said that whilst the profession had faced a lot of recent regulatory change, the inquiry showed there were still inadequacies in the way some licensees and planners operated.

"We can't ignore the fact that the Royal Commission has highlighted incidences of poor advice, conduct and service offerings," De Gori said.

"Whilst it was disappointing and concerning that multiple examples of advice failure had been identified by the Royal Commission, we can take the outcomes from this inquiry to ensure we deliver better outcomes for all consumers."

A number of key areas identified by De Gori for improvement by the profession include:

- identifying and dealing with misconduct faster;
- improved planner education around best interests duty and professional standards;
- ensuring licensees were properly supporting planners with their professional obligations; and
- information sharing between ASIC, licensees and the FPA.

De Gori said he was shocked at the incidence of misconduct and deficiencies unveiled by the inquiry, adding: "Any issue of misconduct is disappointing and it's particularly devastating when consumers are involved. The financial wellbeing of Australians is second only to their health."

He reiterated that the FPA does not, and will not defend institutions or individuals who have behaved poorly.

"We have written to our Professional Partners to remind them of their agreement to advise the FPA of misconduct they are aware of," he said.

At the individual level, the FPA's disciplinary process has always worked to hold members professionally accountable to the requirements in the FPA's Code of Professional Practice.

However, in light of some of the revelations coming out of the inquiry, De Gori indicated that the FPA disciplinary process may need to be reviewed to see if it was still "fit for purpose".

"The FPA has zero tolerance for misconduct in the profession, but it's important that due process takes place," De Gori said. "Planners need to be afforded the opportunity to learn and improve from unintentional misconduct.

"The FPA's role is to hold our members to the highest standards of conduct and ethical practice, and provide them with every opportunity to learn, improve and advance in their professional capabilities, experience and knowledge for the benefit of their clients.

"When the independent Conduct Review Commission recommends a member be expelled, current regulations require their identity to be published by the FPA."

He added that the cases of misconduct identified by the inquiry highlighted the necessity to safeguard the public and the reputation of the financial planning profession.

"Misconduct affects us all. By reporting suspected misconduct, members and the public can help us ensure that all FPA members are adhering to their professional obligations."

De Gori believed now was a pivotal time for the profession to review the work it does and make any changes to its professional duties.

"Australians deserve trusted and transparent financial advice that always puts their interests first," he said. "The FPA will continue to proudly share the stories of clients' lives who have been positively transformed through sound and ethical financial advice."

NATIONAL ROADSHOW final month ROLLS INTO

The 2018 FPA National Roadshow is now in its final month, with nine locations to go.

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.

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 PA members and non-members, and is free to attend.
To register, visit: fpa.com.au/roadshow.
fpa.com.au/roadshow.

SAVE THE DATE

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.

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

NSW
Arron Russell CFP®
Advisory Group

VIC
Mark Soliman CFP®
JBWere

QLD
Brendan Ketter CFP®
Shadforth Financial Group

WA
Laura Campbell CFP®
People's Choice Credit Union

FAST FACTS

Satisfaction *of female planners with each aspect of the profession (%)*

	25-34 years (%)	35-49 years (%)	50+ years (%)
Overall satisfaction	**82**	**80**	**82**
Pace of career progression	61	66	66
Mentorship received to progress	57	49	45
Respect from clients	94	95	98
Annual income	55	61	77
Ability to choose the work schedule	59	73	79
Amount of work hours	67	70	70
Ability to work from home	49	58	63
Ability to take extended periods of time off	55	53	68

Source: Attitudes Towards Women in Financial Advice 2017 - FSC/BT.

Focus

2018: BUDGET HIGHLIGHTS

On 8 May, the Federal Treasurer, Scott Morrison, handed down his third Budget. The following are the key Budget 2018-19 highlights affecting planners and their clients.

TAXATION

The Government announced a series of tax cuts for individuals in the form of a seven year Personal Income Tax Plan. This plan will be implemented in three steps — to introduce a Low and Middle Income Tax Offset, to provide relief from bracket creep, and to remove the 37 per cent tax bracket altogether.

LOW AND MIDDLE INCOME TAX OFFSET

The Government has announced a new tax offset, the Low and Middle Income Tax Offset (LMITO), which will be introduced as a non-refundable tax offset of up to $530 per annum over four financial years starting on 1 July 2018 and ending in 2021/22. A client's LMITO will be based on their taxable income.

For individuals with a taxable income up to $37,000, their LMITO will be $200; for amounts between $37,001 to $48,000, the LMITO will increase at a rate of three cents per dollar to the maximum benefit of $530; for taxpayers with taxable incomes from $48,001 to $90,000, the LMITO is $530; for taxpayers with taxable incomes from $90,001 to $125,333, the offset will phase out at a rate of 1.5 cents per dollar; and there is no LMITO for taxable income over $125,333.

BRACKET CREEP

From 1 July 2018, the top threshold of the 32.5 per cent income tax bracket will increase from $87,000 to $90,000.

From 1 July 2022, the Low Income Tax Offset (LITO) will be increased from $445 to $645, and the 19 per cent tax bracket will be increased from $37,000 to $41,000 to lock in the benefits of the LMITO. LITO's taper rate will be 6.5 cents for every dollar between $37,000 and $41,000, with the current taper rate of 1.5 cents applied for every dollar after $41,000 until it reaches zero at $66,667.

Also effective from 1 July 2022, the 19 per cent and 32.5 per cent tax brackets' upper thresholds will increase to $41,000 and $120,000 respectively.

37 PER CENT TAX BRACKET

The 37 per cent tax bracket will be removed altogether from 1 July 2024. From 1 July 2024, the top threshold of the 32.5 per cent tax bracket will be increased from $120,000 to $200,000.

So, the 32.5 per cent tax bracket will apply to taxable incomes of $41,001 to $200,000. For taxable income exceeding $200,000, taxpayers will pay the top marginal tax rate of 45 per cent.

ASSET WRITE-OFF FOR SMALL BUSINESS

The Government has extended the ability for small businesses to immediately write off depreciating assets to $20,000, effective until 30 June 2019.

COMPANY TAX RATE

This year's Budget included the Government's previous commitment to reduce the company tax rate to 25 per cent.

Current law sees a stepped reduction in the tax rate for incorporated small business entities, reducing the rate to 25 per cent in 2026/27.

The *Treasury Laws Amendment (Enterprise Tax Plan No.2) Bill 2017* is currently before the Senate and extends the lower tax rate to companies from 2023/24. The lower rate in 2023/24 will be 27.5 per cent. It then reduces the rate for all companies incrementally to 25 per cent in 2026/27.

SUPERANNUATION

WORK TEST

Effective from 1 July 2019, the Government is providing an exemption from the work test for voluntary contributions to superannuation for people aged 65-74, who have super balances below $300,000, in the first year they do not meet the work test requirements.

Currently, those aged 65 to 74 need to work at least 40 hours in a 30-day period in the financial year in order to make contributions to superannuation.

SMSFs

From 1 July 2019, the Government is allowing an increase in the maximum number of members — from four to six — who are permitted in a SMSF or a Small APRA fund.

And from 1 July 2019, a three-year audit period will be introduced for SMSFs with a good history of record-keeping and compliance. To have the required audit period increased from one to three years, the SMSF will need to have three years' worth of clean audits.

SG FOR HIGH INCOME EARNERS

Under the Budget proposal, individuals with more than one employer and income over $263,157, can opt out of receiving SG payments from certain employers from 1 July 2018. According to Treasurer Morrison, this would help high-income earning individuals to avoid having their mandated employer contributions breach their concessional contribution cap.

SOCIAL SECURITY

WORK BONUS

The Work Bonus allows pensioners to earn employment income without it impacting their entitlements. Currently, the Work Bonus exempts $250 in employment income per fortnight from the income test. Under Budget proposals, this amount will increase to $300 from 1 July 2019. The Work Bonus is also proposed to be expanded to include earnings from self-employment.

LIFETIME RETIREMENT PRODUCTS

New social security means testing rules are proposed for pooled lifetime income streams from 1 July 2019. Such income streams would see 60 per cent of payments assessed as income. Furthermore, 60 per cent of the purchase price would be assessed as an asset until the client turns 84, or a minimum of five years, with only 30 per cent assessed as an asset thereafter.

The Government believes concessional means testing will make these income streams a more attractive proposition when they come to market.

AGED CARE

From 1 July 2018, the Government has committed to funding an additional 14,000 high-level home care packages over four years. In addition, 13,500 residential aged care places and 775 short-term restorative care places in the 2018-19 Aged Care Approvals Round will be released, with $60 million to support new places.

FINANCIAL SERVICES

The Government has also provided additional funding for the regulators. ASIC will receive $10.6 million and the Tax Practitioners Board will receive an additional $20.1 million over four years.

Money & Life kindly acknowledges the FPA and wealthdigital for their assistance with this Budget analysis. For more Budget analysis, go to www.fpa.com.au.

FOCUS

1 JANUARY 2018 TO 31 MARCH 2018

COMPLAINTS AND DISCIPLINE

DISCIPLINARY ACTIVITY SUMMARY

In the January to March quarter, the FPA received four new complaints, and has 10 ongoing complaints. Of those ongoing complaints, one is in the process of finalising the report by the investigating officer to the Conduct Review Commission (CRC), eight are in the process of seeking submissions from members and/or complainants, while one is in the processes of being dismissed.

6	**Complaints ongoing as at 1 January 2018**
4	New Complaints
0	Closed Complaints
10	**Complaints ongoing as at 31 March 2018**
0	Members Suspended
0	Members Expelled (CRC)
0	Members Terminated (Constitution)
0	Other Sanctions (CRC)
0	Referred to Professional Designations Committee for Sanction

CPD AUDIT

The FPA's CPD Audit is conducted in March and September each year. The CPD Audit promotes and supports the FPA Code of Professional Conduct, and Practice Standard 7 – Professional Obligations. The CPD Audit also aligns and supports two of the FPA Professional Framework Pillars — Professional Conduct and Professional Accountability.

The CPD audit was conducted from 2 March 2018 to 20 April 2018. The period audited was 1 July 2015 to 30 June 2017. A total of 342 FPA members were selected. Of these, 314 members participated, while 28 members were on a leave of absence. Table 1 shows the results for the March 2018 CPD Audit.

GENERAL ENQUIRIES

During the last quarter there was substantial interest from members and consumers in what the requirements are in relation to client file transfers. In particular, what are the time frames for an advice provider to transfer the file to a new advice professional.

