

JULY 2018

VOLUME 30 | ISSUE 06

# MONEY & LIFE

*The magazine for* FINANCIAL PLANNING PROFESSIONALS

## It's OK not to be OK

PHIL WAUGH AND THE  
POWER OF CONNECTIVITY

Jonathan Elliot CFP®  
IMPLEMENTING A FIVE-HOUR WORK DAY



ALSO: FASEA SURVEY | WORKPLACE WELLNESS | SHARP THINKING  
ETHICS AND DECISION-MAKING | COMPARING LIFE CYCLE PHASES



FINANCIAL PLANNING  
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# Make a difference in your clients' lives

90% of deaths in Australia are caused by four preventable, lifestyle-associated conditions like diabetes and cardiovascular disease, which are due to lifestyle habits such as poor nutrition and lack of exercise.\*

You can help us reduce this figure.

Help your clients improve their health and enjoy the rewards with AIA Vitality.

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**AIA** Vitality

\*Source: World Health Organisation – NCD Country Profiles, 2014 ADV411006/18

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## HEALTH AND WELLBEING MATTERS IN BUSINESS

Financial wellbeing is the second most important priority after your physical and mental wellbeing. As financial planners, I know this conviction is one you champion with your clients.

It makes perfect business sense for organisations to create a work culture that supports employees with good physical and mental health. Since most people spend most of their adult life at work, a focus on health and wellbeing within the workplace is important. It's powerful — good health and wellbeing improves the happiness of you, your colleagues and your clients, and it rubs off on your performance and success as a whole.

This issue of our magazine explores ways that we, as individuals and employers, can ensure that we actually like and want to be at work!

### FASEA PROPOSAL SUBMISSIONS

The consultation with the Financial Adviser Standards and Ethics Authority (FASEA) regarding the proposed education and ethical standards came to a close last month. With your support and feedback, the FPA lodged its submissions.

One of our key recommendations for the education standards centred on the CFP<sup>®</sup> designation. We have strongly argued that prior and continuing learning through the internationally recognised CFP<sup>®</sup> Certification Program be recognised as part of the FASEA education proposals. Now we wait for a response from the Government.

### FPA CONGRESS REGISTRATIONS OPEN

At this time of rapid change, no matter where you are in your career, the 2018 FPA Professionals Congress will help you to be better informed, connected and prepared

to face challenges and realise opportunities. Congress registrations are now open and this year we're in Sydney from 21–23 November. Head to [fpacongress.com.au](http://fpacongress.com.au) and make the most of the \$245 saving with the early bird offer until 31 August.

### FPA AWARDS

The 2018 FPA Awards program also opens this month. Now more than ever, we want to shine the light on the positive, life changing advice that you give to your clients. Help us change the conversation and share the good stories about financial advice. By supporting the FPA Awards, you can help us celebrate the talent and passion within our profession.

Entries are now open and I strongly encourage you to consider entering this year. Find out more at [fpa.com.au/awards](http://fpa.com.au/awards).

### FINANCIAL PLANNING WEEK 2018

From 20–26 August we'll be celebrating Financial Planning Week! Keep an eye out in FPA Express enews for details on how you can support our consumer awareness campaign.

*Dante De Gori CFP<sup>®</sup>, CEO*



Follow Dante on Twitter @ddegori10

 BT Investment Management is now 

# PENDAL

## A new chapter in a continuing story

With \$99 billion in funds under management, BT Investment Management, one of Australia's most enduring investment management firms, has rebranded as Pental (ASX: PDL). A name with origins in BT's original investment ethos some 45 years ago, Pental launches a new era for our independent, investment-led future.

Pental. Where heritage meets opportunity.

Find out more > [pentalgroup.com](https://pentalgroup.com)

## RISE TO THE CHALLENGE

The Future2 Foundation is calling for cycling and hiking enthusiasts to join them in one of two challenges prior to the start of the 2018 FPA Professionals Congress in Sydney (21-23 November).

The first challenge is the annual **Future2 Wheel Classic**. Now in its ninth year, the ride will start on 14 November at the steps of Parliament House in Canberra and finishing in Sydney on 21 November.

The eight day route covers a distance of 993km, and will take in the scenic Snowy Mountains region, with overnight stops in Cooma and Jindabyne before winding down the South Coast to Merimbula.

Riders will then pedal north through Narooma, Batemans Bay, Berry and Wollongong, before crossing the finish line at the ICC Sydney in time for the 2018 FPA Professionals Congress.

Riders in the Future2 Wheel Classic can also opt for a shorter four-day ride.

And for those preferring to keep their feet firmly on the ground, Future2 has organised a two-day 45km **Blue Mountains Hiking Challenge**.

Participants will set off on November 19, where they will experience the challenging terrain and beauty of the Six Foot Track and Megalong Valley.

By signing up to the Wheel Classic, riders will undertake to raise at least \$1,500 for the **Future2 Make the Difference! Grant** program, while the hikers will have a fundraising target of \$1,200.

For more information or to register your interest, go to [future2foundation.org.au/events](http://future2foundation.org.au/events) or email [events@fpa.com.au](mailto:events@fpa.com.au)



### 2018 FUTURE2 GRANT NOMINATIONS CLOSE SOON

Hurry, nominations close on 20 July for the 2018 **Future2 Make the Difference! Grants**. The nomination process is streamlined, making it easy for FPA practitioners to nominate their local not-for-profit organisation.

Since 2007, the Future2 Foundation has committed \$823,000 in grants to grassroots programs providing critical support to young people nationwide aged between 12 to 25 years old, who are experiencing social, financial, mental or physical hardship.

FPA practitioner members can nominate a deserving not-for-profit organisation via the online **Future2 Make the Difference! Grant** portal at: [www.e-award.com.au/2018/fpa/newentry/about.php](http://www.e-award.com.au/2018/fpa/newentry/about.php)

Applications close at 5pm on Friday 20 July 2018, with the winning grants announced in November 2018.

#### FAST FACTS

## Mental illness in Australia



18-24 YEAR OLDS HAVE EXPERIENCED A MENTAL DISORDER

THE NUMBER OF PEOPLE WHO TAKE THEIR LIVES EACH DAY



Sources: Australian Bureau of Statistics and National Mental Health Commission.

# 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 31/05/2018	INVESTMENT RETURNS			
	1 year	3 years p.a	5 years p.a	Since inception <sup>1</sup>
Fund	38.2%	17.2%	22.7%	26.0%
Benchmark <sup>2</sup>	28.2%	14.4%	9.6%	2.3%
Excess return	+10.0%	+2.8%	+13.1%	+23.7%

1. Inception date: 12 September 2010

2. S&P/ASX Emerging Companies Accumulation Index



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**Strength. Wisdom. Agility.**

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## FASEA MEMBER RESEARCH

Throughout April and May, the FPA surveyed members in relation to FASEA's proposed requirements. The following is an executive summary by CoreData of the results from 3,393 members.

### FPA MEMBERS ARE HIGHLY EDUCATED

The most common form of education for financial planners is a Diploma of Financial Planning, held by 74.0 per cent of all FPA members, and 60.2 per cent of all members hold the 8 Unit Diploma of Financial Planning.

Nearly one-third (32.3 per cent) of FPA members hold an 8 Unit DFP in addition to an undergraduate or graduate degree (unrelated or related).

Considering only related undergraduate and graduate degrees, over one-fifth of planners (22.0 per cent) hold a related degree as well as an 8 Unit DFP. A majority of FPA members (64.0 per cent) hold an undergraduate or post-graduate university degree.

To educate themselves further in areas that require supplementary education, many planners have chosen to study additional coursework, with 59.7 per cent of FPA members holding and maintaining the internationally recognised CFP® designation. Another common form of continued education is the SMSF Specialisation, held by nearly half (49.3 per cent) of FPA members. The third most common concentration is the Aged Care Specialist Standard, held by 24.2 per cent of all members.

Furthermore, 80.2 per cent of FPA members are registered with the Tax Practitioners Board, enabling them to act as Tax (Financial) Advisers or Tax Agents in Australia.

### FPA MEMBERS ARE HIGHLY EXPERIENCED

The majority of FPA members (66.4 per cent) have been planners for more than 11 years. The most frequently occurring length of time a member has been practising is

20 or more years (28.2 per cent), with the average time being 15.5 years. A trend in the data is that with experience, comes CFP® certification – 39.2 per cent of all CFP® practitioners have over 20 years of experience.

### THOSE MOST EXPERIENCED WILL NEED TO DO THE MOST

The FPA survey revealed that planners who have been practising for long periods of time have very low levels of proposed FASEA approved qualifications. This is especially true for segments comprising 16-20 years of experience and 20+ years of experience.

These groups pass Financial Planning Education Council (FPEC)/Financial Adviser Standards and Ethics Authority (FASEA) proposals at a rate of just 12.4 per cent and 6.0 per cent respectively. Planners with 16+ years of experience make up 48.4 per cent of the FPA membership.

### CONSEQUENTLY, THE MOST EXPERIENCED ARE LIKELY TO LEAVE

The research found that most planners (58.3 per cent) with 20 or more years of experience have a formal university education. A large majority (71.9 per cent) of all planners with 20 or more years of experience hold an 8 Unit Diploma of Financial Planning.

In fact, planners with 20 years or more experience have the highest proportion of CFP® certification, when compared with all groups, at 83.1 per cent.

The 20+ years segment also makes up nearly half (41.9 per cent) of all practice owners, and when including the 16+ years segment, they make up 67.6 per cent of practice owners.







Unfortunately, this group is extremely vulnerable to FASEA proposals and is the most likely to act negatively.

Reforms will affect planners and practice owners equally. Regrettably, 68.4 per cent of all 20+ year veterans say they will retire or move on because of FASEA. This figure drops to 46.2 per cent when considering the 16-20 year band.

Bearing in mind the importance of business owners as mentor figures and providers of employment, overall, nearly half (48.8 per cent) of owners say they will sell their business (25.7 per cent) or implement a succession plan (23.2 per cent). This represents a significant hit to employing businesses in the financial planning sector.

When focusing just on financial planners with over 20 years of experience (who represent 41.9 per cent of all businesses), 71.4 per cent of these planners will sell up or implement a succession plan for their planning practice. This represents a big loss of experienced leaders of financial planning businesses across the country.

## DON'T COVER OLD GROUND, LET'S GROW

The FPA survey clearly shows that planners appreciate the need for a universal standard to help make financial planning a profession that is respected and trusted, and many agree there is a need to raise standards of financial advice education.

However, many believe very strongly that the FASEA proposals are simply a re-hashing, box-ticking exercise. These planners believe that completing a bridging course or additional approved courses will not have the desired effect.

Planners generally see the bar set by FASEA as being unfair and arbitrary. There is a strong sentiment that 95 per cent of planners have been thrown in with 5 per cent of the 'cowboys'.

Instead of repeating coursework, financial planners have consistently shown they have a desire to continue

professional development and to specialise further through tertiary studies.

