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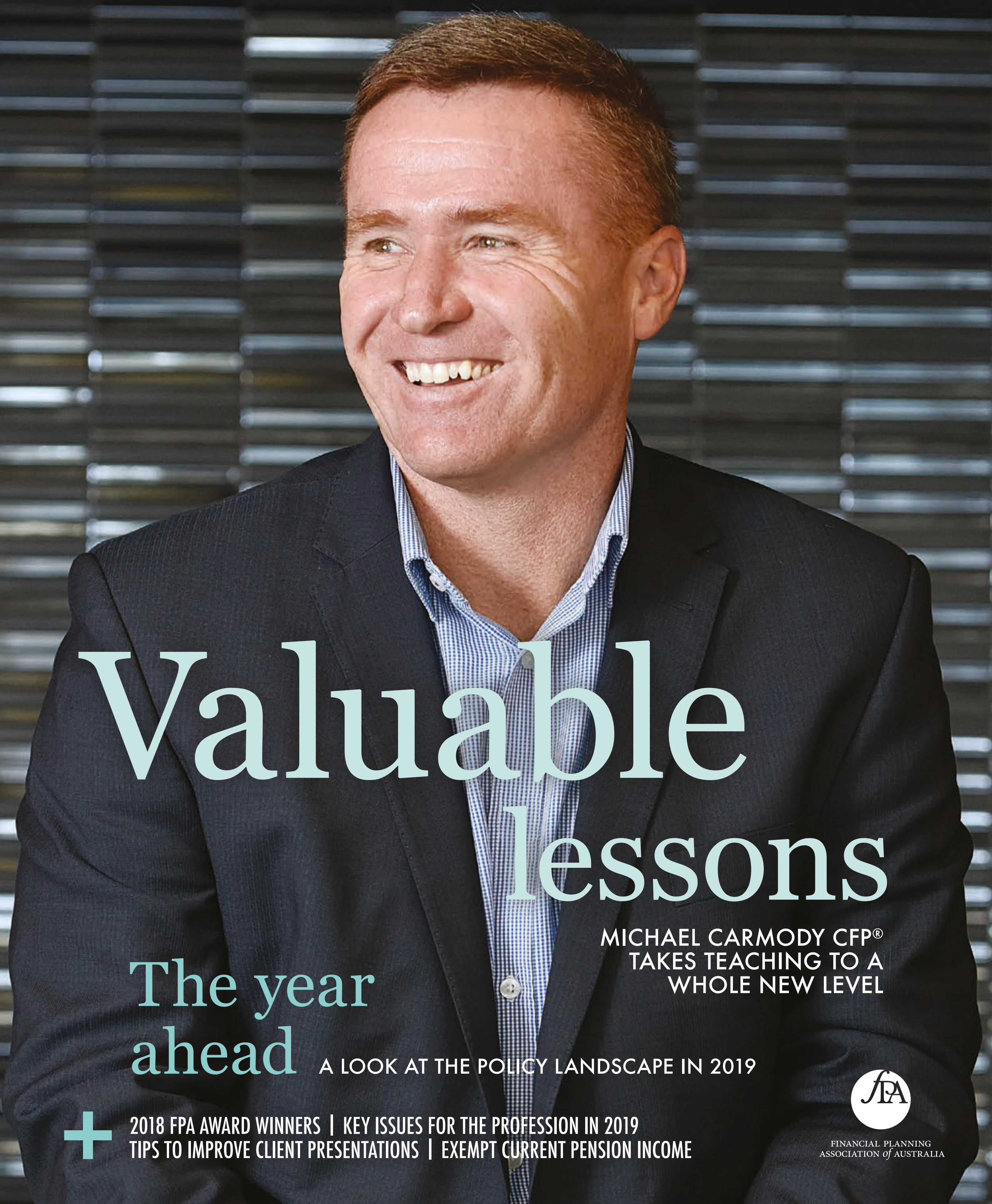
MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS



Valuable lessons

MICHAEL CARMODY CFP®
TAKES TEACHING TO A
WHOLE NEW LEVEL

The year ahead

A LOOK AT THE POLICY LANDSCAPE IN 2019

\+ 2018 FPA AWARD WINNERS | KEY ISSUES FOR THE PROFESSION IN 2019
TIPS TO IMPROVE CLIENT PRESENTATIONS | EXEMPT CURRENT PENSION INCOME

FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA

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2019: A NEW LANDSCAPE

After over a decade of advocacy by the FPA, the terms 'financial planner' and 'financial adviser' are now enshrined in legislation.