The FPA Code of Professional Practice addresses this in that; a client file transfer must be facilitated in an orderly and timely manner, within 21 days of receiving a written transfer request. For complete expectations and restrictions on client terminations and transfers, members can find details in Rules 7.28 and 7.29 of the Code.

FPA CONFIDENTIAL

Last financial year, the FPA received eight complaints through the FPA Confidential portal that is externally hosted by Deloitte. To the end of March this financial year, the FPA have received five complaints via FPA Confidential.

This anonymous service, which is available to members and the general public, continues to serve an important role in assisting the FPA identify professional misconduct.

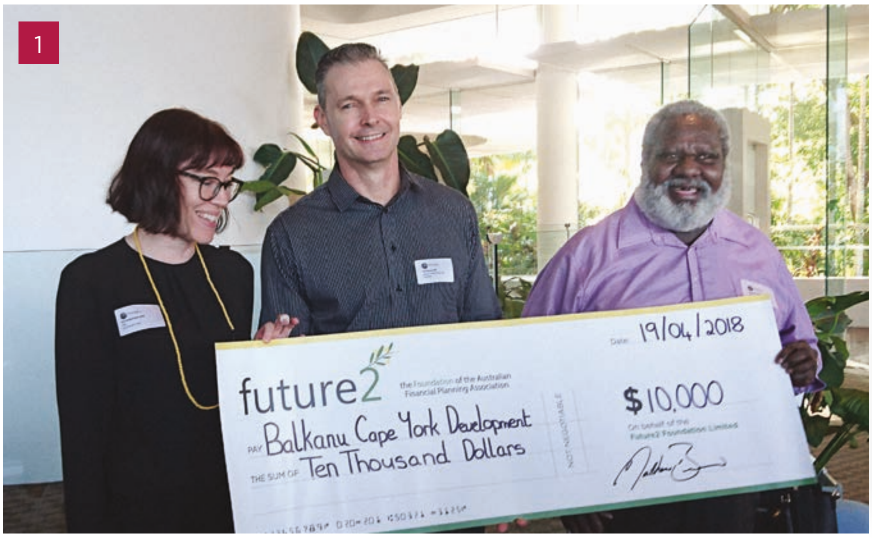
Table 1

Member	Number	Successful	Unsuccessful
Professional CFP®	209	203 (97.1%)	6
Financial Planner AFP®	88	87 (98.9%)	1
Associate	14	10 (71.4%)	4
Rollovers	3	3	-
Exempt[1]	(28)		
Total	**314**	**303 (96.5%)**	**11[2]**

Footnotes, 1. Exempt members are on Leave of Absence. 2. 11 members who were unsuccessful will be 'rolled over' into the next CPD audit.

OUT AND ABOUT

A snapshot of members and guests enjoying a recent FPA Cairns Chapter event.



1. (L-R) Cairns Chapter Chair, Kris Robertson AFP® at the Future2 Grant presentation with grant endorser, Ian Byrne CFP® and the Chairman of Balkanu Cape York Development Corporation, Richard Aken.

2. Members of the FPA Cairns Chapter enjoying networking drinks at the Future2 grant presentation.

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

OPINION CORNER

A DIFFERENT APPROACH

Question: In what ways (if any) do the gender needs of your clients differ, and how are you responding to these needs?

Louise Lakomy CFP® LRS®

Director, Crystal Wealth Partners
Licensee: Crystal Wealth Partners

The main difference between my male and female clients relates to their risk profile. Women are generally more conservative than men and less likely to take risks, especially when investing. I make sure I understand how they feel and ensure I educate them about the risk reward matrix and the time horizon they have for investing.

Woman also tend to be more loyal and trusting. Once they have engaged you as their planner, they trust your judgement and are less likely to question why you are doing something. However, this can sometimes be a problem, so I always make sure I speak in simple terms to all clients to ensure the main concepts are understood and that I have not lost them with technical jargon, which I try to avoid as much as possible.

Female clients can also lack a sense of self-worth when it comes to managing money. This is often the case with my older clients whose husbands have passed away.

So, I try to encourage meetings that include both the husband and wife at least once a year. Even though the female partner might not be interested in finances, I try to engage her in the process and explain that it's important for her to understand the big picture, in case something happens to her husband or partner.

I find clients appreciate that approach, as it's about helping them as much as possible to learn about their finances.

James McFall CFP®

Managing Director, Yield Financial Planning
Licensee: Lifespan Financial Planning

In my opinion, the basic premise and need for advice doesn't discriminate. However, there are some nuances that I consider when preparing and providing advice.

In my experience, what typically motivates people to seek financial planning advice can be categorised by the following drivers:

1. Financial – seeking advice with tangible financial benefits.

2. Academic – leveraging the knowledge and expertise of a planner.

3. Practical – utilising someone to manage the 'administration' of finances.

4. Security – wanting the peace of mind of a professional plan.

Whilst the above drivers are important to all my clients, I have found that typically my female clients prioritise 'Security' and my male clients 'Financial' first. Therefore, as a planner, it is important that we respond to our clients in a way that reflects their priorities.

Relationship is paramount to a successful financial partnership, regardless of gender, which means listening to clients, establishing what is important and providing advice that consistently reflects this understanding.

We are fortunate to work with a lot of independent single women nearing or in retirement and their needs may differ, particularly when they have left the financial planning to their partners in the past.

For these women, collaboration and education are even more important to help navigate successful financial decision-making, and this in turn provides confidence, peace of mind and empowerment. A primary benefit of all good financial advice.

Question: In what ways (if any) do the gender needs of your clients differ, and how are you responding to these needs?

Roxanne Gorman
CFP®

Commonwealth Private
Licensee: Commonwealth Bank of Australia

During my years of working with both male and female clients, I have noticed some distinct areas of interest when it comes to the management of their portfolios.

Male clients are generally more concerned with the technical aspects of the strategies and performance of their portfolio, whereas females are more concerned with the overarching strategy of their portfolio and what the portfolio actually enables.

For female clients, it's about the bigger picture, the family and understanding the long-term intent. Theses aspects are actually interconnected but it largely comes through in the nature of the conversations.

I encourage my client couples to ensure both partners attend client meetings and that each person is actively involved in decisions. I establish this at the outset of the relationship, so behaviours are established upfront. It's important for both partners to be engaged; this is how interest and understanding is fostered.

I do feel that being a female adviser enables me to establish a certain level of comfort and openness with my female clients. I find women are more likely to open up and share details about their broader family circumstances.

At a personal level, I am passionate about enabling women to be financially independent. I have two daughters in their early 20s whom I continually encourage to be financially aware. I constantly talk about the need to be economically and financially empowered — this is the 'enabler' for other aspects and stages of life.

Being a female adviser gives me a platform to enable female clients to feel comfortable in discussing their financial matters, and to talk openly and honestly around what is important to them. I feel very proud and privileged to be in a position where I can respond to such needs and have a positive impact.

Ian Gibson
AFP®

Senior Financial Planner, StrategyOne Advice Network
Licensee: Fitzpatricks Private Wealth

The following are the key concerns of different age groups, split up by gender, that planners need to consider in their advice strategies.

Group 1: Age 30-45 years — Female

- An immediate awareness of the need to protect the family. However, they tend to only focus on the male income and tend to have a 'blind spot' when considering their own cover.
- In most cases, the personal financial cost of starting a family is recognised.
- There is a display of nervousness generated by a lack of financial matter knowledge.
- They fail to take ownership of their super.
- They see their parents struggling with trying to maintain their lifestyle later in life.

— Male

- High emphasis on establishing their working career and earning capacity.
- Too distracted to consider short-term protection of their family's financial wellbeing.

Group 2: Age 45-60 years — Female

- Awareness of wage disparity and the lower level of personal earnings/savings whilst raising the family.
- Retirement is considered but personal and financial changes are not understood.
- The female often looks after aged parents.
- Separation/divorce is a serious issue in this age bracket, requiring a possible adjustment to a less favourable lifestyle.
- Concerns if they or their partner cannot continue work through loss of employment or illness.

— Male

- Need to protect the other party in the relationship as without them, their career and earning capacity would be greatly reduced.
- Separation/divorce is a serious issue.

Group 3: Age 60-80 years

— Female

- Financial position may deteriorate through their partner's health/employment issues.
- Knowledge of financial situation and plans for financial support becomes a priority.

— Male

- Need to address lack of planning, as things may not be working out as imagined, such as not enough money saved to maintain desired lifestyle.

Question: In what ways (if any) do the gender needs of your clients differ, and how are you responding to these needs?

Cath Sharples-Rushbrooke CFP®

Manager, Advice Services Australia
Licensee: Advice Services Australia

We deal with many clients planning their retirement or in the process of retiring. We assist them with planning and structuring their finances.

Regardless of their employment structure, whether they have a partner or caring responsibilities, we find that many clients want the same thing from us: the confidence to know they are financially okay.

They want a professional who is truly in their corner. Somebody who understands the 'ins and outs' of legislation and who is experienced in dealing with financial matters.

Clients are looking for a professional who takes the time to ensure that clients understand and are comfortable with their recommendations, and who provides unbiased financial education.

They want a professional who takes the time to understand what clients truly want from their life and who can then help them to use their money as wisely as possible to make that happen.

In fact, money is one part of a much bigger puzzle.

Women, in particular, really understand opportunity cost. We understand that sometimes people need to make decisions that don't make the most financial sense but make the most life sense for themselves and others. That's an important consideration that planners need to be aware of.

More and more, we are seeing women (and men) taking an active interest and responsibility in managing their finances.

This is great, as we find that those who have taken an active interest and responsibility for managing their finances (with the help of a qualified professional), feel more confident and secure throughout their working life, as well as in retirement.

Donal Griffin CFP®

Director, Legacy Law

We view ourselves as a part of a family's wealth team and prefer to meet clients with their financial adviser. While I am a qualified CFP®, I do not provide financial advice now but have previously seen the dynamics of women in the financial decision-making process.

For estate planning or family law, we draw family trees all the time and matriarch's have a large role, usually the lioness and sometimes the keeper of the peace. They are often the most sensitive to the family dynamics and the relationships involved.

When talking with a couple about family, we know that the female (if it's not a same-sex male couple) often has an unofficial casting vote. In our experience, females are more focused on protection of the capital than the income.

Guardianship is a top priority for clients with young children, and the woman is often the client who enthusiastically completes the 'user's manual' we provide for guardians of their children, so they truly understand the needs of their kids.