## COMMITTED TO PROFESSIONAL GROWTH

The majority of FPA members complete annual FPA required CPD hours through online learning and events. Over one-fifth (20.7 per cent) of FPA members are currently developing their skills by studying further education, such as SMSF Specialisation and/or Aged Care Specialist Accreditation or additional university studies.

The most common form of further education is the CFP® designation, which 41.5 per cent of current students are taking. The CFP® designation, as a form of further education, is nearly twice as popular as FPEC/FASEA approved degrees, which only 21 per cent of all students are pursuing.

The CFP® certification is very popular with less experienced planners; 60.6 per cent of planners with 0-5 years of experience are currently working towards the CFP® designation.

## PLANNERS ARE CONFUSED AND REQUIRE CLARITY

FPA members feel very uninformed in their path forwards towards 2024, with many planners waiting on degree accreditation from FASEA. These planners want a simple answer. A common frustration is that their degree will not be acceptable. An even more common frustration is the lack of clarity, and reasons as to why some degrees are accepted, and some are not.

## CFP® DESIGNATION RAISES PROFESSIONAL STANDARDS

Those planners who hold the CFP® designation strongly believe that the FPA and the CFP® mark both have merit and accountability. The CFP® mark has been attributed as the highest financial planning designation in the world and is recognised in 27 nations.

Independent research (CoreData) has found the CFP® designation as a badge of trust for Australian consumers seeking financial advice, and a credential that is relied on for finding and recognising quality advice.

CoreData has found that FPA members who hold this designation feel that the requirements to gain CFP® certification, as well as the CPD, sufficiently fulfils the necessary prerequisites to achieve professionalism.

## METHODOLOGY

The FPA surveyed 3,393 Australian FPA members in April 2018. Random sampling, along with the very large sample size, ensures responses are representative of FPA membership Australia-wide. The responses accurately describe the current sentiment and intention of planners regarding the FASEA proposals.

Striving to measure how the proposed FASEA standards will affect FPA members, results are interpreted through various demographic segments – revealing how intention and sentiment are dependent on member characteristics.

*The survey results were analysed and compiled into an executive summary by CoreData Australia in June 2018 for the FPA.*

*Continued overleaf*



# FPA SUBMISSION TO FASEA PROPOSALS

The **FPA** has listened to members concerning **FASEA's proposed new requirements**, with member feedback featuring in the FPA's submission to FASEA.



With 3,393 FPA members responding over April and May to the FPA's survey on FASEA's new guidance on proposed education standards and code of ethics for planners, FPA policy manager, Heather McEvoy wasn't surprised at the feedback from members.

"As the FPA had already widely consulted with members regarding FASEA's proposed standards, we weren't too surprised by the results from members," McEvoy said. "However, the survey findings provide vital evidence to support the FPA's submission on these proposals to FASEA."

McEvoy identified five key areas in the FPA's submission. They include:

## EDUCATION PATHWAYS

Under the legislation, FASEA can recognise prior learning, but has instead passed this over to each university to determine. By doing so, FASEA is ignoring quality past education that is specific to the provision of financial advice.

"The proposals set out by FASEA are quite complicated and don't acknowledge the quality of past education done by planners. These are transition requirements for existing planners and we believe that all past education should be recognised, particularly advice specific education.

"The FPA has always supported raising the minimum standard of education, with an approved degree or graduate diploma being a requirement of all new planners," McEvoy said.

"However, it would seem that FASEA is proposing to take a complicated and higher level approach to education for existing planners.

"This will ultimately hurt consumers in the end by adding to the cost of advice, and forcing experienced and highly educated planners either back to the classroom or out of the profession altogether. We believe this is entirely unreasonable."

## CFP® DESIGNATION

In its submission, the FPA argues strongly that prior and continuing learning through the internationally recognised CFP® Certification Program, be recognised by FASEA as part of its education pathways.

"The CFP® designation is very specific to financial planning advice and delivered at the very highest level. We argue that FASEA needs to consider study undertaken to attain the CFP® designation, as part of its overall education pathways," said McEvoy.

"The work and commitment required to hold the CFP® designation is also reflective of the Government's package of reforms that include: education, examination, continuing professional development and code of ethics."

## IMPLEMENTATION COSTS

The FPA believes the FASEA proposals are currently quite costly to implement. FASEA will be required to either assess or audit approximately 25,500 individual planner transcripts/records or outsource this to a third-party.

"It's highly likely this cost will be passed on to either planners or their licensee," McEvoy said. "That will only add to the cost of advice for consumers."

## CPD

Under the FASEA proposals, there is a requirement that all planners undertake regular CPD. This has long been an FPA standard. As such, the FPA doesn't expect the FASEA CPD requirement to be materially different to practitioner members' existing obligations.

## CODE OF ETHICS

All planners will be subject to a Code of Ethics from FASEA. The FPA already has a very strong and enforceable Code of Ethics that members must adhere to.

"It must be remembered that the FASEA proposals are part of a package of reforms that include: education, examination, continuing professional development and code of ethics," McEvoy said.

"The FPA will continue to campaign strongly on behalf of all members and their clients to ensure FASEA adopts a commonsense approach to its proposals."



# FASEA AND FPA PROPOSED REQUIREMENTS

CHART 1: FASEA PROPOSED EXISTING ADVISER REQUIREMENTS

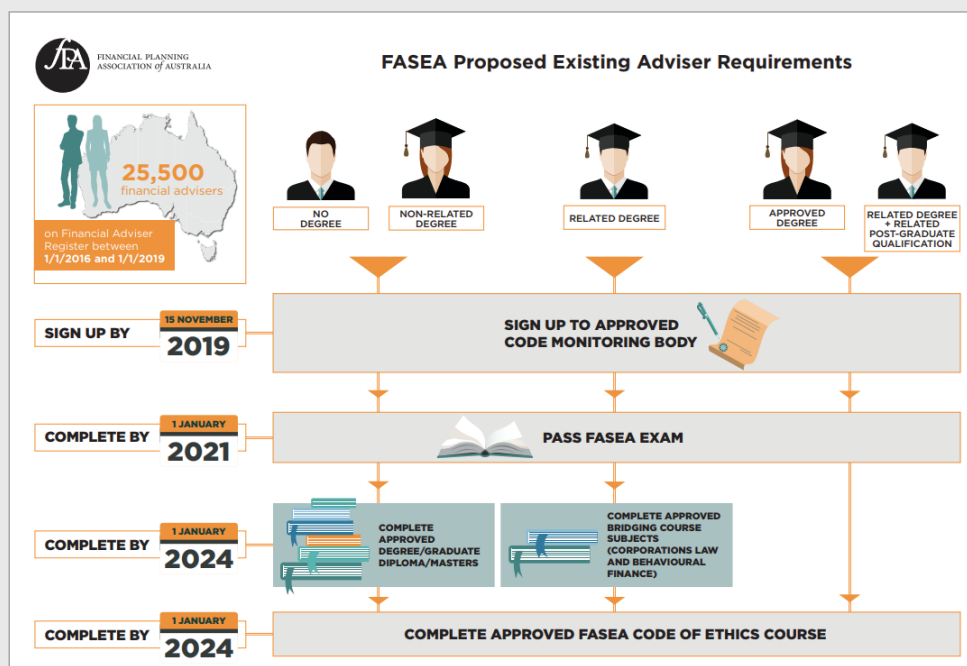
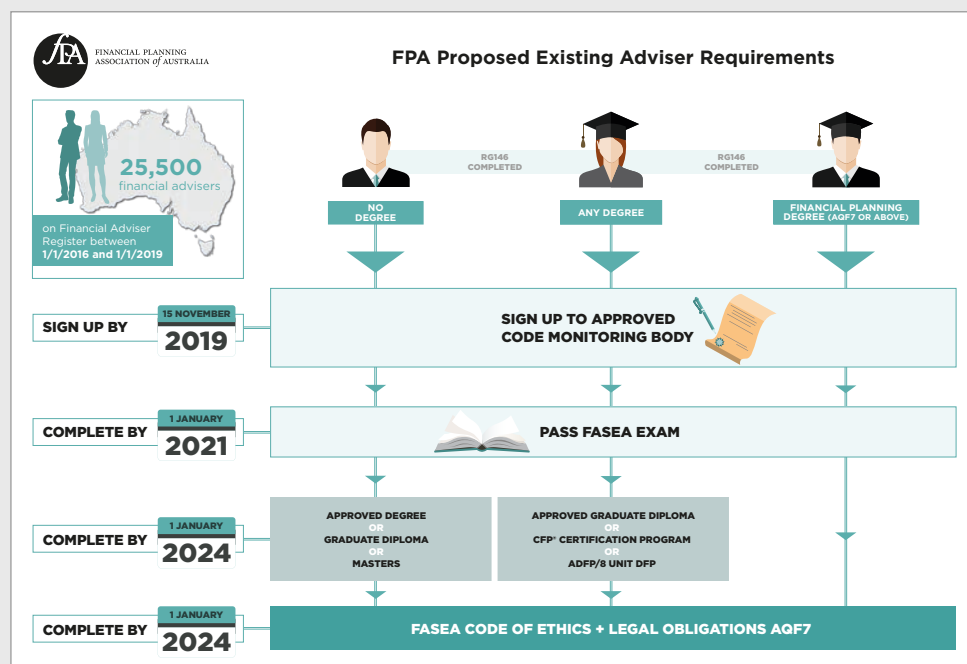


CHART 2: FPA PROPOSED EXISTING ADVISER REQUIREMENTS



82 per cent of FPA National Roadshow attendees believed the FPA's proposals on the education framework for existing planners was an improvement on the FASEA proposal. (Survey of 968 attendees at the FPA National Roadshow to 1 June 2018.)

VISIT [FPA.COM.AU](http://FPA.COM.AU) UNDER POLICY ISSUE TO VIEW MORE INFOGRAPHICS ON THE FPA'S PROPOSED NEW ADVISER REQUIREMENTS.

Disclaimer: This FPA guidance is not an endorsement of the FASEA proposed Education Standards. Please note that these standards are subject to consultation. April 2018.



# OUT AND ABOUT

A snapshot of FPA members



WE LOOK FORWARD TO SEEING MEMBERS AT THEIR NEXT LOCAL CHAPTER EVENT. **FOR UPCOMING EVENTS, VISIT [FPA.COM.AU/EVENTS](http://FPA.COM.AU/EVENTS)**

Members and guests of the **Western Australia Chapter** enjoyed the Women in Wealth lunch on 2 May.

The guest speaker for the lunch was Michelle Cowan (Picture 2), who is one of Australia's leading female AFL coaches.

Michelle provided a thought-provoking presentation about 'Creating opportunity for yourself and others, through strong leadership and a defined team culture'.

**In Australia, AIA Vitality members are 30% less likely to lapse their policy compared to non AIA Vitality members\*.**

\*Lapse improvement rate based on rolling 12 month lapse rates for AIA Vitality and non-AIA Vitality members, by policy count, as at April 18.



and guests enjoying a recent Chapter event.