From 1 January 2019, these terms are now restricted to those authorised to provide financial advice and listed on the ASIC register. This is a major leap forward for consumer protection and the future of the financial planning profession.

The year also started with brand new education standards coming into play for new financial planners entering the profession. This now unifies the whole profession at a degree-level for entry.

Also in January, the Productivity Commission handed down its much-awaited final report outlining improvements to the efficiency and competitiveness of the superannuation system. Among the many positive recommendations for consumers, the report confirmed that the term 'advice' must be restricted to 'personal advice' only.

As the year rolls on, we will maintain a close eye on the outcome of the Federal election, expected to be held in the first half of this year.

ROYAL COMMISSION

At the time of the release of this issue of *Money & Life* magazine, the Royal Commission's final report into Misconduct in the Banking, Superannuation and Financial Services Industry is being handed down. Many of the issues explored during the Royal Commission hearings are those that the FPA has spent many years advocating for in order to improve the financial outcomes and futures of all Australians.

CODE MONITORING

As part of the new professional standards landscape, financial planners will be subject to the FASEA Code of Ethics, including mandatory subscription to an approved code monitoring body from 15 November 2019.

At the end of last year, the FPA lodged a draft application with ASIC to develop a code monitoring compliance solution working with five other professional associations, under the name of Code Monitoring Australia Pty Ltd (see page 6).

This is an historic co-operation between the FPA, the Association of Financial Advisers, Boutique Financial Planners, Stockbrokers and Financial Advisers Association, Financial Services Institute of Australasia and the SMSF Association.

Our collaboration is to ensure there is an appropriate solution for FPA members and more broadly, all financial advice providers, to meet the mandatory obligation to subscribe to an approved code monitoring body.

Our next steps are to work with ASIC to finalise our application and commence the building of Code Monitoring Australia in readiness for the November deadline when financial planners need to subscribe.

Enjoy this edition.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10

aia.com.au

HEALTHIER, LONGER, BETTER LIVES

NEW CODE MONITORING CO-OPERATION AGREEMENT ANNOUNCED

Six major professional associations, representing the financial planning/advice sector, have signed an historic co-operation agreement to develop a code monitoring solution for their members.

The associations have agreed to work together to submit a code monitoring compliance scheme application to ASIC. The scheme will enable compliance with FASEA's code of ethics to be monitored and enforced.

The six associations currently participating in the agreement are: Financial Planning Association of Australia (FPA), Association of Financial Advisers (AFA), Boutique Financial Planners (BFP), Financial Services Institute of Australasia (FINSIA), Self Managed Super Fund Association (SMSF Association), and Stockbrokers and Financial Advisers Association (SAFAA).


Dante De Gori

According to FPA CEO, Dante De Gori CFP®, this agreement is a defining moment for the financial advice profession in Australia, as it clearly demonstrates a commitment and intention by the participating associations to lift the ethical and professional standards within the sector.

"Being covered by a code monitoring compliance scheme is mandatory," De Gori said. "All existing financial planners and advisers will be required to subscribe to an approved scheme by 15 November 2019.

"The co-operating associations are united by a joint purpose to ensure that financial planners and advisers can choose to subscribe to a professional association's based scheme, rather than commercial alternatives that may be less suitable or more expensive. This scheme is being developed by the profession for the benefit of the public."

De Gori added that each of the participating associations will be able to offer the code monitoring compliance scheme to its members. To this end, a bespoke company – Code Monitoring Australia – has been established to operate the compliance scheme, which will be called the Financial Advisers Monitoring Scheme (FAMS).

The final application for compliance scheme approval is due to be lodged with ASIC by 30 June 2019.

2018 ACADEMIC RESEARCH GRANT RECIPIENTS ANNOUNCED

The two grant winners of the 2018 Financial Planning Education Council (FPEC) Academic Research Grants have been announced, with Western Sydney University's Dr Michelle Cull and Griffith University's Dr Kirsten MacDonald and Dr Tracey West receiving $5,000 to support their research.

Dr Michelle Cull received her grant for her project titled: 'Motivating factors for choosing a career in the financial planning profession.' The study attempts to address the research gap on the motivating factors for choosing financial planning as a career, and assist in the promotion of the profession and aid the retention of existing advisers.

Dr Kirsten MacDonald and Dr Tracey West at Griffith University received their grant for the project titled: 'Understanding client perceptions of financial adviser education in Australia.'