We also notice a difference in blended families, where couples in second relationships have kids from previous relationships. In these situations, we notice that the women are even more influential in decision-making, as they may be the ones that try to bring, and keep, the entire family together for important occasions.

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

GUEST CONTRIBUTOR

ARE YOU READY TO WALK THE WALK?

Peter Foley CFP® is taking lessons learnt from a facilitated women's forum he is running, to provide more meaningful advice to clients.

Laughter, shared experiences and storytelling are not something we usually associate with financial planning, but convene a group of women to discuss money and that's what you'll get.

Women focus on the shared experience, teasing out each other's problems, supporting and validating each other's experiences — it's magical.

I'm involved with a venture called The Kitchen Table®, a thoughtfully constructed, facilitated forum in which small groups of women unpack their own beliefs, be they limited or expansive, about their relationship with money. It's been the foundation of my business, which focuses on women's unique financial planning needs, encouraging open conversations to build two-way trust.

One of the real privileges of our focus on women and finance has been witnessing the honesty and openness with which women share their stories; it's something I haven't experienced with many of my male clients. While it can be heart-warming and sometimes heartbreaking to hear their truths, in the storytelling space, other women inevitably offer support, validation and encouragement. As a result, the conversations usually become lively and optimistic, with a 'can-do' approach to action.

FEARS FROM THE KITCHEN TABLE

Two of the principal fears that almost always arise from The Kitchen Table® forum are the fear of divorce and the fear of poverty in retirement, and with good reason.

The Sydney Community Foundation (SCF), in its 2011 report *Portrait of Women and Girls in Greater Sydney*[1], identifies that [for women] "being older and single is to be at housing risk, and points to the social and economic impacts of divorce, separation and inadequate superannuation on women's

Peter Foley CFP®

capacity to maintain affordable and appropriate housing into old age, such that the new face of homelessness has been identified as being single older women".

Think about how many women you've met who fit the category highlighted by the SCF. What's not immediately obvious is they present from all segments of the socio-economic mix when they have little or no superannuation balances, property assets, business assets, intellectual property or other form of support. Their circumstances are often a result of marriage breakdown.

Men suffer too in a marriage breakdown, but where the specific gender impact lies is in the ability to recover and rebuild. In families with children, primary care often falls to the women, leading to career stalling or lengthy career breaks for them.

It's no secret that career breaks result in lower super contributions for women, and returning after a career break is tough because there's always someone with greater currency of experience, client relationships or fewer commitments, ready to step in and fill the gap she left. The corollary being a lower income and a tougher job rebuilding assets.

Unmarried women have a different set of considerations, since excluding inheritance or other forms of family support, they are self-reliant and lack the economic framework provided by a partnership, yet the mission is very similar – create economic independence and everyone will benefit.

INCLUSIVE NOT EXCLUSIVE

In my opinion, women's fears about inadequate provision and over dependence are well founded and as a profession, we are in a strong position to help. In the words of Muhammad Yunus, founder of Grameen Bank: "If you are a socially conscious person, why don't you run your business in a way that will help achieve social objectives?"

First, we can ensure the women stakeholders are always present in advice discussions. Jokes abound about how he can't make a decision without the wife, but I'm sure like me, you're still seeing situations where one party is making the decisions on behalf of all, and we need to stand strong on this principle: be someone who insists on involving both parties.

I've advised too many widows who have no financial confidence because they were not party to financial conversations. It takes years before they begin to feel safe, even when they have exceptional financial means.

Create forums and fun events for your female clients. Choose a classy female friendly wine bar or a cosy pub and facilitate meaningful roundtable conversations. Ask questions, listen carefully to the answers and implement their recommendations into your business where possible.

Add value to them with insight and knowledge but don't lecture them with the extent of your knowledge. Patronising advisers have been cited as one of the top barriers to women seeking advice. So, listen with compassion and speak with insight.

Don't be a 'grey suit'. Be approachable and human. Sure, professionalism is the price of entry, but soft skills are what bring lasting client relationships and loyalty.

WALK THE WALK

A focus on women and finance will be successful if it's coming from an authentic place and a genuine desire to make changes in your business to accommodate your clients' needs. So, we need to walk the walk, not just talk the talk.

Accept that to most people, super is boring and over-complicated. People panic about their super balances to the detriment of focusing on other investment types, like property or income producing business assets, or even the commercialisation of intellectual property.

Super is just a tax-effective savings vehicle. It has its place as part of a wider strategy, but unfortunately, many Australians take a 'she'll be right' approach. Being highly skilled at introducing super conversations early in the lifecycle and helping clients to understand that it's simply a tax advantaged savings plan and not a retirement panacea, is valuable to clients; it actually helps them think more broadly.

> *If you are a socially conscious person, why don't you run your business in a way that will help achieve social objectives?*
>
> *– Muhammad Yunus*

NEW WORK ORDER

The Foundation for Young Australians has published a powerful piece of research called the *New Work Order*[2], which specifically relates to the job challenges facing the new Gen Z entering the workplace. It supports many of the strategies I'm already seeing deployed by women to solve their challenges.

Women are embracing the rise of the gig economy, taking the concept of part-time work opportunities and converting them to multiple work opportunities to create a portfolio income stream, thereby increasing long-term income and diversifying risk.

In planning, we need to help guide our clients in wealth creation through alternative income streams, as well as focusing on the traditional 'spend less, invest more' philosophy. With knowledge and insight, we can show our clients how to earn more as well.

EDUCATE AND ADVOCATE

As planners, we must educate ourselves in the challenges specifically affecting women, have the courage to raise them in our discussions, and frame our recommendations with their wellbeing in mind. It's all about context, and the meaning the client applies to their circumstances. We need to understand this to partner with them as they travel through life and then, the true value of advice will become relevant and meaningful.

Our role is also to educate and advocate, it is our responsibility to show all clients that our society is rapidly moving towards an era of self provision, away from government and/or corporate provision, in the areas of healthcare, retirement planning and social support.

We must show them how else they can earn income, be educated on industries like network marketing, on blogging, on consultancy, and on all of the avenues available to men and women to support both their own interests and those of the family. Otherwise, it's just about the numbers and we're not serving our clients as best we can.

Peter Foley CFP® is a director at Thirdview Financial Planning.

FOOTNOTES

1. *sydneycommunityfoundation.org.au/sites/default/files/public/The%20Portrait%20of%20Women%20and%20Girls%20in%20Greater%20Sydney_Overview.pdf*
2. *fya.org.au/report/new-work-order/*

CAREERS ON CAMPUS

As a recent graduate of RMIT University, **Laura Kelly** understands the challenges facing students. But as a member of the FPA's Emerging Professionals Network, she is confident this group will inspire more students to consider financial planning.

Laura Kelly didn't always want to be a financial planner. Seven years ago at the age of 16, she was an aspiring tennis player with a collage scholarship playing in the United States. Back then, she had her eyes firmly set on her base serve and volley, rather than investment portfolios and allocations. Financial planning wasn't even on the horizon.

"In 2011, I headed over to the U.S. to pursue my dream of becoming a professional tennis player. I was fortunate that my parents had the financial means to provide me with that opportunity," Laura says.

But after a tough five year slog, and not withstanding her natural talent, Laura came to the shattering realisation that it would be too hard for her to make a career out of playing tennis. But as one door closed, another opened, and Laura was able to take a number of valuable life lessons from the five years she spent in the U.S.

"I was able to pursue my tennis dream through the financial means of my parents. I understood at an early age that through good financial advice, dreams could become a reality. And just as my parents helped me reach my personal goal, I realised I wanted to help others reach their goals."

And so for Laura, a career in financial planning fitted the bill.

She admits to being particularly drawn to the client engagement aspect of financial planning, where she is able to put her people skills to practise helping others realise their goals.

"I've been fortunate to find a career where I can talk to people on an everyday basis and help them achieve the goals that really matter to them. That's something that appeals to me and was my motivation for seeking a career in financial planning."

In fact, the 22-year-old recently completed a 12-week internship earlier this year at EJM Financial Services in Melbourne, which provided her with valuable insights into the profession.

EMERGING PROFESSIONALS NETWORK

But it's not just helping people with their life goals that motivates Laura. Having just completed her Bachelor of Business – Financial Planning degree at RMIT University, she is also driven to spread the word about the value of good advice, particularly amongst her age group.

"Even at university, I found many students didn't understand what financial planning is. So, I made use of every opportunity to connect with my peers and talk to them about financial planning."

It's this energy and passionate belief in the value of good advice that has seen Laura join the recently formed FPA Emerging Professionals Network. This new advocacy group, which was formed in early 2018, comprises of young FPA professionals, who seek to raise the awareness of financial planning – both as a career and as a service – to secondary and tertiary students.

The group, which formally meets every eight weeks (via video conference), currently consists of 10 members, including Laura, with room to take on an additional three people.

"As a group, we come together on a regular basis, where we develop strategies to engage with students on the topic of financial planning. That's because a lot of people still don't understand the concept of financial planning, especially the younger generation. We're adopting social media to help spread the word.

"We want to help students figure out what they want to do, and if financial planning is the career path for them, then the Emerging Professionals Network group will help guide them," Laura says.

Laura Kelly

> *For me, the biggest challenge for the financial planning profession is to simply keep getting the message out to the wider community about what financial planning is and the value of good advice.*

"So, this group is about young people talking to and connecting with, young people about the profession."

As part of its strategy to connect with students, Laura reveals the Network will be using social media platforms, like Instagram, as well as videos, articles and resources available on the FPA's website – *Connecting with young Australians* – to help educate students.

"The younger generation, like myself, use social media as an everyday platform, so that's a trend that the network wants to use to communicate to students."

She adds that the group intends to go one-step further by staging events at career expos or on university campuses to help promote the profession as a career, as well as raise the overall profile of financial planning.

But what compelled Laura to join the FPA's Emerging Professionals Network?

"Two reasons," she says. "Firstly, to link-up with other like-minded individuals and secondly, to reach out to other students, particularly those who might not be as confident as me when it comes to asking questions or seeking career advice.

"I want to make these students feel welcomed and provide them with a supportive environment, which is something many of use didn't have when we started our degrees."

REACHING OUT TO MILLENNIALS

However, even Laura admits that reaching out to Millennials is one thing, but actually converting them to pursue a career in financial planning is an entirely different thing.

She admits that financial planning is still not widely known or even considered by most tertiary students as being a career option. And that's something she is determined to change.