Also at the lunch, a \$10,000 Future2 Make the Difference! Grant was also presented to Lamp Inc (Picture 1) for its youth suicide prevention program. For more on the Lamp Inc, go to p32-33.



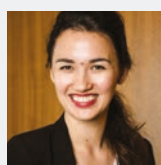
Reduce your client lapse rates with  
AIA Vitality.



## OPINION CORNER

# BETTER HEALTH, BETTER BUSINESS

**Question:** What have you seen and adapted from other sectors or businesses that is helping you improve the health and wellbeing of your staff and/or clients?



**Nathalie  
Bunge-Krueger**

Chief Administration Officer,  
Elston

Licensee: EP Financial Services

Health and wellbeing have always been an important focus at Elston, as we recognise that our ability to attract and retain quality team members is at the core of what drives us as a business.

Over the years, we have drawn on the experiences and successes of other firms, creating initiatives that promote a healthy, balanced lifestyle and provide an avenue to engage with colleagues – such as subsidised group training, free flu vaccinations and the provision of healthy snacks.



**James McGregor**  
CFP®

Managing Director,  
Apt Wealth Partners

Licensee: Apt Wealth Partners

We believe that employees with a healthy work/life balance are happier and perform better. We understand the impact lifestyle can have on physical and mental health, so we have tried to create a culture at Apt that promotes healthy practises and an active lifestyle.

We want to attract and keep the best talent in our space, and a comprehensive health and wellbeing program gives us an advantage over our competitors.

To ensure the business was putting together an exceptional program, I toured the U.S., visiting organisations such as LinkedIn, Apple,

One of our most successful initiatives has been 'Elston Clubs'.

Every year, we contribute to a selection of internally-managed clubs on behalf of each employee, and provide an additional three days leave to participate. Over the last 12 months, members have ventured to the Three Capes, Tasmania (Outdoor Club), enjoyed a mystery trip to Queenstown, New Zealand (Travel Club) and taken multiple trips out on the water (Fishing Club), to name a few.

A core component of these initiatives is our flexibility to adapt to the ever-changing needs of our team, while fostering a productive and motivated environment.

As lifestyles become increasingly stressful and demanding, investing in these measures is critical to ensuring the wellbeing of our organisation as a whole.

NASA and IBM to see firsthand how the world's leading firms ran their programs. This provided a strong foundation for developing our AptVantages program.

We didn't want to offer a program that only provided information about health and wellbeing, we wanted to provide practical ways for our employees to enjoy an active lifestyle. Our policy provides up to \$500 annually for staff to use on health and wellbeing activities of their choice. We've had staff use this for gym memberships, yoga classes, Fitbits, treadmills and nutritionists.

Our program looks beyond just health and wellbeing to include enabling staff to continue their personal and professional development, and participate in community programs. As a financial planning firm, we also offer every staff member a free financial plan through one of our advisers.



## Question: What have you seen and adapted from other sectors or businesses that is helping you improve the health and wellbeing of your staff and/or clients?



### Adrian Hanrahan CFP®

Senior Financial Adviser,  
Australian Unity

Licensee: Australian Unity

Too often, the word 'wellbeing' is associated with happiness, however, wellbeing is more of a stable state of being well, feeling satisfied and content.

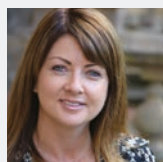
In 2001, Australian Unity, in partnership with the Australian Centre on Quality of Life at Deakin University, launched the Wellbeing Index to measure how satisfied Australians were with their own lives and with life in Australia. While this was created to measure national wellbeing, the application works just as well for individuals.

I recently introduced a similar benchmarking process at an individual level with my own clients. Focusing on satisfaction with health, personal relationships, personal safety, standard of living, what they are achieving in life, how connected they feel with the community, and their future security.

The results, while not a diagnosis of anything in isolation, are most useful when overlaid with traditional benchmarking against financial objectives. This makes for deeper and more fruitful conversations with clients, their purpose and reasons for working, and prioritising some objectives over others.

Recently, one client acknowledged that the thing they were most looking forward to in retirement was spending quality time with their elderly father.

Financial independence was achieved long ago and so, the client's retirement was finally brought forward. Those months, before he later passed, provided invaluable time and satisfaction that could not otherwise be measured in a traditional retirement projection.



### Rebecca Fergusson CFP®

Principal and Private Client Adviser,  
Main Street Financial Solutions

Licensee: Integrity Financial Planners

Having a healthy and happy workforce is the key to a profitable and successful business.

As small business owners, we endeavour to provide an environment that allows our employees to thrive and reach their full potential, and part of that is improving their health and wellbeing.

We are constantly trying to improve our office environment and some initiatives that we have adopted include:

- **participating in healthy community activities**, such as the Point to Pinnacle Event;
- **providing a flexible workplace** where staff can work hours conducive to their lives, such as making appointments during the day – providing their work is completed as and when required;
- **have regular feedback sessions** with staff to ensure the workplace meets their personal, professional and lifestyle objectives;

- **accepting feedback** and **adopting innovative strategies**, such as having a daily 'stair walk' in the adjoining building which is 15 stories high!

- **adding lifestyle discussions** to the agenda for both employees and clients.

To achieve a happy and healthy organisation, we aim to:

- **hire happy personalities**;
- **be community-minded** (for example, we lease an office to Camp Quality and last Christmas we spent time as a group wrapping presents for those less privileged);
- **try to break the work routine** from time to time (this includes eating out together, watching the Melbourne Cup, celebrating birthdays and so forth);
- **show that we care** about our employees;
- **focus on the positives**; and
- **try to give back to our employees** at special times of the year, like at Easter, Christmas, birthday events, as well as showing random acts of kindness in the office.



“

**Question:** What have you seen and adapted from other sectors or businesses that is helping you improve the health and wellbeing of your staff and/or clients?



**Shayne Sommer CFP® LRS®**

Private Client Adviser,  
Shadforth Financial Group

Licensee: IOOF

The ancient proverb of ‘give a man a fish and feed him for a day, teach a man to fish, and you’ll feed him for a lifetime’ applies to the approach we, at Shadforth Financial Group, are taking with our financial wellbeing offering.

Employers are increasingly aware that financial issues are the leading cause of stress for one in two Australians.<sup>1</sup> It’s now no longer a case of simply providing employees with their salary but rather equipping them with the right financial knowledge to make good decisions with their money that will help them throughout their lifetime. The education sessions we hold not only aim to enhance

participants’ understanding of a range of financial concepts but also reference cognitive biases present in human behaviour that make us all susceptible to handling our finances in a less than optimal manner.

For example, marketers utilise many cognitive biases in their product placement and pricing, which can impact our spending behaviour. Financial literacy programs focusing only on ‘the numbers’ are no match for the barrage of biases begging us to spend our money. Analysis of our buying behaviour is important in our efforts to make the most of our cash flow.

Assisting our clients to understand their money habits and decision-making processes around their finances provides an innovative approach to achieving financial wellbeing.

*1. Stress and Wellbeing in Australia Survey, 2014, Australian Psychological Society.*



**Casey Shaw CFP®**

Financial Adviser,  
Blueprint Wealth

Licensee: AMP Financial Planning

Blueprint Wealth invests considerable time into the health and wellbeing of our workplace. We have focused on a number of practical ways to encourage our team to become healthier, happier and more productive.

Over the past several years, we’ve introduced activities to improve alertness and concentration, as well as build a strong workplace culture. This includes daily lunchtime walks, providing fruit bowls each week, registering workplace teams in local (physical) fundraising events, and community volunteering with Cancer Council Western Australia. From time to time, we have had yoga classes, meditation sessions and hosted group walking challenges.

Blueprint Wealth has implemented a workplace Flexibility Policy, supporting employees to be able to achieve an effective balance between their work and outside commitments. Employees are given consideration to a range of flexible working arrangements, leave entitlements and other forms of assistance, such as working from home, variable starting and finishing times, and part-time work after resuming from parental leave.

In 2017, Blueprint Wealth registered with Healthier Workplace WA. We now have a staff champion who promotes the program throughout the practice.

Our Healthier Workplace champion provides educational information and tips that encourage healthier attitudes and behaviour (e.g. articles in our monthly staff newsletter, recipes/tips in the staff kitchen).

We are currently working towards becoming a Gold Recognised Healthy Workplace.

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# Insight<sup>®</sup>





# IT'S OK NOT TO BE OK

**Phil Waugh** is an ambassador of the R U OK campaign, which seeks to encourage all Australians to meaningfully connect with people around them and support anyone struggling with life. He talks to **Jayson Forrest** about the power of conversations to change lives for the better.

He was as tough as nails on the rugby pitch, playing at the elite level for the NSW Waratahs and Wallabies for over a decade. But beneath the hardened exterior of perhaps one of rugby's greatest openside flankers, lies another side to Phil Waugh; an advocate for the emotional and mental wellbeing of all Australians.

And with an annual price tag of \$60 billion being spent on mental ill health, it's a cause close to Phil's heart.

"Good mental health and wellbeing underpins the way we go about doing everything in our lives; it underpins the way you live your life, every minute of every day. So, for me, it's very important that people spend the right amount of time to ensure they are in the best possible mental state," Phil says.

Yet, despite the rigours of training and experiencing the highs and lows of playing at the elite level, the ex Wallabies and Waratahs skipper – who notched up 136 appearances with the Waratahs and 79 matches with the Wallabies – admits to having been fortunate to have enjoyed good mental health, although this hasn't always been the case with others close to him.

"I've been affected by incidences throughout my life, particularly with some people close to me, who have suffered mental health issues. So, we need to be much more aware of what's happening around us with friends, family and colleagues,

and understanding the impact that mental wellbeing has on an individual."

And with mental health issues ranging from depression and anxiety, to stress, violence, grief, relationships, financial stress, self-harm, substance abuse, addiction, loneliness and isolation, it's hardly surprising that one in every five



*Remember, it's okay  
not to be okay. Mental  
wellness affects  
everybody. So, reach  
out to people and stay  
connected with them.*

Australians will experience some sort of mental illness throughout their lifetime.

In fact, the statistics are staggering. In 2016, 2,866 Australians took their own lives, equating to eight people everyday. And for every death by suicide, an estimated 30 people will attempt to take their life. It's against this backdrop that Phil passionately believes that greater awareness of mental wellbeing needs to feature more prominently on the national agenda.

## R U OK

For too long, mental health issues have been considered a taboo topic in society – best spoken about behind closed doors. But Phil believes it's time to discard this antiquated and mistaken approach to mental illness, which is the message he takes in his ambassador's role with national suicide prevention initiative – R U OK. It's an involvement that the 38-year-old has had with the charitable organisation for the past 10 years.

The R U OK campaign is targeted at raising national awareness of the importance for people to have meaningful conversations with friends and loved ones that could save lives.

Each year there is a national day of action – R U OK? Day – where the organisation seeks to engage with the wider community about the importance of connecting with and supporting friends and family who are struggling with life. This year is the tenth national day of action and is scheduled for Thursday 13 September.