The project investigates how financial adviser education, including professional designations and academic qualifications, impacts the choice of financial advisers in Australia. It also investigates the characteristics of clients who value credentialed and degree qualified advisers, and client perceptions of the rigour and quality concerning designations and qualifications.

The FPEC Academic Research Grants recognise those academics who have demonstrated a commitment to encouraging the development of financial planning as an academic discipline in its own right. These grants are jointly sponsored by the FPA and NAB.


Dr Michelle Cull

Each grant recipient receives $5,000 to support research that helps to further grow relationships between the tertiary sector and the financial planning profession.

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

ACT

Chih Leong Tang CFP®
Callaghans Financial Services

NSW

Chad Hohnen CFP®
Centenary Financial

Thomas Moloney CFP®
Macquarie Equities

James Jagodnik CFP®
Crestone

Michael Hartley CFP®
TMS Capital

Xiren Wan CFP®
Master Financial Solutions

Daniel Taylor CFP®
Financial Certainty

John Dacker CFP®
Shadforth Financial Group

Anthony Lam CFP®
Perpetual Trustee

Elysse Lorenti CFP®
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Kate Blake CFP®
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Jason Gay CFP®
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Jordan Myers CFP®
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Nilar Alom CFP®
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ANZ Financial Planning

Vandana Tater CFP®
AGS Financial Group

Ming Zhang CFP®
MZ Wealth

Yasuhiro Kuramochi CFP®
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Daniel Hogan CFP®
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Christopher Enbom CFP®
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Patricia Garcia CFP®
Your Vision Financial Solutions (trading as WB Financial)

Niyati Khanna CFP®
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Elston Private Wealth

Lisa Scott CFP®
Bridges Personal Investment Services

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Mark Thompson CFP®
Unisuper

SA

Rodica Simos CFP®
DMA Financial Strategists

Bruce Davis CFP®
Wise Investment Advisers

Marissa Han CFP®
NAB Financial Planning

TAS

Darren Styles CFP®
Raymond J White & Co

Veronica McAlister CFP®
Florisson Financial

VIC

Chris Kouteris CFP®
Kouteris Financial

Vanessa Smith CFP®
Bongiorno & Partners FP

Sharon Tan CFP®
Strategic Wealth

Kara Treeby CFP®
Story Wealth Management

Simon McDonald CFP®
Silvan Ridge Financial Services

Peter Hunt CFP®
Wilson Advisory

Nicola Beswick CFP®
GFM Wealth Advisory

Vanessa Simmonds CFP®
Willis Towers Watson

Bianca Musico CFP®
Warr Hunt

Nicole Lewis CFP®
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Stuart Wilkinson CFP®
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Luke Jones CFP®
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Calvin Barlow CFP®
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Daniel Tiet CFP®
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Karthik Sivashanmugham CFP®
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Yajie Zhang CFP®
BMYG

Helen Cheng CFP®
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Emily Lanciana CFP®
Apt Wealth Partners

Daniel Lunardi CFP®
Ascent Private Wealth (ATF Ascent Private Wealth Unit Trust)

Marcus English CFP® LRS®
Hewison Private Wealth

Kevin Ly CFP®
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Gajan Sundaram CFP®
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Shadforth Financial Group

2018 CONGRESS:

Over 1,400 delegates 'Connected, Cultivated and Communicated' at the 2018 FPA Professionals

showcasing the profession's best

Congress. Here is a snapshot of some of the highlights from the profession's premier three day event.

Insight

2019: THE YEAR OF ANSWERS

The FPA is gearing up for another busy year on the policy and government relations front. Ben Marshan CFP® reviews the past 12 months and the year ahead for the profession.

If 2018 was the year of "more questions than answers", 2019 is going to be the year we get all the answers to all the questions we might ever want to ask.

There is no other way to describe 2018 other than a roller-coaster ride of emotion. We had stops and starts and floods with FASEA. We had the Royal Commission. We had major upheaval and change in Canberra. And we saw the external dispute resolution schemes all merge together into the Australian Financial Complaints Authority (AFCA).

And it all happened at a sprint. For some of us watching, it all happened before us with a sense of no control, and for others, the chaos of being in the sprint itself.

THE YEAR IN REVIEW

At the FPA, it was definitely a case of being in the sprint. The policy team at the FPA completed around 45 submissions, all of which focused on the big changes and challenges facing our profession. It was a very busy year for the FPA, meeting with Government and regulators, where we shared our vision for the financial futures of Australians and the future of our profession.