"I think the best way of encouraging more young people, and particularly women, into the profession is to remove the misinformation and obstacles – perceived or otherwise – surrounding it," she says.

"From a young woman's perspective, financial planning can appear to be male-dominated. And while this may be so, a lot of practices are actually seeking to employ more women because women are best equipped to emotionally connect with other women on a deeper level.

"And, of course, an increasing number of companies are looking to have a more even gender ratio that is reflective of their client base. So, from that perspective, the profession is becoming more attractive to women."

She also believes support networks and programs that mentor and coach women at university are leading them to think positively about pursuing a career in planning.

"We definitely need more events at universities that showcase financial planning, so there is a real opportunity here for more financial planning businesses to get involved with students while they're still studying."

She believes this can include having a presence at career expos, offering scholarships and internships, mentoring students, and reaching out and engaging with students about financial planning.

Continued overleaf

FPA Emerging Professionals Network

The FPA is committed to increasing awareness of financial planning across the Australian community and views student engagement as key to this success. The FPA Emerging Professionals Network will work closely with the FPA, FPA Chapter Chairs and Committees, universities and education providers, and the local community to achieve the following:

- Raise awareness of financial planning as a career;
- Increase levels of financial literacy amongst secondary and tertiary students;
- Promote student membership and student engagement through universities, education providers and high schools; and
- Curate and create student-related content on web and social channels.

The Emerging Professional Network currently has members from NSW, QLD, ACT, WA, VIC and SA, and is building the network towards having representation from all Australian states and territories.

Members of the group are to act as advocates in their networks and community by:

- promoting financial planning as a career;
- participating in student related events; and
- actively supporting other members within the group.

"The Emerging Professionals Network is charged with inspiring students to consider financial planning as a career. As a working group, we're all willing to connect, mentor and befriend younger people. And because we're about the same age, we're able to connect better with them on the same level, which is helping to break down barriers and misinformation," Laura says.

"So, for me, the biggest challenge for the financial planning profession is to simply keep getting the message out to the wider community about what financial planning is and the value of good advice."

MAKING A CAREER CHOICE

There's no doubt that the Emerging Professionals Network has a challenging job ahead of itself to connect and engage with more students. So, what advice does Laura provide to young people, and particularly women, who are considering a career in financial planning?

"My initial advice for them is to Google the FPA and learn about the member organisation and join up as a Student Member, which is free," she says.

"I also advise that if students believe this is the career path they want to pursue, then contact FPA member practices and see if they will assist you, either with an internship or some work experience. That's what I did.

"You need to be proactive and networking is probably the best tool a student can use. And that's where the Emerging Professionals Network can help. Through our events, we seek to connect students with practitioners."

Laura firmly believes that the greatest strength of this profession is the fact that practitioners are willing to help career aspirants.

"Planners want to share their knowledge and experience with students. And that's what makes this profession such a great career choice for young people," she says.

"So, students should never be afraid of taking the first step and reaching out to those businesses or planners they want to work with. Students need to take control of their own career and the Emerging Professionals Network is here to support them in taking that control."

WOMEN IN WEALTH
SHOWCASING THE PROFESSION IN 2018

Pene Lovett

After its successful launch in October last year, the FPA's Women in Wealth program returns in 2018, with an expanded program of events around Australia – all designed to attract more women to the profession and to foster community, innovation and leadership amongst existing financial planners.

"With women currently making up 26 per cent of the FPA membership, and about 20 per cent in the profession, the FPA Women in Wealth program has specifically been designed to engage with women and encourage more of them to consider a career in financial planning," says FPA Chief Operating Officer, Pene Lovett.

Lovett adds that the Women in Wealth events have been developed to promote networking and mentoring opportunities for women, helping support them in their career progression, with the ultimate objective being to grow the number of women in the profession. For example, the bring a 'Mentee for Free' initiative is to foster emerging professionals and support new females to the profession.

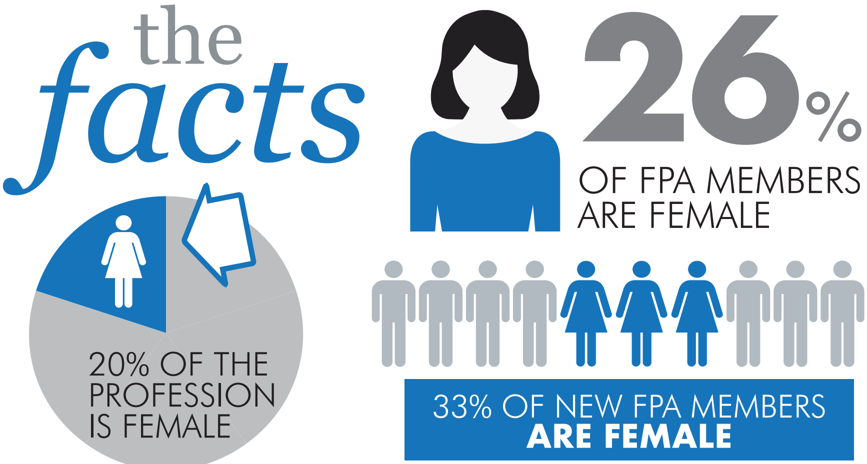
The 2018 line-up of speakers will continue on from last year's strong program, which included presentations from business entrepreneurs Colette Werden in Brisbane and Pauline Nguyen in Sydney. This year, Women in Wealth events have been scheduled for Perth, Melbourne, Sydney, Brisbane and potentially Adelaide. Details of the full program will be released shortly.

"The event program is intended to benefit men and women alike, since everyone has a role to play in advancing work culture and diversity in our profession," Lovett says.

"In an increasingly competitive business environment, gender diversity has been proven to support sound business strategy. Employees are looking to work for progressive companies and they want to feel represented and supported in their career development goals."

Lovett says the FPA will be measuring the success of the Women in Wealth program in three ways:

1. The increase in the number of female FPA members;
2. The increase of new female candidates in the CFP® Certification Program; and
3. The number of mentees, students and young planners who attend Women in Wealth events.



Source: FPA

For more information on the FPA Women in Wealth events, contact events@fpa.com.au or visit fpa.com.au/events.

PROFESSIONAL PRACTICE

THE WOW FACTOR

Tracey Sofra CFP® is taking the message of self-belief and empowerment to women in regional Australia.

It's not easy pinning Tracey Sofra down for a chat. The CFP® practitioner is a bit of a whirlwind. If she's not taking care of her 150-180 clients, she's organising another workshop for regional Victorian women or speaking at another event. In fact, it's talking to women about women that this 53-year-old feels most comfortable.

"The most pleasure I get is being in a room with women and sharing my knowledge and experiences with them," Tracey says, "and then seeing the difference this makes to their lives."

> ### Tracey Sofra CFP®
>
> **Position:** Partner and Financial Planner
>
> **Practice:** Sofcorp Financial Services
>
> **Licensee:** Consultum
>
> **CFP® Certification:** May 2001
>
> **Years as a financial planner:** 19 years

Tracey, along with her husband, is a partner of two Shepparton-based businesses: Sofra Partners Chartered Accountants, an accounting business started in 1995, and Sofcorp Financial Services — a financial planning business launched in Shepparton in 1999. And it's at Sofcorp where she spends most of her time advising clients now.

In addition to the standard smorgasbord of financial planning services on offer at Sofcorp, it's in her capacity as a coach and mentor of women that Tracey truly thrives. In fact, she specialises in women's financial issues and is passionate about empowering and inspiring women to be the best version of themselves.

As the youngest of five girls in the family, she credits her father for instilling within her this strong advocacy for women.

"Dad didn't have any sons, so he made sure his daughters were assertive and tough enough to get by in the world. And as migrants, moving to Australia from Turkey when I was only five, we had lots of challenges to deal with, which helped make us all the strong and determined women we are today."

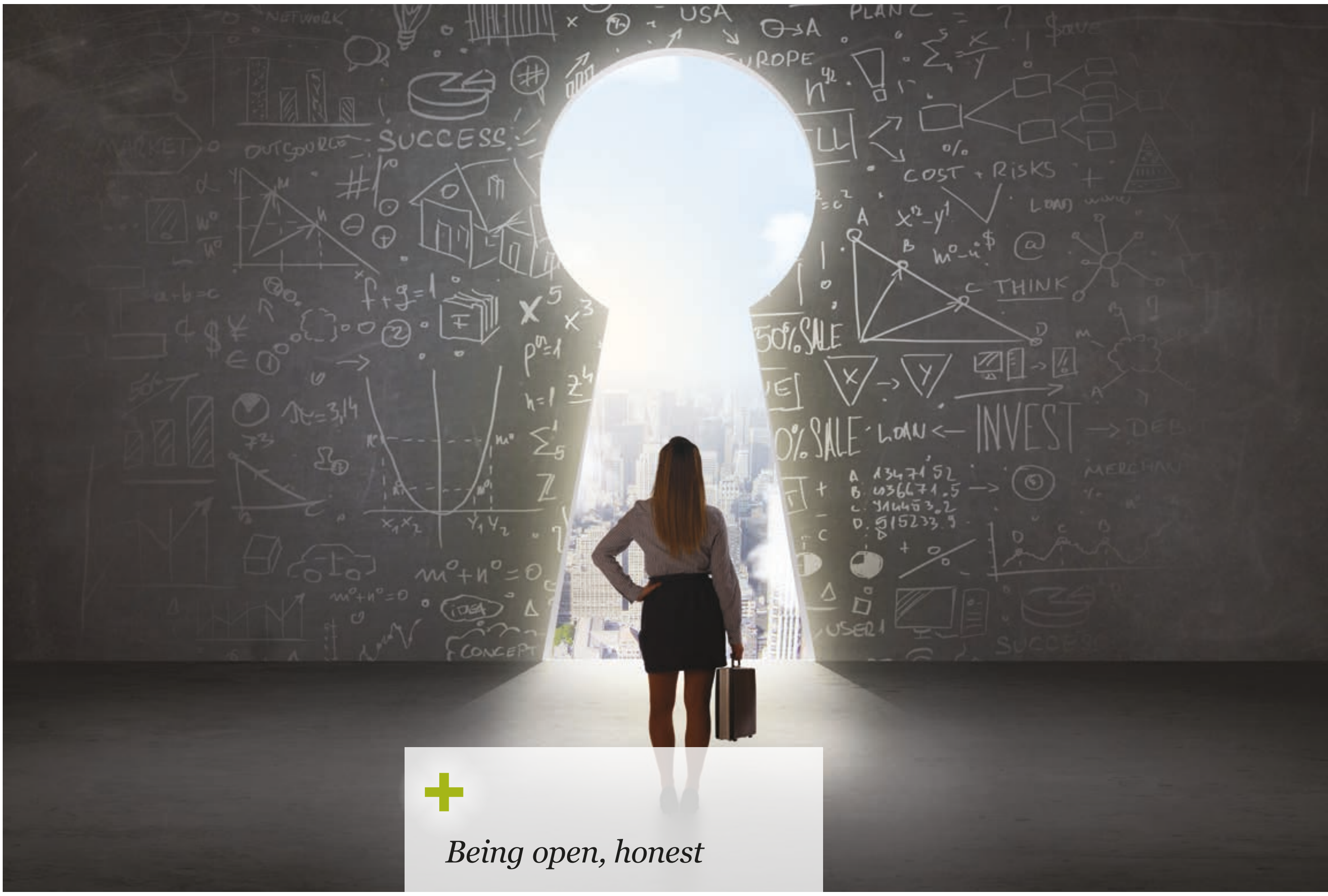
A DEEPER CONNECTION

But on a personal level, Tracey has always been able to connect with women on a deeper level. Growing up, she was always intrigued that there were many girls who didn't have self-confidence or self-belief in themselves, but she would always encourage them.