"Mental health and wellbeing is something that's starting to get a little bit more focus on but it's an issue that we can't focus enough on," Phil says. "R U OK is about keeping an eye out for your friends. It's about being aware of any signs or changed behaviour that's having an impact on their lives, and understanding the possible end impact that these changes could cause."

*Continued overleaf*



## IT'S ABOUT CONNECTIVITY AND DISCUSSION

Today, Phil skilfully juggles his ambassadorial duties with his career as National Manager, Auto Finance at St George, where he leads a team specialising in providing retail consumer automotive loans, retail business automotive loans and floor plan business lending to motor dealers.

It's an impressive job but it's in his ambassador's role with R U OK that Phil particularly thrives, enjoying the opportunity to talk to others about their wellbeing, whilst sharing his own personal insights. And not surprisingly, as a sportsman, his approach to keeping the 'black dog' at bay revolves around personal health and fitness.

"Personally, I think physical wellbeing is incredibly important and has a strong correlation with mental wellbeing. Exercising and living a healthy lifestyle, which includes a nutritious diet, has a significant and beneficial impact on your mental wellbeing."

And while that's a significant part of the equation, he also identifies the importance of surrounding yourself with people who genuinely care about you.

"The strength of our relationships come from the people within them," he says. "That's why the R U OK campaign is focused on the importance of having conversations and identifying behavioural changes in the people around you. It's about promoting discussion to help identify those people who may be struggling and



Raising awareness: Phil Waugh

so, help them change their outlook on life."

## BREAKING IT DOWN INTO PROCESSES

Yet, having competed at the highest level in world sport, with a combined Super Rugby and international rugby career spanning 12 years – with three matches as Wallabies captain and 58 games as skipper of the Waratahs – Phil routinely carried the overwhelming expectations of his country (and state) on his back. So, how did he cope under these very stressful conditions?

"You definitely get caught up in the moment," he laughs. "So, for me, it was about breaking down the enormity of the event, like a Bledisloe Cup match, to the actual processes involved. This meant removing myself from the expectations of those around me and from any distractions, like thinking about possible scenarios if things didn't go to plan.

"Instead, it was always about breaking down my performance into simple processes that I was comfortable about, enabling me to know that if I performed those processes to the best of my ability, then the eventual outcome will look after itself."

He says the great leveller in sport is the fact you either win or lose, and that's a fact you can't hide from.

"In sport, you get to experience the highs and lows relatively frequently. So, for me, if things don't go well, with a positive outlook and by looking forward – and not getting bogged down by reflecting back – things can change quite quickly. And that's the same with your mental wellbeing.

"So, always look forward and not dwell in the past. That means, firstly, focus on what the positive outlook looks like and secondly, work out how to achieve it."

It's an approach he believes translates just as well from the sporting arena to the workplace and home.

## DISMANTLING TRADITIONAL BARRIERS

But how is Phil breaking down the traditional stoicism that men typically have when dealing with their own emotional wellbeing?

It's an interesting question, given women are more confident talking about their emotions and state-of-mind, whereas men often bottle up their emotional mindset because it's what 'society expects'. The result: males account for 75 per cent of deaths by suicide.

### Expert help

Some conversations are too big for family, friends or colleagues to take on alone. If you think someone is at risk, contact a professional.

#### BLACK DOG INSTITUTE

Support for depression and bipolar disorder **(02) 9382 4530**

#### LIFELINE

Crisis support and suicide prevention **13 11 14**

#### GRIEFLINE

Counselling service for people suffering grief **1300 845 745**

#### BEYONDBLUE

Anxiety, depression and suicide prevention  
**1300 224 636**

#### HEADSPACE

Supporting youth with mental health, drug and alcohol issues  
**1800 650 890**



"It's a tragic statistic, but times are changing and through campaigns, like R U OK, men are feeling more empowered and supported to step up and talk about their mental health," Phil says. "They're realising it's okay not to be okay."

So, how is he encouraging more Australians, and particularly men, to share their vulnerability in seeking help?

"As men, we sometimes feel that we shouldn't show emotion or vulnerability. So, we need to remind each other that it's okay not to be okay, and to help one another through those rough patches when we can," he says.

"In fact, vulnerability is actually an endearing quality. When people open up and show their vulnerability, that really touches the person they are talking to."

However, he concedes that one of the biggest issues facing society today is our over-reliance on technology. "People get so caught up these days with texting or emailing or social media, that we're missing out on the personal connection we used to have."

It's an omnipresent problem. The more technologically connected we are, the more physically disconnected we are with those around us.

But even Phil sees a silver lining with the adoption of technology.

"While it's not the same as talking face-to-face, receiving a text, email or message through a social media platform is still impactful in letting people know you care about them. It's another way of connecting with people and reaching out to them," he says.

"Really, the whole concept of R U OK isn't a massive deal. It's simply about connectivity; of reaching out and checking in on people who you may not always connect with or who you might frequently connect with but don't ask the question about whether they're okay or not.

"Remember, it's okay not to be okay. Mental wellness affects everybody. So, reach out to people and stay connected with them."

*The 2018 R U OK? Day is Thursday 13 September. For more, visit [ruok.org.au](http://ruok.org.au)*

## 4 steps that could change someone's life

**Got a niggling feeling that someone you know or care about isn't behaving as they normally would? Perhaps they seem out of sorts? More agitated or withdrawn? Or they're just not themselves. Phil Waugh says trust your gut instinct and act on it.**

By starting a conversation and commenting on the changes you've noticed, you could help that family member, friend or workmate open up. If they say they are not okay, you can follow the four conversation steps outlined below to show them they're supported and help them find strategies to better manage the load.

If they are okay, that person will know you're someone who cares enough to ask.

### 1 ASK - ARE YOU OKAY?

- Be relaxed, friendly and concerned in your approach.
- Help the individual open up by asking questions like: 'How are you going?' or 'What's been happening?'
- Mention specific things that have made you concerned for them, like: 'You seem less chatty than usual. How are you going?'

### 2 LISTEN - WITHOUT JUDGEMENT

- Take what they say seriously and don't interrupt or rush the conversation.
- Don't judge their experiences or reactions but acknowledge that things seem tough for them.
- If they need time to think, sit patiently in silence.
- Encourage them to explain and then show that you've

listened by repeating back what you've heard, and ask if you have understood them properly.

### 3 ENCOURAGE ACTION

- **Ask:** 'What have you done in the past to manage similar situations?'
- **Ask:** 'How would you like me to support you?'
- **Ask:** 'What's something you can do for yourself right now? Something that's enjoyable or relaxing?'
- If they've been feeling really down for more than two weeks, encourage them to see a health professional. You could say: 'It might be useful to link in with someone who can support you. I'm happy to assist you to find the right person to talk to.' And be positive about the role of professionals in getting through tough times.

### 4 CHECK IN

- Pop a reminder in your diary to call them in a couple of weeks. If they're really struggling, follow up with them sooner.
- You could say: 'I've been thinking of you and want to know how you've been going since we last chatted.'
- Ask if they've found a better way to manage the situation. If they haven't done anything, don't judge them. They might just need someone to listen to them for the moment.
- Stay in touch and be there for them. Genuine care and concern can make a real difference.

*Source: R U OK*

# WORK SMARTER, NOT HARDER

**Jonathan Elliot CFP®** thinks he's cracked the work/life balance formula, by introducing a five-hour work day for the team at Collins SBA. **Jayson Forrest** reports.

Successfully combining work with family commitments and personal life, is the Holy Grail in achieving the right work/life balance and it's something many businesses struggle with.

So, cutting the working hours of staff without reducing their pay, sounds counterintuitive to improving business productivity and is probably the last thing you'd expect a growing business to do.

But that's exactly what Hobart-based Collins SBA has done, reducing the staff's working day by 35 per cent, but still paying them for an eight-hour day. It sounds astonishing, but it's true!

"Moving our team to a five-hour working day is all about improving our efficiency and effectiveness as a business," says Collins SBA managing director, Jonathan Elliot CFP®. "By doing so, we have empowered our team to work better, which has improved productivity and the entire vibe of our accounting and financial planning business."

## BUSINESSES CAN BE MORE EFFECTIVE

But to understand the motivation behind moving the business to a five-hour working day just over 12 months ago, you first need to go back to June 2016.

Back then, Jonathan was newly appointed to the role of managing director, whilst also carrying his advisory load. He temporarily moved to a part-time position with Collins SBA to care for his wife, Louise, who was undergoing treatment for cancer, as well as their six-month-old daughter, Esther.

"During this period working part-time, I found my workload didn't reduce. So, I had to become more disciplined with what I was doing."

Jonathan went about trimming the fat from his workload, which included streamlining his meetings, removing distractions and better focusing on the tasks at hand. By making these adjustments, he found he was able to operate in a much more effective manner.

However, the catalyst for change within Collins SBA came with Jonathan wanting to improve his quality of life (and that of his team) by spending more time with his family. And the key to making that happen was by improving the operational efficiencies of the business.

Returning full-time to the business in October 2016, he set about doing this.

"As a business, I knew we could work more effectively, as I had proved it to myself during my period being part-time," says the 41-year-old.

He researched trials in Sweden, where some businesses had successfully transitioned across to working a six-hour day. He also read *The Five Hour Workday* by American entrepreneur, Stephan Aarstol.

"So, the actual concept of reducing hours in the workplace wasn't new. Others were already doing it. Their stories inspired me to translate their ideas back to a professional financial services business, as there were no examples in our industry to draw upon."

It was from there that the concept of a five-hour work day at Collins SBA became a reality.

## WORK SMARTER, NOT HARDER

The Collins SBA executive team set about the task of trialling the concept of a five-hour working day, while mitigating any downside risk. This meant creating a more disciplined team.



"We wanted to motivate our employees to come to work and actually look for better ways of doing things. And so, this idea of reducing our people's work hours and providing them with more personal free-time, with no change to their salary, was a massive incentive for them."

Jonathan was excited by the idea of introducing a five-hour work day and so, after working through the pros and cons with the management team, they created a framework and rules around this change. Some of these rules included:

- starting work between 8am and 9am, and working through to 1-2pm, depending on when the staff member started, without taking any breaks;
- staff are required to work a minimum of five hours without a break or non-business activity; and
- ensure work is completed in that time period.

Although trialling the five-hour work day was openly discussed with the Collins SBA team, Jonathan admits that team members initially reacted with disbelief that the business was proposing to give 35 per cent of their day back to them without any change to their pay. But it was reinforced that the business expected them to at least produce the same level of productivity, without any reduction in client services.

However, changing workplace habits of a lifetime, like chatting around the coffee maker and taking tea breaks, required some adjustment. It meant staff had to radically change their approach to work; streamlining their processes in order to complete their day's work in a compressed time period.

"One of our objectives of introducing the five-hour work day was to encourage our people to have a mind shift," Jonathan says. "This meant we all had to change the



## 10 tips for a five-hour work day

### 1 SAME JOB, SAME MONEY

All staff remuneration, work expectations and KPIs have remained the same, despite working shorter hours.