There was also a strong focus on moving forward with developing a code monitoring body for (and built by) the profession, where the FPA worked with other practitioner associations to make this a reality. And we also saw strong engagement and interest in our work around fintech, as we looked to continue to help our members and FPA Professional Practices future proof their businesses by embracing technology.

A NEW LANDSCAPE

But that was last year. 2019 is now before us, and it is set to be an even bigger year on the policy and regulations front, as we see the questions that were asked over 2018 become the new laws and reality going forward.

> *"This is again a great opportunity to sit back and question why we do what we do and how we demonstrate our professionalism to our clients."*

The year will have barely kicked off when the Royal Commission into *Misconduct in the Banking, Superannuation and Financial Services Industry* is set to hand down its findings and recommendations on 1 February. While it would be inappropriate to make assumptions on the recommendations to be handed down by the Royal Commission, we can broadly expect to see changes around licensing, allowable remuneration models for financial advice services, a focus on consumer-driven culture across financial services, and increased regulator enforcement and oversight.

By the time we see the Royal Commission recommendations, FASEA should have finished its process of finalising and registering with Parliament all of its standards. This will provide us with certainty around the new ethical and education standards, and allow us to move into the implementation phase.

Specifically in 2019, the first standard most us will interact with is likely to be the implementation of new CPD policies. For FPA members, this shouldn't come as a big change, but an opportunity to reflect on and refresh the way we do CPD.

While some may elect to sit the exam from July, the second half of 2019 will certainly be a period of exam preparation and study. However, the

next firm requirement for 2019 will be to select and sign up to a code monitoring body by 15 November. This will also require thought to be given to how advice is provided and recorded to demonstrate compliance with the new FASEA Code of Ethics, which may require further changes to your advice process and advice documentation. This is again a great opportunity to sit back and question why we do what we do and how we demonstrate our professionalism to our clients.

For a number of us, early 2019 will also be the time when registration renewal is due with the Tax Practitioners Board (TPB). On this perspective, it is also important to keep an eye on the TPB's changing focus from being a regulator focused on the registration of tax agents to being a regulator focused on tax agent conduct.

In late 2018, the TPB signalled an intent to take action against practitioners who have not met their personal tax obligations, which is an important component of the TPB's Code of Professional Conduct.

On the political front, the 2019-20 Federal Budget has been set down for 2 April and if it hasn't occurred by that point, a federal election is expected to be called shortly after that time for mid-May. The budget and election creates an interesting backdrop to the differing economic agendas of the Government and the Opposition.

The 2018 Mid-Year Economic and Fiscal Outlook, which was handed down on 19 December 2018, provided for around $9 billion in unannounced but budgeted for revenue decreases, which suggests the Government is looking to provide further tax cuts in the 2019-20 Budget. On the other hand, the ALP has a clear focus around negative gearing and removing the tax refund around franking credits.

What can be said with certainty, however, is that both major parties will need to focus on the implementation of the Royal Commission recommendations and are likely to continue to face a fractured Senate crossbench following the election. This will make for another fascinating year to watch the happenings in Canberra.

PREPARE FOR CHANGE

So, in summary, 2019 is looking like a year for certainty on the policy front. It is worth considering though that much of the change highlighted in this article is likely to take effect in 2020.

This provides a great opportunity during 2019, and possibly the last opportunity for a while, to spend time preparing your businesses for this change.

The resources the FPA has developed in the FPA Fintech Hub will provide you with some great ideas on how to cut costs, save time and make both your business and advice processes more engaging for your clients. This will ensure you have a sustainable business that is able to continue to grow and build through this time of change.

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

Insight

OPINION CORNER

CHANGE AND OPPORTUNITY

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2019?

Alison Fischer CFP®

Private Client Adviser, Crosbie Wealth Management

Licensee: Securitor Financial Group

1. **Open banking data:** From 1 July 2019, open banking will officially start in Australia and we can see from the reactions to 'My Health Record' that privacy is likely to be a concern for some clients. Beyond that, this is a game-changer for advice – we will finally have access to technology that will easily, and with little time/cost input, give us correct consolidated position statements, and be able to give insight into clients' cashflow and subsequently, potential strategies associated with that.
2. **Political plays:** The top thing on clients' minds is a possible change in Government and how this is going to affect them personally. A potential Labor Government is catching headlines for a raft of policies, including the removal of imputation credit refunds, the removal of tax deductions for negative gearing, and halving the personal CGT concession to 25 per cent.
3. **The fee pressures are real:** Increasing compliance requirements will mean clients inevitably pay more for advice. The implication is that clients with little spare cashflow will simply be unable to access the benefits of advice. For our business, increasing compliance costs, combined with the changes to revenue streams and the potential for caps on fees, mean that we will need to align our services provided with value to the clients.