"It's just a part of who I am and the way in which I was raised. And when you get into a position where you are fortunate in being able to help others, then why wouldn't you?"

Tracey's empathy and self-awareness has helped shaped her professionally, where today she specialises in advising women on their financial issues. In fact, she is a passionate advocate of women advising women.

"I think the key to improving the financial wellbeing of women is for other experienced women to advise them," she says. "Women need to support other women, and if they don't, then collectively, we are going to struggle for another 150 years."



Being open, honest and relatable in your advice is what's going to help your clients the most – and that's something that women are great at bringing to the table.

She believes the key to this is the way in which women communicate.

"We communicate in the same way and understand each other's language," Tracey says. "Women are way more complicated than blokes and we communicate in different ways. So, women understand women. That's why women need to encourage and support each other to reach our goals.

"It's incredibly important for women to understand that every other woman around them is a potential support. So, being able to have a variation of perspectives from different women enriches the way you do things. It's these shared perspectives that can help women achieve their objectives."

WOW WOMEN

Tracey's passionate advocacy of women, particularly regional women, led her to set up the Women of the World (WOW) network – or WOW Women – in 2015.

"Living in regional Victoria, you do feel isolated at times. So, to address this, I saw a need to connect with business, professional and entrepreneurial women in my local community who were like-minded, where we could support, encourage, empower and support each other. This led me to launch WOW in 2015," Tracey says.

WOW is a membership based group for regional women, where members network at events, learn from each other through business forums and workshops, share experiences through social networks, like Facebook and LinkedIn, and give back to the community through the WOW Women Education Scholarships that support young regional women with their tertiary education.

Tracey has set herself a target of organising seven WOW events this year, comprising of three workshops, two cocktail functions, one members' dinner and the annual fundraiser luncheon in May.

"This year's keynote speaker for our fundraiser was journalist and advocate, Tracey Spicer. And the lunch also included a panel of three local women who shared their stories and challenges. I try to make sure there is a fair bit of diversity on the panel, so everybody attending the luncheon can connect with someone at some level."

Continued overleaf

All the proceeds from the fundraiser helps fund the WOW Women Education Scholarships, which assists regional young women with their tertiary education funding.

Over the last three years, WOW has provided seven scholarships, and this year, Tracey is expecting to offer another two or three.

"I'm a great advocate of women and education, so to empower women through education is a wonderful cause to be a part of."

WHY SET UP WOW WOMEN?

For Tracey, WOW Women is all about women sharing and supporting each other.

"I set-up WOW because I felt compelled to share everything I have in my heart and in my head with other women. I want to be a part of this amazing movement of raising up women, and encouraging and supporting them in whatever they choose to do."

This strong advocacy also encouraged Tracey to put pen to paper, with her first book – *Finding Financial Freedom* – published in May 2016. The book was inspired by Tracey's educational money program called: The Eight Week Financial Transformation.

"This book is my way of taking what I've learnt as a financial planner and breaking it down into eight easily digestible modules. The book has really helped to change people's lives for the better. So, to empower women through financial education is absolutely fundamental to who I am and what I do."

THE POWER OF SELF-BELIEF

Yet, it's no secret that women are behind the eight ball when it comes to their superannuation and retirement savings. And while much is being done to rectify this, Tracey accepts the profession needs to do more to promote greater engagement by women in the financial planning process.

However, she concedes it's a tough problem and believes the profession still hasn't articulated a strong enough message to women about the importance of financial planning.

Instead, she believes women in the planning profession need to collectively come together to create greater awareness around the need for Australian women to embrace and take responsibility for their own financial future.

"Individually, we all need to step up. Just like I'm doing with the WOW Women workshops, we need to promote that message constantly to women everywhere. But it's not an easy sell. In fact, it's a really tough sell that is going to take time and a lot of persistence.

"Society is a lot more tolerant to how women choose to live. And whilst perceptions are changing, I'm still not sure most women have caught up with this changing attitude and properly understand that if they are financially independent and not reliant on a husband or someone else, then they can do whatever they want.

"So, the minute you become financially independent and in control of your own money, you have self-power and self-belief."

For Tracey, self-belief is about giving women the confidence they need to know they can make major financial decisions on their own.

"Statistics show that women lack confidence in making major financial decisions.

"Yet, when we look at the home front – like budgeting, paying household bills, buying the groceries and paying the school fess – women are absolutely fantastic at doing this.

"But when it comes to making major financial decisions, like superannuation, they shy away. And that shows a strong lack of confidence, which is part of the self-belief piece," Tracey says.

"The self-esteem piece, comes from the self-belief piece, that comes from self-confidence – it's all intertwined."

CAREER ENGAGEMENT

And with only about 20 per cent of planners in Australia being female, Tracey believes the profession needs to step up in how it engages with and encourages more women to seek a career in financial planning.

"Financial planning is a brilliant career choice. Women need more financial planning advice. And when they seek it, they are looking for other women to provide that professional advice. But where are all the female financial planners? There's just not enough of them," she says.

"I know the FPA and other organisations are working on a number of initiatives to promote greater gender diversity in the profession and encourage more women to consider financial planning as a career. But there is always more that needs to be done.

"Personally, I think having a blend of men and women in the office is brilliant. As a woman, I love bouncing ideas off my male colleagues and getting their perspectives on issues. So, I think gender diversity in the office is important, but I also believe that women are more nurturing and do have a different way of advising than men.

"As a planner, financial planning is about bringing yourself to the table for your clients. When I advise my clients, it's not just about my expertise and knowledge, but also about who I am as an individual. Being open, honest and relatable in your advice is what's going to help your clients the most – and that's something that women are great at bringing to the table."

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Women are way more complicated than blokes and we communicate in different ways. So, women understand women.

SKIN ON THE TABLE

While Tracey confesses to not having had too many challenges put in her way as a woman in the profession, she does believe the constant evolution of the profession remains the key challenge for all planners.

"The financial planning profession is going though a metamorphosis. Ever since I've been in the financial planning profession, there's been nothing but constant change. And having come from an accounting background, I don't have a chip on my shoulder about professionalising the industry, because that's where we're heading."

But what about specific challenges facing women in the profession?

"For me, it's about getting the message out to more women about the value of advice. That's something we need to be more proactive about, which includes promoting our achievements."

As an example, she refers to her 2017 Money Management Financial Planner of the Year Award she won and being a finalist in the AFA 'Female Excellence in Advice' award. "Winning awards is great and gives credibility, but shouldn't we be doing something more with them?," she says.

"There needs to be some skin on the table. Award givers need to do a better job working with the recipients in using the awards as a way to coach, mentor or engage with the community. There definitely needs to be more proactivity in our profession."

THE NEXT DECADE

Through her involvement with WOW Women, her focus on helping and supporting regional women, financial literacy and assisting young women in their tertiary studies, it's easy to forget that Tracey is also running a financial planning practice. The Shepparton CFP® packs a lot into her day. And as we edge closer to the next decade, she doesn't see things slowing down.

"I want to focus more on the advocacy side of planning, which means doing more speaking engagements and workshops with women. I want to use all my knowledge and experience in ways that will encourage and support other people, especially women, both in regional Australia and nationwide.

"In fact, the most amount of pleasure I get is being in a room with women and sharing everything I have with them, and then seeing the difference this makes to their lives. Now, that's empowerment!"

For more information on WOW Women, visit wowwomengroup.com.au

WELLNESS

A SPORTING CHANCE

When it comes to improving the physical and mental wellbeing of clients, **Michael Pavani AFP®** leads by example. He talks to **Jayson Forrest** about the importance of encouraging good health as part of the overall financial planning process.

Appropriately, the office of Insight Management Partners is located close to one of Sydney's most popular exercise spots, the Iron Cove Bay Run, which attracts everyone from hardcore runners to dog walkers and parents with strollers.

It makes sense because the company is rolling out an holistic approach to advice, including the impact client's health and wellbeing has on the financial planning process. It's an innovation that is attracting interest to this young business.

Established in 2011, what differentiates Insight from many other businesses in the financial services sector, is the number of sporting names – including rugby league, soccer and tennis professionals – who are turning to its integrated offering, which includes a sports management and marketing arm, Insight Sports.

Interestingly, Insight's service offering for athletes has helped shape the business's approach to the health and wellbeing of its staff and clients.

"We've got a very strong culture of fitness and health in the office," says Michael Pavani AFP®, a financial adviser at Insight Investment Partners – a subsidiary of Insight Management Partners. "A group of us go for a run at lunch each day, and there are a few tennis and gym goers, so it's quite a flexible work environment. Insight places a lot of emphasis on having a good work/life balance, which makes a much happier, motivated and productive workplace."

Michael Pavani AFP®

Position: Financial Adviser

Practice: Insight Investment Partners

Licensee: Insight Management Partners

Years as a planner: 2 years

WALKS THE WALK

But one thing that is clearly evident at Insight is the fact that when it comes to health and fitness, the business 'walks the walk'. The importance it has placed on developing its own culture of health and fitness within the office, is now also being transitioned across to clients – and not just its sporting professionals.

"While our approach to health and wellbeing isn't suited to every client, we are engaging with an ever-increasing number of highly motivated and focused individuals," Michael says.