### 2 STAND-UP MEETINGS

Collins SBA has a weekly stand-up meeting that runs for 10 minutes. Every staff member has 30 seconds to brief others on what they are currently working on or to praise a team mate who is making positive changes. The business also uses Yammer and Planner – tools that allow team members to communicate non-urgent messages and collaborate on projects across a shared group.

### 3 TECHNOLOGY DISRUPTION

Not all technology in the workplace is helpful. Know when to turn off distractions, like automatic email and messaging notifications, to allow you to remain focused on your work.

### 4 TIME TO LEARN

New staff on probation are expected to work a standard eight-hour day, which helps them learn how the business operates. Staff can work longer than five hours to complete their work but this is not encouraged.

### 5 WORK TIMES

Staff are required in the office between 8am and 9am, and must work five straight hours without any breaks. Employees working between five and six hours have the option of taking a 30 minute break. For staff working over six hours, they are required to take a mandatory 30 minute break.

### 6 ACCOMMODATE CLIENT REQUESTS

Aim to schedule all client meetings during working hours but provide flexibility for those clients who need to meet in the afternoon.

### 7 FULL DAY COVERAGE

Collins SBA reception is open from 8:30am to 5pm. It is covered by two shifts of receptionists, ensuring the phones are answered during business hours.

### 8 CLEAR EXPECTATIONS

Clearly understand what it is you want to achieve. You need to lead with improvements to the business that will help with efficiency, and understand what your clients want and need.

### 9 EMPOWER YOUR TEAM

With the constant development in technology and changing client preferences, it's important to empower staff to help improve processes and procedures within the business. The best ideas are probably with your team and the five-hour day incentivises them to contribute.

### 10 BILLING CLIENTS

For businesses that time bill their clients, a five-hour work day will probably not work, as this model will cut their revenue by 35 per cent. Instead, businesses need to move to upfront pricing and clear client value propositions based on pricing outcomes that are delivered, rather than how much time is spent on delivering a job.

*Continued overleaf*



way we worked. Team members had to look at their personal habits, how they were organised, and think of better ways to do their job more efficiently. For many, this was challenging.”

But following the three-month trial period, Jonathan was pleased to see that neither work productivity or client services dropped off, and the rest, as they say, is history.

A year down the track, the five-hour working day is firmly embedded in the workplace of Collins SBA.

### DON'T DISCOUNT THE CHALLENGES INVOLVED

For any business considering implementing a five-hour work day, Jonathan emphasises there are challenges involved. Some of these challenges revolve around workplace stress.

“When you compress the time you have to get the same work done, you need to make good productivity changes to enable this to happen, otherwise you create pressure and this pressure creates stress. And that’s not a good outcome.”

Whilst Jonathan has found that team members are motivated to work more effectively for the extra free time they receive, he concedes that the five-hour work day is not a business model suited to everyone.

“At Collins SBA, some people did leave the team because of this change in our workplace but on the flip side, our unique culture is seen as a differentiator, retaining and attracting people wanting to work for us. They recognise the advantages of working a five-hour day.”

Interestingly, new staff joining the business don’t automatically receive the five-hour work day benefit. They first undergo a probation period, which requires individuals to work a standard eight-hour day. For Jonathan, the probationary period is as much about the business getting to know the new employee, as it is for the individual to get to know the business.

“Because we’re looking for constant improvement, we also use this time to encourage new team members to challenge how we do things,” Jonathan says. “Younger people find that particularly exciting. They want a

sense of purpose and they want to contribute.”

By empowering newcomers to challenge existing business practises at Collins SBA, Jonathan is encouraging the next generation of planners to introduce the business to the latest developments in technology and apps, which is all part of the organisation’s drive towards constant improvement.

### MANAGING CLIENT EXPECTATIONS

Jonathan talks about the challenges of compressing an eight-hour day into five hours, but has this affected the clients of Collins SBA?

“Not at all,” he says. “One of our key metrics to determine if these new hours were working or not was if our clients realised we were doing it. We didn’t tell any of our clients we were moving to a five-hour working day. It was some months after, when our initiative gained some media exposure, that our clients first learnt about what we had done. That was a sign of success.”

Today, Collins SBA is still open from 8:30am to 5pm, with receptionists rostered on for their respective five-hour shifts.

“If a client calls in the afternoon and their adviser isn’t available, then another adviser will take that call. If no adviser is available to take the call, then the adviser will contact their client the following morning,” Jonathan says. “And naturally, if it’s an urgent call, then the adviser is contactable on their mobile phone, but this rarely happens.”

Importantly, Jonathan adds that client needs always come first, so while most clients are happy to organise face-to-face appointments with their adviser in the morning or early afternoon, advisers do have the flexibility to meet with clients outside the five-hour work period.

“If clients need to see us in the afternoon, we make ourselves available. So, advisers don’t have to leave the office after five hours. Our people are building flexibility in what



Jonathan Elliot with daughter, Esther.





they're doing, and this is working well for the business."

## THE RIGHT BALANCE

With its successful introduction of a five-hour work day, Collins SBA is one of the rare breed of businesses that is actually 'working smarter, not harder' when it comes to offering true work/life balance. It's also a demonstration of the importance the business places on the health and wellbeing of its staff.

And judging by the profiles of some of the team members on the company's website – who are active in hiking, scuba diving, soccer, cycling and coaching kids' cricket – staff appear to have openly embraced the extra leisure time that this new business model offers.

"One of our core values at Collins SBA is putting our people first," Jonathan says. "That's because in order for clients to receive a great outcome, you first need to have a great team of people."

The business places great stock in the health and wellbeing of staff, with a significant part of that revolving around technology – or rather, the reduced usage of it.

"When it comes to stress in the workplace, technology is not always a friend," Jonathan says. "Today, everybody is connected and there is a tendency to feel that we have to check our email and messaging services constantly. But I don't believe that's the right way to work productively.

"We encourage our people to switch off after work. That includes not contacting the office when they're on leave or on weekends. There's a limit to how effective you can be if you're working long hours all the time," he says. "I challenge anybody to show me how effective people actually are by working long hours, compared to working in shorter blocks when they are mentally fresh."

And it seems Collins SBA has cracked the formula for delivering work/life balance in the workplace. It's approach to improving the



*When you compress  
the time you have  
to get the same  
work done, you  
need to make good  
productivity changes  
to enable this to  
happen, otherwise  
you create pressure  
and this pressure  
creates stress.*

health and wellbeing of its 28 team members has resulted in a year-on-year reduction in sick leave by 12 per cent and a significant improvement in the overall energy of employees.

Jonathan adds that since the introduction of the five-hour work day, staff don't feel the need to take as many breaks from work, allowing them to accumulate annual leave for longer holidays.

"Our productivity hasn't dropped, in fact, in some areas it has improved. Time spent in the office has reduced significantly. People are taking less sick leave. But I think culturally, our approach to business has created a better vibe and more energy in the office. People are more willing to take on new ways of doing things

*The five-hour work day means Jonathan has more quality time to spend with his family.*

and adapt, because they personally benefit from every productivity enhancement."

## DON'T FORGET THE EFFICIENCY ENHANCEMENTS

However, Jonathan warns that if any business is thinking of implementing a five-hour work day by aiming to do the same things in the same way in less time, then that approach has the potential to destroy a business.

"Without first focusing on enhancing the efficiencies of the business, your people will become over-stretched and stressed," he says. "So, first work out how you can improve and streamline your internal processes and use technology better."

But even as head of the business, Jonathan admits he hasn't fully mastered the five-hour work day just yet, although it's something he is getting better at.

"We haven't solved all the productivity issues yet. A five-hour work day creates a platform to give everybody some skin in the game. Now it's about embracing better ways of working in the business. We're still learning and implementing as we go along," he says.

"And while we don't have all the answers yet, it's been a great journey so far."

# THE PSYCHOLOGY OF MONEY

Financial stress is a major issue for many Australians, but financial planners are well placed to help them, writes **Jason Andriessen CFP®**.

Feeling worried about money is uncomfortable, but it's actually much worse than that. Financial stress negatively impacts our families and our communities. Those who feel financially stressed drink more, sleep less, have worse mental and physical health, and have more conflict in their personal relationships.

The good news? CoreData research has identified the main causes of financial stress. And financial planners are well-placed to do something about it.

Financial stress is caused by struggling to meet short-term financial obligations. Those who feel most financially stressed have the most trouble meeting their immediate expenses — things like bills for utilities, as well as rent or mortgage payments.

Financial planners know that people's difficulty in meeting short-term financial obligations often stems from a lack of discipline and impulse buying behaviour. Planners are in the box-seat to work with clients to help them budget, manage their debts, and build financial knowledge.

In fact, planners can seize the opportunity to address money psychology and encourage clients to change the decisions they make and the actions they take.

According to the Australian Psychology Society's *Stress and wellbeing in Australia survey 2015*, financial issues are the leading causes of stress, with an average prevalence of 49 per cent over the previous five years of respondents affected. Financial issues cause more stress than family issues (45 per cent), health issues (44 per cent), and workplace issues (32 per cent).

It's been said that behind physical wellbeing, financial wellbeing is the most important contributor to quality of life. If that is true, then financial stress is the elephant in the room that needs to be urgently addressed.

## FINANCIAL STRESS IS NO FUN

**Drugs and alcohol:** CoreData research conducted for Financial Mindfulness in 2017 found that those who are suffering from financial stress are more likely to turn to drugs or alcohol as a way of coping. Over one in three (35.2 per cent) Australians suffering from financial stress have used drugs or alcohol to manage negative feelings associated with financial stress. For those who are not financially stressed, the proportion is just one in 50.

**Sleep:** The same study found that financially stressed people sleep worse — more than seven in 10 financially stressed people often lose sleep worrying about money. Less than one in 10 of non-financially stressed respondents claimed to have lost sleep worrying about money.

**Physical health:** Around three in five financially stressed respondents believe that their physical health has been negatively impacted by money worries, and the same proportion have experienced anxiety and depression.

**Family relationships:** And the vast majority (three in four) of financially stressed people believe that money is a factor in conflicts with close family members. For those who aren't financial stressed, money is rarely a cause of conflict (just one in five believe it's often a factor in arguments).

Understanding the root causes of financial stress, and the potential remedies, is integral to the planner's role and a very significant part of the value the planner brings to the client relationship. And the benefits may go well beyond just the financial — a planner who successfully reduces a client's financial stress may also potentially lessen the client's tendency to turn to alcohol or drugs, help them sleep better, and improve the quality of the client's family relationships.







## EARN AND SPEND

There are many contributing reasons for people being unable to meet their short-term financial commitments, but planners know it really comes down to one thing: people tend to spend what they earn. Worse, they sometimes spend more than they earn, maintaining a lifestyle or simply making ends meet by using expensive and inefficient debt.

Financial stress isn't necessarily about how much someone earns, but how much they spend. Even high-income earners can suffer from financial stress. Financial stress arises when people spend their money on discretionary items, either through a lack of planning or by acting impulsively.