Josh Dalton CFP®

Senior Wealth Adviser and Director, Dalton Financial Partners

Licensee: Hunter Green

The key issues for our practice in 2019 will be technology and compliance.

Technology is a big one for us, as it seems like our industry is undergoing a constant evolution in regards to the new tools available and how this helps us deliver advice. I believe that you must stay up-to-date to remain relevant.

We are always experimenting with new ideas, software and applications that might help us to deliver our advice more efficiently and in a more 'client-friendly' manner. Although we try a lot of new things, it's only about one in 10 new ideas that are actually implemented. A big advantage of being a boutique practice is the ability to make quick changes to our processes without disrupting the business too much.

I also think compliance will become a bigger focus for us in 2019.

Our practice has grown rapidly over the last few years, but I wouldn't mind taking a step back from growth to ensure that our business is as compliant as possible and that our existing client base continues to receive a high-quality service.

With the fallout from the Royal Commission, there will be an increased focus on the quality of advice and we'd like to ensure that we are implementing best practice where possible.

Overall, I think it's a great time to be in advice and I'm looking forward to 2019.

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2019?

Daryl La'Brooy CFP®

Principal and Financial Adviser, Hillross – St Kilda Road
Licensee: Hillross Financial Services

This time last year I was preparing clients for a down turn in financial markets. That conversation is still continuing, despite U.S. markets reaching another all-time high in September 2018.

With U.S. interest rates having risen in 2018 and further rises expected in 2019, share market volatility is anticipated to continue. With this backdrop, managing client expectations is paramount.

The upcoming Federal election and a potential change of Government could also impact clients over the second half of 2019.

Some of the policy changes announced so far include changes to franking credit refunds for non-age pensioners prior to March 2018, the reduction in capital gains tax concessions, negative gearing on established properties for new investors from 1 July 2019 being abolished, and higher income taxes for high income earners.

The Labor party has also said it will adopt all the changes from the Royal Commission into misconduct and this may have an impact on financial advisers and clients, but more likely beyond 2019.

The advisers' exam will also put additional burdens on advisers during 2019 for those who are choosing to remain in the profession beyond 2020. So, the next 12 months will be exceedingly busy.

Following the interim report of the Royal Commission, ASIC has become more pro-active, so compliance matters will be more prominent during 2019 and beyond.

John O'Brien AFP®

Partner, VISIS Private Wealth
Licensee: VISIS Private Wealth

I believe we will see a continuing trend with clients raising the issue of the high cost of private education for their children, which has continued to outstrip inflation year after year.

The continual tinkering with superannuation legislation and the much broader coverage in the media about superannuation, continues to confuse clients in relation to what they may or may not be able to contribute, in particular, the downsizer contributions and conditions surrounding this.

The Royal Commission has brought to light a plethora of areas in which financial institutions have not met the expectations of the community, thereby increasing nervousness for those clients associated with any of the institutions named.

At VISIS, we feel we are well-positioned for any changes that may flow down from the Royal Commission. We have always, and continue to, see compliance as an integral part of the financial planning process.

The proposed changes in relation to the franking credit system has some retiree clients concerned, as they rely on this tax refund to top up their existing income to meet increasing living expenses.

And in terms of mental health awareness, I have many clients in the legal profession. As such, I have seen the unrelenting pressure placed on senior practitioners to continue to deliver higher and higher financial returns to the firm.

Mental health is getting more air time these days, which is a good thing. I hope this discussion around raising greater awareness within the wider community continues to grow in 2019.

Question: Looking at the 12 months ahead, what do you think will be the key issues affecting you and your clients in 2019?

Corey Wastle CFP®

Founder and Financial Adviser, Verse Wealth

Licensee: Synchron

When it comes to our clients, 2019 is going to be no different to 2018 or any other year.

They're going to have kids, change jobs, start businesses, travel, buy forever homes, pay debts, improve spending habits and much more. They're also going to try and navigate the never-ending curve balls that life throws their way and reduce many of the stresses that money can cause.

We're going to be in their corner, helping them live the best life they can, with the resources they've got. We'll be making sure they have great context for big life decisions, stay accountable and avoid the big mistakes that could hold them back.