Take Christian Abou-Rizk – a 28-year-old client of Michael's who runs his own building company, Vestro.

"I did some insurance work for Christian and part of the process involved finding out what motivated him – not just what he wanted to get out of the financial planning process but what he also wanted to achieve for his lifestyle," Michael says.

Michael quickly ascertained that good health and fitness were important for Christian, who also enjoyed travelling and building his business.

"So, when we were doing the insurance recommendations, we found the AIA

(L-R) Michael Pavani AFP® encourages clients, like Christian Abou-Rizk, to incorporate health and fitness into the overall financial planning process.

If you can help a client build their financial security, as well as give them a lifestyle goal, then you can build a much stronger connection with that client.

– Michael Pavani

Vitality program, which was able to provide Christian with a platform to extend himself in his health and fitness regime, while receiving genuine incentives and rewards from AIA, such as discounts on his insurance premiums, discounts on travel and discounts on movie tickets," Michael says. "This was something that appealed to Christian."

But the 27-year-old also believes it's important for planners to show they are emotionally invested in the advice they provide their clients, and so to encourage his clients with their fitness regime, Michael has developed a competition to help incentivise them.

"As part of the AIA Vitality program, participants accumulate points for being active. So, you can accrue points for going to the gym, as well as taking preventive measures like visiting the dentist and doctor for regular check-ups," he says

"Christian and I have a competition to see who can accumulate the most points in a week. Christian is very motivated and is getting everything he can out of the program, which is providing him with good discounts and other incentives."

But importantly, Michael's approach to working with his clients on their health and wellbeing is also enabling him to improve his client engagement and build stronger relationships with them.

"If you can help a client build their financial security, as well as give them a lifestyle goal, then you can build a much stronger connection with that client," he says.

And it's a view supported by Christian, although he admits that health and wellness isn't something you would normally speak to your financial planner about.

"When I think of health and fitness, you would normally seek advice from a doctor, dietitian or gym instructor – not a financial planner," an amused Christian says.

"But when I met Michael, he clearly showed me the connection between being healthy and the reduced risk of any health-related issues, thereby enabling me to reduce the premiums on my insurance.

"And by looking after my health and wellness, I could tap into other benefits, like those offered in the AIA Vitality program, which encourages me to live a healthier and more active lifestyle."

EDUCATION AND CONVERSATION

So, in what other ways does Michael motivate his clients to take greater interest in their personal health and wellbeing, along with their financial goals?

"It really depends from client to client," Michael says. "I'm not going

Continued overleaf

to push somebody who definitely is not interested in exercise and sports or maintaining their health and wellbeing, which I think is important for a lot of people.

"So, it's more about how I educate clients about the benefits that health and wellness will give them. People save up for their retirement through super contributions, but programs like AIA Vitality are providing people with a platform to save up for their health as well. That's priceless," he says.

"I tell my clients that by working on their fitness and wellness now, they can be in a much better position to physically and emotionally enjoy their retirement. It's about building awareness now."

According to Michael, the AIA Vitality program does a good job in communicating this approach to health and wellness. The first step is about knowing your health; followed by improving your health. The third step is about reaping the rewards of improved health, such as discounts on insurance premiums.

"This approach has been beneficial to both me and my clients by forging closer client/planner connections," Michael says. "But really, for all successful relationships, it all comes down to finding common interests. If you can find commonality with the client of any age, then you can build that relationship.

"Normally in the financial planning process, you might have three or four touch points with the client each year. But with this program, there are about 76 touch points per year – be it anniversaries, client incentives and the like. They're all points that planners can use to build trust and stronger relationships with their clients. It's been a great client engagement tool."

A SYMBIOTIC RELATIONSHIP

Both Michael and Christian firmly believe that the core elements of a fulfilling life – financial independence, strong relationships, and good physical and emotional health – are symbiotic, all dependent on each other as part of the jigsaw.

When I think of health and fitness, you would normally seek advice from a doctor, dietitian or gym instructor – not a financial planner.
— Christian Abou-Rizk

"Holistic advice isn't just about the monetary side of planning; it's about building awareness of what the client wants from their lifestyle. So, if you're able to link a financial advice strategy with meeting the client's lifestyle goals, you're likely to have a lifelong connection with that client," says Michael.

So, how did Christian find the whole client engagement piece by Michael?

"Michael took the time to understand what my financial needs were – both personally and professionally. By taking the time to really understand me as an individual, as well as my circumstances, Michael was able to put together a plan that better suited my financial and lifestyle aspirations," Christian says. "This included recommending the AIA Vitality program, which has incentivised and rewarded my health regime."

To which Michael adds: "When Christian came and met with me, his needs outlined to me weren't reflected in his previous advice. At the same time, he was also going through a big change in his life. So, with a focus already on improving his health and wellbeing, it also gave me the opportunity to use this focus to improve his wealth at the same time."

MEASURABLE SUCCESS

Michael is quietly satisfied by his holistic approach to advice, which is building stronger relationships with clients.

"The type of relationship you can build with a client when you're not only meeting their financial goals, but also their lifestyle goals, is priceless.

"It's all about the level of detail you go into, like understanding what the client wants out of their relationship with you.

"Having a program like AIA Vitality and the personal competition I have with my clients, means we have a common goal. This type of camaraderie helps to cement that relationship and connection."

Michael is a firm advocate of including health and wellness in the financial planning process, which he believes will increasingly become the way of the future.

His advice for other practices looking to integrate health and wellness into the financial planning process is to simply, "buy into it".

"It's something you need to believe in yourself. You have to live it and breathe it," he says. "Otherwise, how are you going to convince clients to emotionally buy into it?

"So, by genuinely believing in the advice you're providing to the client and being emotionally invested in it, will help you build your relationship with the client, which is very important in this profession."

It's a view supported by Christian.

"From a client's perspective, it's very easy to say you're busy being busy. But you need to take the time to step back and take a look at the bigger picture. It's not just about the money. And that's where the help of a professional, like Michael, has been invaluable," he says.

"Today, my health and wellbeing is closely tied in with my overall financial plan.

"But who would have ever thought your health and wellness was something you talked to your financial planner about! I guess it's a sign of the changing times."

Grow.

8 STEPS TO NEGOTIATING WISELY

Whether negotiating in the workplace or with clients, successful negotiation requires real skill. **Michelle Gibbings** provides eight helpful tips.

Negotiating is a daily part of life. It may be a discussion with your partner as to who's cooking dinner or picking up the children from school. In a work context, it could be a discussion with your boss about a pay rise or having time off work.

Michelle Gibbings

When a negotiation doesn't go well the impact can be huge. You may end up being underpaid, in a job you don't like or paying more for something than it's worth.

When you don't have the confidence or skill to state what you want during a negotiation, you'll find yourself agreeing to things you don't want to do.

This doesn't make for a happy and fulfilled life.

Here are eight key things you need to consider when negotiating.

1 BE PREPARED TO BE PREPARED

Successful negotiators know they can't just 'wing it' and hope for a good outcome.

The preparation is both physical and mental.

You want to be physically prepared, as negotiations can be tiring and draining. Negotiate when you are fresh and rested, rather than at the end of a long, tiring day.

It also helps if you are mentally prepared for the challenges that happen during a negotiation. Your mind will be pushed and pulled in many directions. It's wise to go into the situation expecting this to happen, so you are ready to respond.

2 KNOW YOUR MINDSET

Negotiating is mentally taxing. Strive to understand the mindset you are adopting, and how you are likely to think, feel and react throughout the process.

If you go in with the perspective, 'I'm right. They're wrong', and are not willing to find common ground, you're unlikely to make much progress.

It is much more productive to approach the negotiation from a basis of mutual respect and a willingness to consider different ideas and options.

3 REMAIN EMOTIONALLY DETACHED

Practise slowing your mind down, so that it doesn't over-react to unexpected comments or outcomes during the conversation. This is where meditation practices and mindfulness techniques come to the fore.

If you find your mind racing, focus on breathing deeply. This provides time for your nerves to relax and your heart rate to slow down, making it easier to reflect and respond calmly. If you can maintain a calm demeanour and manage your internal feelings, your mind will be much more equipped to handle the discussion.

In contrast, if your pre-frontal cortex (i.e. the thinking part of the brain) is overpowered by 'fight or flight' triggers (i.e. the emotional centre of the brain), you'll be less able to make reasoned and well thought through responses and decisions.

Doing this involves being emotionally detached from the outcome. This can be really hard to do, particularly if the issue really matters to you. However, the more attached you are to a predetermined outcome, the far harder it will be to negotiate.

4 UNDERSTAND THE 'WANTS

Know what you want from the negotiation, and don't be afraid to ask for it. It can be a case of 'don't ask, don't get'. Be deliberate about your needs and when you ask.

Timing is crucial, as a negotiation's starting position can anchor the remainder of the conversation.

You also need to know who you are dealing with, and understand their style and approach. What do they want? What do they care about?

Take the time to understand the options available and how your proposal could satisfy the other person's needs, and pitch the message in a way that is more likely to resonate with them.

5 KNOW YOUR TRADE-OFFS

Think about how the negotiation process will unfold, and the steps required to secure agreement. Consider each of these steps, in advance of the discussion, and be curious as to how they may play out.

Running through possible scenarios and outcomes will enable you to better respond as issues or objections are raised during the discussion.

Negotiations involve compromise. Consequently, you need to know when to push and when to yield. It's hard to do this if you are not clear on your boundaries and priorities.

For example, if you are negotiating working conditions, you may be willing to trade off money for flexibility or money for extra holidays.

It's also essential to have identified your non-negotiables — that is, the items you are not willing to yield on, and the point at which you will walk away from the discussion.

Use your power

The good news is we can all feel more powerful, here are some tips:

- **Practise Amy Cuddy's power poses.** Her research shows that striking a pose for two minutes where you stretch and expand your body to take up as much space as possible, impacts how you feel.
- **Sit up straight** because how you sit and your posture impacts your behaviour and how confident you feel.
- **Tap into your inner sense of power**, which comes from knowing who you are and liking yourself.
- **Be clear on what you can control and what you can't** control in a situation, so you use your energy wisely.

6 VALUE RELATIONSHIPS

Negotiating effectively is much easier if you have a good relationship with the other people involved. So, build your network early and always take the long term view. You want both parties to the negotiation to walk away from the process with their dignity intact and feeling as though they have done well.

If someone feels ill-treated through a negotiation, even if an agreement has been reached, there can be long-term ramifications, particularly if you need to negotiate with them again.