Everyone knows, deep down, they need to spend less than they earn, but just telling people they should spend less isn't particularly helpful. If it were, it would be an easy issue to address. People know they should spend less, yet they just don't do it.

Money psychology (behavioural economics) recognises that traditional economic models assume people are perfectly rational when it comes to making decisions about money. But people are far from rational, and so, the traditional models don't adequately explain how and why people make decisions and behave the way they do.

## NUDGING INTO ACTION

Planners can harness the key concepts of behavioural economics to reach

the financially stressed and help them make, and action, better decisions. This is commonly achieved through a process called 'nudging'. It demands only small, non-threatening changes in people's behaviour at any point in time. But the cumulative effect of repeated nudging produces a significant end result.

For example, super funds often write to their members and advise them that to have a comfortable retirement they will require \$60,000 a year to live on, and to fund that, they will require a balance at retirement of more than \$1 million



*Trust is the foundation of all great long-term relationships, including those between planners and clients.*

in today's money. They provide a projection, advise on the gap, and then expect their members to take action. But usually their members don't.

They don't because of cognitive dissonance — the discomfort someone feels when their behaviour is disconnected from their values system. Everyone wants a comfortable retirement, but not many everyday Australians have a projected super

balance of \$1 million. In fact, they don't have anywhere near that amount. It all feels too hard and uncomfortable, so they disengage from the decisions.

Super funds would have more success if they harnessed social influence and communicated to their members what other people like them are doing. And by helping members understand that only small changes to their behaviour can enhance their money outcomes, no matter where they are today

and no matter what past mistakes they've made.

## BUDGETING THEN PLANNING

Mental accounting helps with budgeting. If clients are able to compartmentalise their money according to its purpose, then it's easier to stay disciplined and there will be money available to pay the bills and rent. So, financial stress reduces.

And when financial stress reduces, then clients have the headspace to start thinking more clearly. They'll move on to debt management, and then start setting long-term goals. They'll be more willing to think about managing their risks, and then they'll be willing to work on a plan for their future.

There's a logical and simple path through the process along which planners can help people walk. And as with any great journey, it begins with a single step. It gathers pace as they become more confident with making financial decisions and as they begin to recognise and experience the benefit to their overall wellbeing.

It's no fun to be financially stressed. It spills over into most other areas of life. But financial stress often has a relatively simple cause and therefore, a relatively simple remedy. It essentially stems from overspending; and overspending happens when people can't budget effectively and when they can't control their impulse to spend. Planners are ideally placed to help.

Planners who understand behavioural economics can help clients solve their short-term financial issues and moderate behaviour. And once they've helped someone solve a short-term issue, trust begins to grow.

Trust is the foundation of all great long-term relationships, including those between planners and clients. Helping people with even simple concepts and revealing to them the demonstrable benefits they can achieve, sets the foundation for a long and rewarding relationship.

*Jason Andriessen CFP® is Managing Director of CoreData.*





## APPS

# HEALTH APPS: WHAT'S HOT?

The internet is awash with apps designed to improve your health and wellbeing. The **Money & Life** team have put together twelve of their favourite apps that planners and clients will find useful.

### BRAIN TRAINING

#### Lumosity

Lumosity is an online brain training program that consists of games and challenges that helps to improve memory, attention, flexibility, speed of processing and problem solving.

[lumosity.com](http://lumosity.com)

#### CogniFit Brain Fitness

Improve your cognitive abilities, such as memory and concentration, with sleek, fun and addictive games designed by neuroscientists. Users can track progress and access insights about their overall brain health.

[cognifit.com](http://cognifit.com)

### MINDFULNESS

#### Smiling Mind

Smiling Mind is a mindfulness meditation app developed by psychologists and educators to help bring balance to people's lives. The app assists users to deal with the

constant pressure, stress and challenges of daily life.

[smilingmind.com.au/smiling-mind-app](http://smilingmind.com.au/smiling-mind-app)

#### The Mindfulness App

Packed with features, this meditation app includes a five-day guided meditation practise, reminders for when it's time

to relax, and other features based on individual meditation habits. It can also be integrated with other health apps to improve a user's health and wellbeing.

[themindfulnessapp.com](http://themindfulnessapp.com)



### HEALTHCARE

#### Medisafe

This app reminds people when to take their medications or

renew their scripts, and when their next doctor's appointment is due, via handy alarms and reminders.

[medisafe.com](http://medisafe.com)



In 2017 AIA Vitality members visited a gym 194,139 times.

And it's no wonder – AIA Vitality offers members up to 50% off their annual gym membership.



### Emergency+

This free app was developed by Australia's emergency services and their Government and industry partners. The app uses GPS functionality built into smart phones to help a Triple Zero (000) caller provide critical location details required to mobilise emergency services.

[emergencyapp.triplezero.gov.au](http://emergencyapp.triplezero.gov.au)

### HealthEngine

Are you too busy to organise a medical appointment while you're at work? This app enables users to find and book healthcare appointments online quick and easy. Users can connect with over 8,000 local health practitioners – including doctors, dentists, physiotherapists and chiropractors – and book an appointment instantly.

[healthengine.com.au](http://healthengine.com.au)

### Plant Nanny

Too busy to stay hydrated? This nifty app combines health with fun to remind you to drink water regularly



and makes tracking your daily water intake as easy as can be. Basically, if you want to keep the animated plant alive, then you need to keep up with your daily cups of water to help it grow.

*Plant Nanny can be downloaded on the Google and Apple App stores.*

## KEEPING UP FITNESS

### Pacer

Pacer helps people of all activity levels get more active and stay healthier through accurate activity tracking, like the number of steps you take. The tool can also be used to record sport or gym exercises and compare individual performance against other users.

[mypacer.com](http://mypacer.com)

### MyFitnessPal

MyFitnessPal is an app and website that tracks your daily food intake, calories, exercises and steps, to help motivate users in their weight loss journey.

[myfitnesspal.com](http://myfitnesspal.com)

### Runkeeper

Whether you're wanting to keep track of the distance covered in your morning run or you're deep into



training for your next marathon, this Android and Apple compatible app uses the latest GPS capability to track your daily run and set distance goals.

[runkeeper.com](http://runkeeper.com)

### 7 Minute Workout

Are you ready to feel the burn? This app provides a free daily fitness plan that gives you a full-body workout challenge to help you reach your fitness and weight goals faster. This app is not for the faint-hearted, as the 12 high intensity bodyweight exercises will definitely get you sweating. Each exercise goes for 30 seconds, with a 10 second break between exercises.

*Download from the Apple App store.*

WHAT ARE YOUR FAVOURITE HEALTH AND WELLNESS APPS?  
MONEY & LIFE WOULD LOVE TO KNOW.

SHARE YOUR FAVOURITE APPS & EMAIL US AT  
[EDITOR@PAPERANDSPARK.COM.AU](mailto:EDITOR@PAPERANDSPARK.COM.AU)

Help your clients live their healthiest life with AIA Vitality.

# DIVERSIFY YOUR THINKING

The secret to sharp thinking is the combination of clear focus and diverse thinking, which leads to innovation and greater business success, writes **Gihan Perera**.

For over 10 years, I've been hosting a monthly business book club for a group of 10-15 people. Each month, we choose a business book – the most recent was Daniel Coyle's book *The Talent Code* – and discuss it, accompanied by catered food and a few bottles of red wine.

It works extremely well, for two reasons (apart from the wine).

First, we start with a clear focus: the book of the month. Our conversation always extends beyond the book itself, but it's a common starting point for everybody.

Second, we have people from diverse professional backgrounds – including mining, aged care, education, the arts, marketing, financial planning, accounting and IT. We also have diversity in other areas: both men and women, different ages and generations, and from different ethnic backgrounds. We didn't design it that way, but it's a big advantage.

The group always generates a variety of interesting insights and new ideas. I always walk away with something new I can apply to my professional life, and other participants feel the same way.

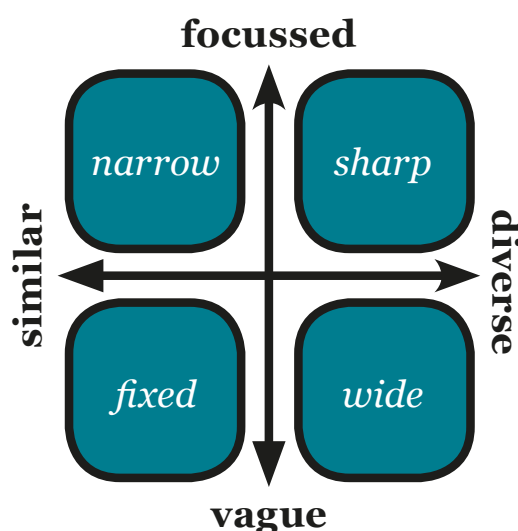
I facilitate the meeting, and we capture our thinking in different ways – for example, with sticky notes on a whiteboard. Even if you can't read the details, you can see the variety and breadth of ideas.

### THIS IS THE CORE SECRET TO SHARP THINKING

Our recipe for success has two ingredients: a clear focus and diverse thinking. That's the ideal combination for sharp thinking, which leads to innovation.

Combining diversity and focus in this way gives us four options, as outlined in Chart 1.

Chart 1



All of them have their purpose and use, so let's explore them in turn...

### 1 SIMILAR BACKGROUNDS + VAGUE GOAL = FIXED THINKING

This is the default mode in most businesses, where people mostly do routine work (and – if you're lucky – with occasional flashes of brilliance). It would be harsh to say they are 'plodding along', but they are definitely not innovative. They bond through their similarities, and might not have specific goals, so there's no need to stretch or think differently.

That doesn't sound very inspiring (and it's not!), but most people aren't doing inspiring work all the time. Fixed thinking and routine work are important, especially when dealing with financial plans, compliance and constructing statements of advice.

Fixed thinking only becomes a problem if it's the only kind of thinking you have.



## 2 SIMILAR BACKGROUNDS + CLEAR FOCUS = NARROW THINKING

You might try to break people out of fixed thinking by giving them a clear focus – at an individual or team level. That narrows their thinking in a specific direction, and this often creates positive results. In fact, that's the way most projects work: you set a goal, share that goal, and then work towards it.

Narrow thinking is useful for project work. But it's not so good for innovation, because it can lead to 'groupthink', where you end up with bad ideas, just because everybody agrees. Innovation is not a popularity contest!

## 3 DIVERSE BACKGROUNDS + VAGUE GOAL = WIDE THINKING

Alternatively, instead of narrowing their focus, you might try breaking out of fixed thinking by increasing the diversity of thinking in your team. You can do this from natural sources (diversity in age, gender, culture and so on) or by artificial means (creativity exercises, off-site retreats, flexible workplaces and the like).

This widens the thinking of the group, and can be extremely useful for generating new ideas. But it runs the risk of just creating a talkfest, where you generate lots of ideas but not many results.