As a business, at Verse we're going to focus really heavily on:

- Enhancing the client experience;
- Simplifying our operations to enable growth, and;
- Creating and sharing content online to help educate and inspire people to take control of their finances.

The investment, legislative and political climates are going to have little effect on these things.

Despite so much discussion about likely changes in the advice industry, we're remaining focused on what we can control.

We can control our collective effort to help our clients get more of what they value, improve the experience we provide, and promote the positive impact of great advice and coaching.

Michael Fox CFP® LRS®

Private Client Adviser, Main Street Financial Solutions

Licensee: Integrity Financial Planners

The upcoming 12-month period looks to be an exciting time to be in the financial advice profession.

Our industry has been subject to a significant level of change, disruption and public attention over the past 12-months. This includes issues such as the Royal Commission, the Federal Budget, the incoming minimum education standards, proposed regulatory changes and disruptive technology.

Whilst change seems to be one of the only constants within our dynamic industry, there has been a heightened level of uncertainty over the past year, largely in relation to the outcome of the Royal Commission and what the minimum education standards for advisers will be.

Having these issues in the rear-view mirror will allow advisers to focus on the bigger picture moving forward: servicing clients and their needs, goals and objectives.

For clients, they may continue to face increased levels of investment volatility, as we continue to see key issues play out, such as rising debt levels, Brexit, property prices, the unpredictability of President Trump, Chinese investment entering new markets, and disruptive technology.

We need to be conscious that what worked well in the past may not necessarily work well in the future.

We therefore need to continually review and improve on what we do, as well as keeping abreast of changes within our industry and the broader economy, if we want to continue to provide clients with optimal solutions and be their key and trusted adviser.

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

Email *editor@paperandspark.com.au* to register your interest.

PRACTICE MANAGEMENT

IT'S TIME TO SEAL THE DEAL

Are poor presentations costing you clients or business? **Emma Bannister** provides four tips for improving your client presentations.

Emma Bannister

A powerful presentation is our most critical tool in financial planning today. We use them to build buy-in with our team members, to communicate our big ideas to clients and connect with stakeholders to inspire them into action.

Yet the majority of the time, our presentations are bland, full of numbers and data, and the only impact they have is to get people running for the doors – if they haven't already fallen asleep in their seats!

Our important and urgent messages are hidden in badly designed slides, complex paragraphs of information, and screens of bullet points that have no clear purpose or call to action.

Bad presentations can cost you clients.

While you may not be able to magically transform a poor presentation into a powerful one overnight, to truly educate, energise and inspire your clients, then the following are some small changes you can start with.

1 PRESENT, NOT REPORT

One of the biggest mistakes we make – especially in the financial services sector – is to try and present a report. There is a big difference between the two.

A presentation supports you and what you are saying. The slides are designed to help clients understand and remember. You use visuals to evoke emotion, infographics to simplify data and diagrams to explain a process. If you were to print out a presentation, it would contain only key points and visuals.

A report, on the other hand, is a standalone document that has lots of information – facts, stats, data and graphs. This document can be read on its own like a magazine or brochure.

If you present your report on screen, your clients will be confused with the small text and lack of focus. It is a distraction while you are speaking. You'll start to see heads lolling and eyes scrolling iphones.

So, if you've got lots of supporting information and data, leave it out of your presentation and provide it in the report document that everyone can refer to later.

2 SHARE THE INSIGHTS, NOT THE DATA

Sure, numbers, stats and facts add credibility to your arguments, but it's important not to drown out your main message with this stuff, which can be very dense and hard to understand. When we do this, we completely lose our clients – especially if it's a client who doesn't work with this stuff on a day-to-day basis.

Be clear on how whatever numbers you are showing are relevant to your clients. For any other information that doesn't support the main message, supply a follow-up document.

If you usually use graphs and charts in your presentations, try using a few key infographics and visuals, like photos,

instead. The aim is to support what you are saying, rather than just repeat it.

3 MAKE IT EMOTIONAL

I know, in finance we've traditionally been taught to do the opposite, to just present the facts. But these days, the best presenters are those who can use a combination of facts and emotion to explain a future place that everyone wants to work towards.

Remember, people buy from people they like. We buy based on how we feel about something – or someone. It's your passion and authenticity that will help you to bond with your audience. Images and words, even video, that paint a picture or emotion like happiness or sadness can help your cause.

That emotional pull is what will impact their decision to 'buy in' to what you are saying.