7 USE YOUR POWER

The outcomes of negotiations are heavily influenced by power — how it is used and how it is felt.

It's easy to see how a person having more power in a relationship can lead to a sub-optimal negotiation outcome for the other party. The person with more power may have more bargaining chips, positional authority or status and so, they negotiate harder and from a stronger position.

However, it's not just having power that makes us negotiate better. Feeling more powerful can impact how we negotiate, too.

The key word here is 'feel'. No matter where it comes from, when we feel more powerful, we are more powerful, and we get better outcomes when negotiating.

Dutch researchers found this to be the case — particularly for women.

Alain Hong and Per van der Wijst of Tilburg University asked people to recall times when they had power, while the control group were asked to write about how they spend their evenings. The participants then went into a series of negotiations.

The results showed that women who were primed to feel powerful made much more aggressive first offers and negotiated better outcomes for themselves than the women in the control group did.

Interestingly, men reached similar outcomes, whether or not they were primed to feel powerful.

For some tips on feeling more powerful, refer to the breakout panel on this page.

8 HAVE RESOLVE

When you are prepared and willing to back yourself, it is easier to have the resolve to see the negotiation through to the end.

Remember, negotiations don't just have a beginning, middle and an end. They are far more circular than that, and often complex negotiations will have many rounds.

Be ready for the unexpected turns!

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

THE POWER OF VOICE

Tracey Edwards CFP® has been amazed at the dedication EBL Disability Services has for supporting young people with intellectual disabilities live meaningful lives.

GRANT RECIPIENT:
EBL Disability Services

GRANT AMOUNT:
$10,000

ENDORSED BY:
Tracey Edwards CFP®

FPA CHAPTER:
South Australia

Tracey Edwards CFP® loves being a financial planner, but it's through her involvement with Adelaide-based EBL Disability Services that she believes her perspective on life has been considerably broadened, which has provided her with enormous personal satisfaction.

EBL Disability Services was established in 1981 to assist people with intellectual disabilities to live meaningful lives. The not-for-profit organisation provides a range of support services, including short stay accommodation, transitional accommodation, assisted holidays, learning and lifestyle programs. EBL's services are designed to support individuals and their families from childhood through to adulthood.

Tracey – a director at FirstAdvice Solutions – enjoys a close relationship with EBL Disability Services, having been on the board of the EBL Foundation for several years and currently serving as Chair.

It's this close involvement with the organisation that motivated Tracey to participate in the 2017 Future2 Make the Difference! Grants, of which EBL Disability Services was successful in receiving a $10,000 grant for its My Voice Matters project.

"Being an FPA member who donates to Future2, I saw this as being a fantastic opportunity to showcase the work EBL does in the community," Tracey says.

"I've been on the EBL Disability Services Foundation board for three years and I'm the current Chair. During my time with EBL, I have been amazed at the innovation and passion this organisation has for supporting young people with intellectual disabilities live meaningful lives."

CONFIDENCE OF EXPRESSION

Funds from the Future2 grant will enable EBL to purchase a series of iPads and communication-based applications for the My Voice Matters project, which will assist participants of the project, who are under the age of 25 and are either non-verbal or have difficulties expressing themselves with their daily living and education needs.

The functionality of these communication-based applications include: text (or pictorial) to speech output; the setting and learning of specific tasks; increased vocabulary and comprehension of speech; visual stimulation exercises around managing anxiety; and the ability to do a visual picture/video task analysis to teach basic skills.

According to EBL's Matt Heading, this project will be implemented throughout EBL's Supported Independent Living, Learning & Lifestyle and Short Term Accommodation programs. "At its heart, the My Voice Matters project will provide a voice to those who struggle to express themselves."

Matt says youth living with a disability often lack the ability to communicate their needs, wants, likes and dislikes. So, for the first time, participants in this program will be able to tell their families and EBL staff how they are feeling at any given time, whether they're sick, hungry, happy, sad and so forth.

iPads and communication-based applications are key to the My Voice Matters project.

Enable Better Lifestyles

EBL Disability Services was established in 1981, by a group of parents wanting to support each other and help those with intellectual disabilities to live meaningful lives. This not-for-profit organisation remains committed to ensuring every person is supported to embrace and enjoy a rich and full lifestyle of their choice.

EBL provides a range of support services, including short stays, accommodation, transitional accommodation, assisted holidays, learning and lifestyle programs.

Its services are designed to support individuals and their families from childhood through to adulthood.

EBL is licensed to deliver both adult and children's services in accordance with licensing conditions based on information set out in the *Family and Community Services Act*, *Children's Protection Act* and the Standards for Alternative Care in SA.

"The My Voice Matters project will encourage each individual to participate in their own way and be at the centre of the planning and setup of their own iPad. The project will improve the daily living and social relationships of participants, as well as improving their overall mental health and wellbeing," Matt says.

"Essentially, the My Voice Matters approach to communicating will empower children and young adults to develop the skills and confidence needed to become independent in expressing themselves."

Both Tracey and Matt both believe that the real difference of this program will be in the development of the relationships between participants and their family, friends and support staff. Through these communication tools, the participants will have the opportunity to genuinely connect with their loved ones and support staff like never before.

IMPROVED QUALITY OF LIFE

Tracey first became involved with EBL through a client, who encouraged her to join the board.

"EBL has investments and needed a person to join the board with a financial planning skills set," Tracey says. "I have always done charity and volunteer roles, so I jumped at the chance."

As well as being the current Chair of the EBL Foundation board,

Future2 funds will also assist with the training of EBL staff in the project.

Tracey is also actively involved on the innovation committee and is working with an app/game designing company, EBL and psychiatrists to develop suitable games and apps to assist in the communication process for young people with intellectual disabilities and their families.

"This Future2 grant will enable us to purchase several iPads and communication-based applications. This will allow us to roll out this program of augmented and alternative communication, which will enable EBL to further develop, educate and improve the quality of life for young people living with disabilities," she says.

"The act of giving a non-verbal individual a piece of equipment that allows them to clearly articulate when they are bored, hungry, upset or happy, means the quality of life for these people dramatically improves."

Matt adds that the Future2 funds will also cover the training and development of EBL's frontline staff, who will encourage and engage with the program's participants in the use of the new technology.

"These funds have been vital in getting this program off the ground floor," Matt says. "We are grateful for the support of the Future2 Foundation and the members of the FPA for this amazing grant."

Learn.

Rod Lavery

knowIT Group

This article is worth
Ethics (0.25 CPD hours)
Professional Conduct (0.25 CPD hours)

FPA Dimension
Ethics

ASIC Knowledge Area
Financial Planning

INCLUDES:

- FPA Code of Professional Practice
- TPB Code of Professional Conduct
- FASEA draft code of ethics

FASEA AND A NEW CODE OF ETHICS

Somewhat lost amongst industry discussion of the impending increase in planner education requirements has been the Financial Adviser Standards and Ethics Authority's (FASEA) consultation on a new code of ethics. Financial planning is no stranger to codes of ethics but this new code has the potential to be both broader, and more vigorously policed, than those currently in place.

Codes of ethics and conduct have been present in the financial advice industry for many years. Industry associations, such as the FPA, have required members to adhere to their individual codes. The Tax Practitioners Board (TPB) requires all registered tax (financial) advisers to meet the standards of their Code of Professional Conduct.

It is valuable to examine both the FPA and the TPB's existing codes and compare them to FASEA's new draft code.

FPA CODE OF PROFESSIONAL PRACTICE

The FPA's Code of Professional Practice is a wide-ranging document that includes a code of ethics, practice standards, and rules of professional conduct that reflect the advice process.

For the purpose of comparison to FASEA's draft code of ethics, it is best to focus on the FPA's eight-principle code of ethics. The eight principles are:

1. Place the client's interests first.
2. Provide professional services with integrity.
3. Provide professional services objectively.
4. Be fair and reasonable in all professional relationships, disclose and manage conflicts of interest.
5. Act in a manner that demonstrates exemplary conduct.
6. Maintain the abilities, skills and knowledge necessary to provide professional services competently.
7. Protect the confidentiality of all client information.
8. Provide professional services diligently.

Failure to meet the requirements of the FPA's Code of Professional Practice as a whole can be met with a range of sanctions. These may include fines, education, reprimands, supervision and expulsion. These sanctions may be imposed as a result of a Conduct Review Commission (CRC) hearing or they may be agreed as part of a summary disposal.

TPB CODE OF PROFESSIONAL CONDUCT

When the laws governing tax agents were federalised in 2009, financial planners found themselves subject to a new regulator, the TPB. One element of the TPB's oversight is to ensure planners who are registered tax (financial) advisers adhere to the Code of Professional Conduct codified in the *Tax Agent Services Act 2009*.

The TPB's code has 14 clauses split into five categories. They are:

Honesty and integrity

1. You must act with honesty and integrity.
2. You must comply with the taxation laws in the conduct of your personal affairs.
3. If you:
   - receive money or other property from or on behalf of clients, and
   - hold the money or other property on trust

you must account to the client for the money or other property.

Independence

4. You must act lawfully in the best interests of your client.
5. You must have in place adequate arrangements for the management of conflicts of interest that may arise in relation to the activities that you undertake in the capacity of a registered tax (financial) adviser.

Confidentiality

6. Unless you have a legal duty to do so, you must not disclose any information relating to a client's affairs to a third party without your client's permission.

Competence

7. You must ensure that a tax (financial) advice service that you provide, or that is provided on your behalf, is provided competently.
8. You must maintain knowledge and skills relevant to the tax financial advice services that you provide.
9. You must take reasonable care in ascertaining a client's state of affairs, to the extent that ascertaining the state of those affairs is relevant to a statement you are making or a thing you are doing on behalf of a client.
10. You must take reasonable care to ensure that taxation laws are applied correctly to the circumstances in relation to which you are providing advice to a client.

Other responsibilities

11. You must not knowingly obstruct the proper administration of the taxation laws.
12. You must advise your client of the client's rights and obligations under the taxation laws that are materially related to the tax (financial) advice services you provide.
13. You must maintain the professional indemnity insurance that the Board requires you to maintain.
14. You must respond to requests and directions from the Board in a timely, responsible and reasonable manner.

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It is when you delve into the individual standards, and compare them to existing codes, that the broader scope of FASEA's draft code becomes clear.

The TPB has the ability to impose administrative sanctions on planners who have been found to have breached the code.

These sanctions may include a written caution, training, limiting the services the planner can provide, supervision, suspension or termination.