## 4 DIVERSE BACKGROUNDS + CLEAR FOCUS = SHARP THINKING

Finally, we get to the best option for innovation, which combines the previous two areas. To get the best ideas, take a diverse group of thinkers and give them a clear focus. That's sharp thinking: the diversity generates more ideas, and the focus means you narrow them and sharpen them towards specific goals.

### HOW DIVERSE IS YOUR TEAM?

As a financial planner, you might be encouraging your clients to diversify their investments. But are



you diversifying yours? Your biggest investment is your team – so how diverse is yours?

In 2011, *Harvard Business Review* published research indicating that teams with more women in them are 'smarter' than all-male teams. That wasn't because the women were more intelligent (in fact, the researchers found that individual intelligence did not correlate with the team's collective intelligence), but because they brought other skills to the table – such as social sensitivity and more collaboration.

Janet Wilson, CEO of Brisbane law firm Cooper Grace Ward, adds diversity through 'reverse mentoring'. She asks younger members of her firm to mentor her every month.

She says: "The conversations are inspirational, sometimes worrying, and always refreshing! I make them as casual and friendly as possible. We have fun and lots of laughs... at each other's expense!"

And research from the business school INSEAD (published in *Organisation Science* in 2016) found that the presence of multicultural members in a team significantly enhanced its creative performance.

### ARE YOU THINKING AHEAD?

It isn't easy to embrace diversity, especially in a financial planning practice. Much of the day-to-day work is routine, repetitive and predictable – and that's a good thing. But if that's the only work you do, you're only looking at short-term results.

The businesses that achieve long-term success invest in that success now. And that means promoting, nurturing and rewarding diversity – even when it challenges your thinking and your team's short-term goals.

The future is diverse, connected, and global – and you already have futurists in your office, lunch room and meeting room.

Are you criticising them because they're not behaving the way they 'should'? Or are you taking advantage of their skills – so you can all be fit for the future?

*Gihan Perera is a futurist, conference speaker, author and consultant who gives business leaders a glimpse into what's ahead – and how they can become fit for the future.*

# TURNING ON THE LAMP

Peter Farrar CFP® has felt the tragic consequences of mental health illness firsthand. His personal loss has helped motivate him to raise greater awareness of mental wellbeing in the wider community.

Peter Farrar has a deeply personal connection to Lamp Inc — a not-for-profit community organisation, providing care and services to people who have a diagnosed mental illness living in the Lower South West of Western Australia.

Like so many other people in the community, Peter — a CFP® professional from Cape Financial Planning — experienced the issues of mental health firsthand, when after four very difficult years, his youngest son, Lachy, aged 17, tragically ended his life on January 5, 2017.

“Sadly, Lachy was one of eight people in Australia who chose to take their life on that day,” Peter says. “And with eight people every day taking their life, suicide is the leading cause of death for 15-24 year olds in Australia, far exceeding the

road toll, which is three people a day but has far greater publicity. Both are massive tragedies, and more needs to be done.”

It was against this tragic background that Peter knew he needed to do something. And in those terribly painful months following his son's death, Peter recognised that the Future2 Make the Difference! Grant could make a genuine difference for regional youth suffering mental health issues.

## BACKYARD BLOKES PROGRAM

With Lamp Inc's focus on mental health issues in the Lower South West of Western Australia, it was an easy decision for Peter to endorse Lamp Inc's application for a Future2 grant for its Backyard Blokes Project,

GRANT RECIPIENT:

**Lamp Inc**

GRANT AMOUNT:

**\$10,000**

ENDORSED BY:

**Peter Farrar  
CFP®**

FPA CHAPTER:

**Western  
Australia**



for which it received a \$10,000 grant in 2017.

“Lamp is a relatively small organisation located in Busselton, Western Australia — a regional town located about 2.5 hours south

## About Lamp Inc

Lamp Inc was established in August 1996. It's members consist of people living with severe and persistent mental health disorders, their families and carers.

Members meet regularly at a variety of social and recreational activities, including Lamp's three support centres at Busselton, Margaret River and Bridgetown in Western Australia.

Lamp's aim is to promote personal independence, social wellbeing and community inclusion for people. Lamp provides services to individuals within their own homes and in the general community.

Lamp community support workers help to improve a range of skills for people with a mental

illness, such as personal care, cooking, budgeting and other home management tasks. The aim of the support program is to enable consumers to live more independently and with confidence within the community.

Help and support also extends from the home into the community. The staff help with travelling, shopping and participation in leisure, recreational and other social activities that exist in the Busselton and surrounding communities.

of Perth,” Peter says. “But like all regional towns, Busselton has its problems, and one of the biggest problems is the lack of support for mental health and especially, for youth at risk.”

The Backyard Blokes Program is targeted at young men — ranging from 14 to 20 years — who are at risk of self harm and social isolation, by assisting them through peer support. The program aims to build individual resilience and personal coping skills to address and reduce suicide in regional youth.

“Through the set up of the Backyard Blokes group, we will be able to employ a male mental health youth worker to specifically address the issues young men experience in their isolated and rural communities,” says Lamp Inc youth program manager, Paula Farley.

“The project will allow the setting up of informal support hubs and peer groups throughout the Lower South West of Western Australia. Open once a month in a discreet setting outside of working hours, the project will allow men to reach out on their way home in a friendly, supportive and confidential environment.

“And with the use of our mobile outreach bus, we will be able to target and reach out to at risk youth for education, support and skills building.”

In addition, Paula adds the grant money has allowed Lamp to provide peer support training through AIMHS Menswatch suicide support program. It is also assisting Lamp to set up the hubs and pay for rent on premises, and provide information nights and sausage sizzles to promote the program.

According to Peter, the concept behind the Backyard Blokes Program is to enable ‘men to help men’ — sometimes through shared experiences — without having to rely on traditional mental health services.

“In my experience, traditional mental health services are not effective,” Peter says. “It’s not much use telling someone to call Lifeline, if they are



Peter Farrar CFP®: Tackling mental illness in regional Western Australia.



*And with eight people every day taking their life, suicide is the leading cause of death for 15-24 year olds in Australia, far exceeding the road toll, which is three people a day but has far greater publicity. – Peter Farrar CFP®*

then put on hold for 20 minutes. That’s what happened to my son before he died! You need someone local, and that’s why I endorsed the Backyard Blokes Program.”

### LONG-TERM INVOLVEMENT

Even before the tragic loss of young Lachy, Peter had been involved with raising awareness of mental health causes, including as a support driver for the Black Dog Ride.

“The Black Dog Ride is a worthy organisation that involves motorcycle rides Australia-wide to raise awareness for mental health and suicide prevention,” he says. “And while Lamp has a connection to Black Dog, it is more focused on helping individuals in the community, rather than raising awareness.”

But through the \$10,000 Future2 grant, Peter is confident the funds

will be put to good use to assist at risk youth and their families.

“It’s very hard for regional youth to get help, especially if they are required to travel long distances for it. Many can’t drive and don’t have anyone to take them. But Lamp is local, situated right here in town, so young people can get help close to where they live,” he says.

“The Future2 grant will help Lamp continue its hands-on support for people with mental health issues.

“I am just so grateful to have had the opportunity to see firsthand the good that Future2 is providing in the local community and for helping at risk youth in regional Western Australia.”



# ETHICS: WHAT OUGHT ONE DO?

No doubt there are a range of factors that come to mind when you hear the term 'ethics'. While the term 'ethics' may mean different things to different people, ethics is an important part of how one lives their life and makes decisions, both personally and professionally.

## ETHICAL THEORIES

There are two main theories underpinning the study of ethics; deontological ethics and teleological ethics. Deontological ethics is concerned with rules and the sense of duty and is based on a general 'rule', known as the 'categorical imperative'. This 'rule' was proposed by philosopher Immanuel Kant (1724–1804) and views an action as morally right if it is motivated by goodwill that stems from a sense of duty. It focuses on respect of the individual.

Common phrases that espouse the categorical imperative are 'do unto others as you would have them do unto you' and 'the end does not justify the means'. It measures 'good' or 'bad' behaviour according to the action taken. Deontological ethics is also referred to as ethical idealism.

Conversely, teleological ethics is concerned with utilitarianism and the idea that if all individuals maximise their utility, then this will lead to society's utility being maximised also. Utility is measured by happiness.

The measure of right or wrong is the greatest good to the greatest number of people and is based on the outcomes of the decision (rather than the action taken as in deontological ethics). As a result, teleological ethics is also known as consequentialism.

Ethics is defined by the Oxford Dictionary as 'the moral principles that govern a person's behaviour or how an activity is conducted' (Oxford University Press, 2002). In the context of financial planning, ethics relates to both the behaviour of a

financial adviser and also how the activity of providing financial advice is conducted.

## BEST INTERESTS DUTY

Central to providing financial advice is the fiduciary best interests duty as outlined in the Future of Financial Advice (FOFA) reform in Part 7.7A (Sections 961B-E) of the Corporations Act 2001. This concept of 'best interests' duty requires that the client trusts in the competence and integrity of the adviser in accordance with the highest ethical standards (Lewis and Weigert, 1985) and that the adviser puts the client's interests before their own.

## MORAL DEVELOPMENT

Developmental psychology suggests that how a person responds to an ethical situation is linked to their moral development.

According to Kohlberg, there are three main developmental levels: pre-conventional, conventional and principled. Each of these levels is made up of two stages, making a total of six stages of moral development. Kohlberg argues that the moral development of an individual must reach a minimum of Stage 3 in order to be capable of making an ethical decision.

Table 1 provides a summary of the six stages of decision-making when one is faced with a moral dilemma. It is based on Lawrence Kohlberg's (Kohlberg and Hersh, 1977) cognitive development approach to morality, which is based on the premise that the six different stages of moral judgement development are sequential.

An adviser has an obligation to clients to be trustworthy and to do the things they promised. Fulfilling this professional-client obligation begins at Stage 1 of the Kohlberg moral judgement development scale and



**Dr Michelle Cull**

Western Sydney University

This article is worth  
**Ethics 0.5 CPD HOURS**

**FPA Dimension**  
Ethics

**ASIC Knowledge Requirement**  
Financial Planning

### INCLUDES:

- Ethical theories
- Six stages of moral judgement development
- Codes of ethics
- Framework for ethical decision-making



progresses to Stage 2. The building of the client-adviser relationship would be at Stage 3, which when combined with adherence to financial advice regulations and procedures, would place an adviser at Stage 4.

While Stage 4 appreciates the importance of the law, there is an underlying assumption that following the law means one is morally right (Rest and Narvaez, 1994), or behaving ethically. Stages 5 and 6 go above the law and instead focus on the idealistic principles of co-operative societies where 'what is morally right best furthers the principle' (Ibid, p.7).

### ETHICAL AWARENESS

While most principles of right and wrong are well established prior to high school, ethical behaviour cannot occur until there is first the awareness that an ethical dilemma exists.

At the low stages of moral development (e.g. Stage 1), one may simply do as they are told, without question. This can result in 'blind' unethical behaviour – where one's ethical awareness is limited, or may result in unethical behaviour being 'justified' by simply 'following orders'. Furthermore, one may have a slightly higher level of moral development and follow the law (stage 4) but fail to consider other moral obligations that sit above the law.