+

Nothing turns people off more than when you fudge the truth about a client or company's financial position, even if you think it's in their best interest.

4 BE HONEST

It's important not to try and hide or cover up negative information or numbers. Nothing turns people off more than when you fudge the truth about a client or company's financial position, even if you think it's in their best interest.

Be future focused and take ownership of the problem. Explain the steps you're implementing to turn things around to minimise loss, and how your organisation can help with this too.

You need to be open and honest about the current situation, and what is involved in the journey to get to the desired outcome – together.

Bad slides and presentations are used like a security blanket to hide things under. So, start with small changes to your content and attitude, and stop hiding and hoping for the best.

When you do this, you'll stop putting together poor presentations that cost business and start presenting powerful ones that transform into real results.

Emma Bannister is the founder and CEO of Presentation Studio and author of 'Visual Thinking: How to transform the way you think, communicate and influence with presentations'.

FPA Certified Financial Planner®
Professional of the Year Award

VALUABLE LESSONS

As the FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award recipient, Michael Carmody CFP® is taking his teaching skills to a whole new level.

Michael Carmody CFP®

Age: 44

Educational qualifications: BA(Rec), GradDipEd, CFP®, DFS, ADFS

Position: Director

Practice: Viva Wealth

Licensee: Sentry Group

Years as a financial planner: 13 years

CFP designation: 2008

With a background as a physical education teacher, the 2018 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award recipient, Michael Carmody CFP®, knows a thing or two when it comes to dealing with people.

In fact, the Perth-based sole-practitioner attributes some of his success as a planner to his teaching skills, which enables him to more easily communicate with clients. This includes conveying often complex strategies in a more digestible format that clients are better able to understand.

"My teaching career provided me with a great foundation for working with people. When I was a teacher, I was working with the most valuable resource in the world – young people – and helping to shape them and their future," Michael says. "So, my time spent teaching has really helped me to better relate to people and has taught me how to communicate with them on a level they can understand."

As a planner, Michael has been fortunate to transfer most of these skills across to his clients today. However, he is mindful that most consumers don't have the necessary financial literacy to make informed decisions about their financial wellbeing.

"Helping people manage their money opens the doors to what they want to do. And that is a very privileged position to be in. So, as planners, one of our key tasks should be to help improve the financial literacy of all Australians."

He adds: "The two key things clients are looking for from their planner are 'trust' and 'communication'. If clients trust their planner and if the planner can communicate on a level they understand, then clients will have comfort and confidence in the financial planning process. And improved financial literacy is a big part of achieving this."

THE GOLD STANDARD

The 2018 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award is presented to a CFP® practitioner who embodies the highest professional standards and has delivered best practice, which has led to superior client outcomes.

And it would seem Michael's approach to financial planning, with skills developed during his teaching years, has served him well, with the judges acknowledging his dedication to delivering excellent client service throughout the financial planning process, and "going above and beyond" to provide clients with the best possible outcomes.

Commenting on the award, FPA CEO Dante De Gori CFP® said: "Michael embodies the facets of an exemplary financial planner: outstanding technical knowledge and capability, as well as care and understanding as a financial coach and mentor to his clients, helping them create a vision for their future, and bringing organisation and accountability to their financial lives."

By taking out the coveted 2018 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award, Michael says it has given him personal validation for the work he has been doing with his clients, which he unashamedly says is "gold standard".

"The award also provides me with a sense of achievement that, as a business, we're heading in the right direction. The awards process also offered me a good opportunity for self-reflection into what I was doing and how I was doing it."

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

"When it comes to technical knowledge, this designation is the high watermark of excellence and technical competency," he says. "The CFP® designation is recognition that you are one of the best in the industry, by aligning your own personal standards to the profession's highest education and professional standards."

GLASS HALF FULL

Michael has a 'glass half full' attitude to life. It's hard not to be swayed by his optimism and upbeat attitude. Even the Royal Commission doesn't faze him, although he concedes that consumer confidence has been

Congratulations

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

- **James McFall CFP® –** Yield Financial Planning (Vic)
- **Chris Smith CFP® –** VISIS Private Wealth (Qld)

"When working with people, be yourself. It's important to build trust and trust comes from being yourself."

dented. But typically, he says it's up to the profession to re-establish consumer confidence by simply behaving in a "highly ethical and appropriate way" that clients and colleagues expect.

He also views the new FASEA education standards as presenting an additional challenge for planners.

"These education standards will come at a cost to the profession," he says. "There will be the cost of time, which will be a cost of money. There will probably also be a cost in lost expertise, as some planners choose to leave the profession completely.