The TPB may also apply to the Federal court to impose a civil penalty of up to $52,500 for individuals or $262,500 for corporations.

FASEA'S DRAFT CODE

FASEA's draft code of ethics will be enforceable under the *Corporations Act*. In its current form, it splits planner obligations into four classes of standards:

1. Standards of ethical behaviour;
2. Standards of client care;
3. Standards of quality process; and
4. Standards of professional commitment.

It is when you delve into the individual standards, and compare them to existing codes, that the broader scope of FASEA's draft code becomes clear.

Ethical behaviour

Ethical behaviour is broken down into three standards:

1. Acting in accordance with the spirit of all relevant laws and regulations.
2. Never advising or acting in a manner where inappropriate personal advantage is derived.
3. Acting with personal integrity and as an independently minded professional for the benefit of each client.

The spirit

The first area that appears different under FASEA's code of ethics is that it codifies the requirement to act in accordance with the spirit of the law. The FPA's Code of Ethics does include the requirement to adhere to the spirit of that code of ethics, but that is a much narrower requirement than to be subject to the spirit of all legislation and regulation.

Subjective interpretation of the spirit of one association's code is also likely to be less contentious than the subjective interpretation of all laws and regulations. How is the spirit of a law determined? Is it revealed

Continued overleaf

by the words of the politicians and review panels that may have recommended that law? Is it revealed by the explanatory memorandum that accompanied the bill? Is it identified by guidance from the regulatory body charged with enforcing that law?

This is far from the first time that the spirit of the law has arisen as a concept when considering professional conduct.

One example is that the ATO cites the spirit of the law as being something to which tax planners should adhere to, in order to ensure they aren't crossing the line from tax planning to tax avoidance. Nonetheless, it is a far-reaching concept for the first standard in FASEA's draft code of ethics.

Personal advantage

The second standard of FASEA's code of ethics also involves a broader concept than is covered by the FPA or TPB.

Both the FPA and TPB's codes look specifically at conflicts of interest, whereas this standard examines personal advantage in isolation. In doing so, it raises the question – when does personal advantage become 'inappropriate'?

Some instances may be obvious. Charging fees for no service would be inappropriate. Other situations are less clear cut.

Could 'grandfathered' commissions permitted by the *Corporations Regulations* be considered inappropriate?

Recent comments from politicians, regulators and the judicial arm have indicated they believe they are inappropriate.

Integrity and professionalism

The last ethical standard, while also seemingly broad, is consistent with both the FPA and the TPB's codes.

The FPA's full Code of Professional Practice is committed to defining what it is to be a professional, while the second principle of its code of ethics defines integrity. The TPB requires that all planners act with honesty and integrity. Any difference in FASEA's code would come down to how these terms are defined by the bodies enforcing the code.

Client care

Client care is also divided into three standards:

1. Act only on the basis of the free, prior and informed consent of a client.
2. Ensure all advice and products are in the client's best interests, appropriate to their circumstances and presented in terms easily understood by the client.
3. Take into account the broad effects arising from a client acting on the advice.

The client care standards appear more in line with current planner practices and codes of ethics. In fact, large parts of FASEA's client care standards are already covered by planners' obligations under the *Corporations Act*.

Quality process

The standards of quality process under the draft code are:

1. Obtain informed consent to act and receive agreed fees and payments for agreed services.
2. Obtain informed consent, and agree, to maintain records relevant to the advice provided, in accordance with relevant privacy, regulatory and confidentiality obligations.
3. Ensure that all advice and products are offered in good faith and with competence and based on information that is neither misleading nor deceptive.

The quality process standards also largely reinforce existing laws and obligations to which planners are already required to adhere. The standards in FASEA's draft code are more prescriptive that those in the FPA or TPB's codes of ethics, but are standards planners would expect to already meet.

That said, there are issues, particularly around fees, that may arise. Once again, commissions come under the microscope. Can a client in an ongoing commission arrangement be said to be receiving an agreed service if they don't have regularly scheduled reviews? The same issue arises regardless of whether the commissions are grandfathered or in relation to life insurance.

Professional commitment

The draft code's standards of professional commitment are:

1. Develop and maintain a high level of relevant knowledge and skills.
2. Accept that potential breaches of this Code will be subject to investigation and discipline from the responsible Code Monitoring Body, undertaken in accordance with ASIC's approval and oversight of that body.
3. Individually, and in co-operation with peers, uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.

The first professional commitment standard will largely be met by the existing, and incoming, education standards. It also mimics sentiments expressed in the industry's existing codes. The second standard is a self-strengthening commitment required of all planners under the code. It is the third professional commitment standard that introduces a new, enforceable concept to the industry.

Guilty bystanders

The third professional commitment standard of FASEA's draft code of ethics reads like an enforceable bystander obligation. In essence, if a planner sees a colleague, or fellow industry participant, doing something questionable, they are required to hold that person to account. If they fail to do so, they may fall foul of their code of ethics and be penalised.

Enforcement

All financial planners will be required to abide by the code from January 1 2020 and will need to choose a body to monitor their adherence to the code. This monitoring body will have the ability to apply sanctions to an advice provider for breaches of the code.

Until monitoring bodies begin to be approved by ASIC, the scope of the sanctions they can apply will not be clear. That said, it is likely that the range and quantum of sanctions will be greater than is the case under the current industry body codes.

While a professional association, such as the FPA, may be registered as a monitoring body, they will have greater authority to enforce the code than is currently the case. In fact, code monitoring bodies may face penalties under the *Corporations Act* if they fail to adequately monitor the new code of ethics.

THE NEW CODE WILL MATTER

This increased impetus is why the new code of ethics should matter to every financial planner. Not only will planners need to adhere to the best interests duty, disclosure requirements and other black-and-white legal obligations, they will also have to follow this new code of ethics that is markedly broader than their current obligations.

Rod Lavery is Technical Manager at knowIT Group.

QUESTIONS

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

1 On what date will planners' obligation to adhere to FASEA's new code of ethics commence?

a. 1 January 2019.
b. 1 July 2018.
c. 1 January 2020.
d. As soon as the code is finalised.

2 Which of the following requirements of FASEA's draft code of ethics is not covered by the TPB's Code of Professional Conduct?

a. Ensure all advice and products are in the client's best interests.
b. Maintain a high level of relevant knowledge and skills.
c. Act in accordance with the spirit of all relevant laws and regulations.
d. Ensure all advice and products are appropriate to the client's circumstances.

3 Breaches of which current codes of ethics or conduct can be punished by civil penalties enforced by the Federal Court?

a. The FPA's Code of Professional Practice.
b. The TPB's Code of Professional Conduct.
c. FASEA's code of ethics.
d. All of the above.

4 Who will investigate breaches of FASEA's code of ethics?

a. Registered code monitoring bodies.
b. FASEA.
c. ASIC.
d. TPB.

5 Which of the following is not a standard in FASEA's draft code of ethics?

a. Individually, and in co-operation with peers, uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.
b. Obtain informed consent, and agree, to maintain records relevant to the advice provided, in accordance with relevant privacy, regulatory and confidentiality obligations.
c. Take into account the broad effects arising from a client acting on the advice.
d. You must maintain the professional indemnity insurance that ASIC requires you to maintain.

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LEVERAGED LIFE CYCLE

for defined contribution plans

Luo Wang, Bin Li and **Benjamin Liu** investigate whether the leveraged life cycle strategy is able to produce better retirement outcomes.

Population ageing has led governments to encourage funded private retirement plans, also known as defined contribution (DC) plans, where participants are responsible for building up retirement wealth through mandatory or voluntary contributions in their retirement account.

This growing trend in DC plans has highlighted the importance of participants taking more control over the investment of their assets in their DC plans.

Although lifestyle (or target risk) and life cycle (or target date) strategies have long been recognised by DC plan investors, they have been widely criticised for their poor performance during the period of the 2008 GFC (Halonen, 2009). This has led to uncertainty as to whether those retirement savings would provide adequate retirement wealth, especially for those close to retirement.

LEVERAGED LIFE CYCLE

As a result, another stream of literature questions the deterministic nature of life cycle switching, and supports the idea of employing a leverage factor into the investment strategies.

Ayres and Nalebuff (2013) propose a leveraged life cycle strategy that invests a constant percentage of the present value of lifetime saving in stocks. Specifically, a leveraged life cycle strategy contains three phases.

In phase one, investors' retirement savings are leveraged at 2:1 and fully invested in stocks.

In phase two, investors start to deleverage when the current savings exceed 20 per cent of discount lifetime savings, until the current savings hit the desired level of market exposure, set at 50 per cent of discount lifetime savings allocated to stocks.

In phase three, investors maintain the market exposure at the desired level (50 per cent), and the leverage is no longer required.

According to Ayres and Nalebuff, a leveraged life cycle strategy generates the same mean retirement wealth as the constant 74 per cent stock allocation strategy, but with a 20 per cent reduction in the standard deviation of retirement wealth.

Compared to the traditional un-leveraged life cycle strategy that starts with a 90 per cent stock allocation and decreases linearly to 50 per cent, the leveraged life cycle strategy leads to an 11.5 per cent improvement in certainty equivalent.

BETTER OUTCOMES

Both risk reduction and superior returns features motivated this study to investigate whether the leverage life cycle strategy is able to produce better retirement outcomes over the balanced, conventional life cycle, and dynamic life cycle strategies.

Using both the historical simulation and bootstrap simulation methods, this study finds that, first, the leveraged life cycle strategy has the ability of risk reduction, which is consistent with the findings of Ayres and Nalebuff (2013), though the risk reduction ability is relatively insignificant.

Second, the leveraged life cycle strategy demonstrates a comparative advantage to the balanced strategy. In fact, the balanced strategy shows inferiority to each strategy that has been examined, which may suggest that it is not an appropriate investment choice for DC plan investors.

Third, the leveraged life cycle strategy demonstrates inferiority to conventional life cycle strategies in most cases. Compared to leveraged life cycle with dynamic life cycle strategies, the leveraged life cycle strategy demonstrates significant inferiority to dynamic life cycle strategies.

The findings of this study have revealed that, as suggested by Basu *et al.* (2011), dynamic asset allocation strategies are able to produce much better retirement outcomes for investors. This may represent a superior alternative to the conventional deterministic life cycle strategy and is worthy of further investigation.

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> *... dynamic asset allocation strategies are able to produce much better retirement outcomes for investors.*

Luo Wang, Dr Bin Li, Dr Benjamin Liu are from Griffith Business School, Griffith University.

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