*... making ethics central to financial advice demonstrates concern for the client's best interests, while building public trust and confidence in seeking professional financial advice.*

Thiel, Bagdasarov, Harkrider, Johnson and Mumford (2012) acknowledge that the first step in making ethical decisions is to first recognise that an ethical dilemma exists. This then allows an individual to seek out additional information, consider the consequences and then contemplate alternative courses of action in order to make an ethical decision that is morally defensible (Rest 1986, Langenderfer and Rockness 1989).

### CODES OF ETHICS

Ethical principles and standards included in professional codes of conduct and codes of ethics provide useful guidance about how to handle an ethical situation and provide norms for expected standard of behaviour within a profession. These codes sit above minimum legal and regulatory requirements (Smith, 2009).

Most ethical codes usually include principles relating to serving the public interest, integrity, objectivity, fairness, independence, professional behaviour and competence, all of which are included in the FPA Code of Ethics,

which form part of the FPA Code of Professional Practice (FPA, 2013).

Financial advisers who are members of a professional body are expected to follow the relevant codes of conduct and ethical codes of their profession, or risk disciplinary action.

Members of the FPA are expected to abide by the FPA Code of Ethics in the FPA Code of Professional Practice (FPA, 2013), which is enforceable as a member obligation established in FPA Regulations. The code is not necessarily limited to the client-adviser relationship but may extend to dealings with other professionals and third parties.

### THE FPA CODE OF ETHICS

The FPA Code of Ethics includes eight core principles that serve as the minimum benchmark for professional behaviour. Members are encouraged to apply these principles while also complying with any legal obligations, such as those imposed under the *Corporations Act 2001* and other relevant laws.

*Continued overleaf*

**Table 1: Six stages of moral judgement development**

Stage 1	<b>The morality of obedience:</b> Do what you're told or else there will be pain.
Stage 2	<b>The morality of instrumental egoism and simple exchange:</b> Let's make a deal.
Stage 3	<b>The morality of interpersonal concordance:</b> Be considerate, nice and kind – you'll make friends. Peer groups are the source of values.
Stage 4	<b>The morality of law and duty to the social order:</b> Everyone in society is obligated to and protected by the law.
Stage 5	<b>The morality of consensus-building procedures:</b> You are obligated by the arrangements that are agreed to by due process procedures. Based on social contracts and utilitarianism.
Stage 6	<b>The morality of non-arbitrary social co-operation:</b> Morality is defined by how rational and impartial people would ideally organise co-operation and is rooted in deontological absolutes, such as those of religion and Kant's categorical imperative.

*Source: Adapted from Rest and Narvaez, 1994: p.5; Kohlberg and Hersh, 1977.*





The eight principles of the FPA Code of Ethics (FPA, 2013) are:

- 1. Client First:** place the client's interest first.
- 2. Integrity:** provide professional services with integrity.
- 3. Objectivity:** provide professional services objectively.
- 4. Fairness:** be fair and reasonable in all professional relationships/disclose and manage conflicts of interest.
- 5. Professionalism:** act in a manner that demonstrates exemplary professional conduct.
- 6. Competence:** maintain the abilities, skills and knowledge necessary to provide professional services competently.
- 7. Confidentiality:** protect the confidentiality of all client information.
- 8. Diligence:** provide professional services diligently.

Further to the eight ethics principles, the FPA may also issue FPA Guidance to its members to elaborate on the application of the Code of Ethics.

## FRAMEWORK FOR ETHICAL DECISION-MAKING

It is recognised that a code of ethics on its own is not sufficient in achieving ethical behaviour, as it needs to be "promoted, implemented and enforced ... Ethical rules do not make ethical people" (Brien, 1998, p. 392).

Furthermore, some ethical dilemmas can be complex and may not always be readily resolved solely through the use of a code of ethics. In this case, it can be useful to have a framework in which to analyse and make ethical decisions. One such framework is the Langenderfer and Rockness framework (1989), which uses the following seven questions to consider various ethical issues when making a decision.

- 1. What are the facts of the case?**
- 2. What are the ethical issues in the case and the stakeholders involved?**
- 3. What are the norms, principles and values related to the case?**

This step may take any relevant professional obligations and codes of ethics into account.

**4. What are the alternative courses of action?**

**5. What is the best course of action that is consistent with the norms, principles and values identified in point 3?**

**6. What are the consequences of each possible course of action?**

(A decision tree approach can be used here and consultation with a trusted external source, such as The Ethics Centre, may be helpful for more complex issues.)

**7. What is the decision?**

Consider how these steps might be applied in a simple financial advising scenario, such as the one provided at the end of this article.

## CONCLUSION

Ethics in financial planning is part of a complex system involving regulation, professional bodies, education, financial advice organisations, compliance officers and individual financial advisers.

For financial advisers to consistently demonstrate ethical behaviour, all parts of the system need to complement one another. Financial advisers must be capable of making ethical decisions to protect themselves and their business from legal liability.

Financial advisers make decisions every day that affect the resources and the lives of many people, so it is imperative that those who work in financial planning have an understanding of ethics to help guide their decision-making.

Furthermore, making ethics central to financial advice demonstrates concern for the client's best interests, while building public trust and confidence in seeking professional financial advice.

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*Dr Michelle Cull is Director of Academic Program (Accounting and Financial Planning) at Western Sydney University.*





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## QUESTIONS

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

### Financial Advising Scenario

Matthew is a CFP® professional and has been a financial adviser for a number of years as an authorised representative of a medium sized financial planning firm, XYZ Financial Planning.

Matthew sees Rick and Jane Smith who need holistic financial advice. As part of this advice, Matthew will be recommending that Rick and Jane update their will and consider a range of other estate planning needs.

Matthew's licensee has asked Matthew to recommend new clients like Rick and Jane to the licensee's cousin, Mr Will Jones, who is a solicitor. Matthew is aware that Will charges a fee of around \$3,000 for the services required by Rick and Jane.

However, Rick and Jane have already told Matthew they have a family solicitor who they and Rick's parents always use. This solicitor is also a trusted family friend and offers his services at a heavily discounted rate to Smith family members.

Furthermore, Matthew's colleague has disclosed to Matthew that the licensee receives a \$300 referral fee for every referral to Will for estate planning services.

Should Matthew recommend that the clients make an appointment with Mr Will Jones? Use the Langenderfer and Rockness model to arrive at your decision.

#### 1. The Categorical Imperative:

- a. Is the imperative for every financial adviser to choose which course of action to take.
- b. Is an area of teleological ethics.
- c. Arises from a sense of duty.
- d. Is a rule proposed by Aristotle.

#### 2. The FPA Code of Ethics:

- a. Has seven main principles.
- b. Does not include 'Fairness' as one of its main principles.
- c. Applies to all financial advisers.
- d. Puts the client first.

#### 3. Which of the following statements is true in respect to deontological ethics?

- a. Treat others as you would like others to treat you.
- b. The measure of right or wrong is the greatest good to the greatest number of people.
- c. The end justifies the means.
- d. Ethical decisions are outcomes based.

#### 4. Ethical behaviour:

- a. Is abiding by the law.
- b. Starts at Stage 2 of Kohlberg's moral development scale.
- c. Can be achieved solely by having an established code of ethics.
- d. Begins with ethical awareness.

#### 5. In regards to the scenario above, which of the following options is the most ethical decision for Matthew?

- a. Fully disclose the referral arrangement to the clients and recommend Mr Will Jones as an alternative option to their existing solicitor.
- b. Fully disclose the referral arrangement to the clients, while recommending the clients utilise the services of Mr Will Jones.
- c. Do not refer the clients to Mr Will Jones at all.
- d. Recommend the clients to Mr Will Jones for all their estate planning needs.



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# EQUITY HOLDINGS OF BABY BOOMERS

*Comparing life cycle phases*

**Dr Tracey West** explores theories for optimally constructing asset portfolios and the demand for assets over the life cycle.

In a recent article in the *Financial Planning Research Journal*, the central tenet of Dr Tracey West's study is that equities are a versatile asset with risk and return characteristics that can provide benefits in both the accumulation phase and consolidation phase of a household's life cycles.

For example, equities can be liquidated easily to fund a home deposit in the accumulation phase, be used to diversify a portfolio, provide higher returns than other asset classes (subject to a higher risk tolerance) to meet savings motives, and satisfy any bequest savings motives.

However, given the recent experience of the 2008 GFC, over investment or exposure to equity market volatility is a concern, particularly for households on the cusp of retirement that need to liquidate holdings to fund consumption.

Therefore, the study examines whether the role of equities differs between the accumulation and consolidation life cycle phases, as inferred by finance theory.

## BABY BOOMERS

In the study, the baby boomer cohort is used to understand whether there is any significant difference in the holdings of equities when in the accumulation phase and the consolidation phase.

More specifically, 2002 and 2014 cross sections of the HILDA Survey are employed to compare equity ownership and equity portfolio share of the baby boomer population in the accumulation phase and the consolidation phase.

This particular cohort is of interest given the impending retirement of this disproportionately large subgroup of the population, and potential exposure to financial risk.

## DRAWING CONCLUSIONS

A number of conclusions are drawn from the findings.

Firstly, the average level of equity investment and portfolio share are significantly different in 2002 to 2014. However, the descriptive statistics show that the direction of the change is not as predicted, as participation in equity investments was reduced in 2014.



*... an elevated level  
of wealth is highly  
significant for equity  
participation and  
portfolio share*

Furthermore, the logit and tobit models highlighted differences in the significance of characteristics between the two periods, such as variances in household structure, income level and gender.

Therefore, it can be argued that transitioning to the consolidation phase induces a change in financial decision-making, but that in this study, the impact of the GFC and ongoing changed macroeconomic circumstances could not be disentangled.

## WEALTH DRIVES WEALTH

Secondly, an elevated level of wealth is highly significant for equity participation and portfolio share.

The results of the 2014 model show an increase in magnitude of high wealth levels, inferring that the GFC may have exacerbated the wealth divide, and thus, the wealthier portion of the population were able to continue holding equities, while those in lower wealth categories liquidated their holdings.

Higher levels of financial literacy and willingness to take financial risks were consistent with equity investment, and in combination with exacerbating the wealth divide, the market volatility derived from the GFC may have led people with lower levels of financial literacy to divest of equity ownership, while those with higher levels persisted.

Accordingly, these households are missing out on important diversification benefits that equities can provide, as well as potential for higher portfolio returns.

However, it may be of comfort to policymakers, and financial planners, that baby boomer households are not at peak levels of equity market volatility exposure in this important pre-retirement consolidation phase.

*Dr Tracey West is a lecturer in the Department of Accounting, Finance and Economics at Griffith Business School.*

*This article was published in the 'Financial Planning Research Journal' (Vol 3, Issue 2, 2017). To read the article in full, go to: [fpa.com.au/education/financial-planning-research-journal/](http://fpa.com.au/education/financial-planning-research-journal/)*



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