"However, while I have no doubt that the higher education standards will be a significant improvement for the profession, it means the next three to five years will be a challenging period for planners."

But challenges aside, this 'glass half full' practitioner brims with confidence at the opportunities ahead for the profession. And with so many Australians still unadvised, Michael believes the profession is well positioned for sustained growth.

He is most excited by the opportunities that Gen X and Millennials present, although he says these generational cohorts will require a different approach when it comes to servicing their needs.

"While there is much more information available in the marketplace for these generations, their financial planning needs will revolve around aligning their personal values and goals to the overall financial planning process. I think that will be the next phase of where we need to go as a profession," he says.

JUST BE YOURSELF

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

"My first tip is be to be authentic. When working with people, be yourself. It's important to build trust and trust comes from being yourself.

"My second tip is to have a strong worth ethic and be committed to what you are doing. You need to be open to learning new things, so education is a lifelong journey."

And Michael's third tip?

"Ensure you maintain your honesty and integrity at all times!"

And he sneaks in a fourth tip: be prepared to give back to the community where you can.

To demonstrate the point, the father of three recently completed the 2018 Future2 Wheel Classic, managing to cycle just over 1,000km in eight days from Canberra to Sydney, raising funds for the FPA's philanthropic arm, the Future2 Foundation.

The Future2 Wheel Classic presented Michael with the opportunity to demonstrate to his three daughters the importance of community involvement and participating in worthy causes.

And for his efforts, Michael received the 'Purple Pedal Award', which is given to the cyclist who demonstrated the most determination, grit and courage to complete the entire ride.

Not bad for a MAMIL who only started riding in March 2018!

FPA Financial Planner AFP®
Professional of the Year Award

LINE IN THE SAND

As the FPA Financial Planner AFP® Professional of the Year Award winner, Felicity Cooper AFP® takes financial literacy seriously, spreading her message of financial empowerment to more Australian women.

For a small self-licensed business operating out of its Gold Coast office on the Isle of Capri, Cooper Wealth Management consistently punches well above its weight. And with two of its staff members, including its founder Felicity Cooper AFP®, winning awards at the 2018 FPA Awards, the business must be doing something right.

As the winner of the 2018 FPA Financial Planner AFP® Professional of the Year Award, Felicity says being a runner-up for this award in 2017 and finally winning it in 2018, shows that she is on the right track.

"Being a self-licensed small business is tough. So, being reviewed and approved by my peers is wonderful recognition for the work my staff and I are doing," Felicity says.

And the judges agreed, commenting that Felicity put herself in strong contention from the very start of the awards process due to the high standard of her submitted SOA, which was "exceptional" and "clearly stood out" from other entries.

In fact, 2018 caps off a successful year for the Gold Coast planner, with Felicity also taking out an industry Excellence in Education award, adding this to her increasingly growing list of achievements, which includes Financial Planner of the Year in the 2018 Women in Financial Services Awards, Awardee of Merit for Gold Coast Business Woman of the Year 2017, and finalist for the Australian Investment Manager of the Year in the Women in Financial Services Awards.

"I didn't enter the FPA Awards seeking personal recognition for the work I do, because that's just what I do as a financial planner everyday. Instead, I wanted to showcase the extent of the client relationships we're building at Cooper Wealth through the quality of advice and service we offer our clients," she says.

"With my colleague Kearsten James CFP® LRS® taking out the FPA Paraplanner of the Year Award and with my FPA Financial Planner AFP® Professional of the Year Award, it demonstrates that the staff at Cooper Wealth are punching well above our size, which is a wonderful badge of honour for our business."

THE FINANCIAL WOMAN

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

In addition to running her practice, Felicity has set up The Financial Woman – an Australian online movement that is seeking to break down the barriers for women around financial matters and empower women of all ages to truly change their lives.

"The Financial Woman is a website that connects women with compelling conversations and expert commentary from a carefully selected panel of industry experts, while also providing women with the resources and tools that will help them take charge of their bank balances and their financial heart beat."

Felicity Cooper AFP®

Age: 43

Educational qualifications: MSAA, BBus, BA, GradDip AppFin, ADA2, AFP®, DFP, MFP

Position: Director, Financial Planner

Practice: Cooper Wealth Management

Licensee: Cooper Wealth Management

Years as a financial planner: 22 years

Through this website, Felicity is aiming to create Australia's largest online community, teaching women how to earn better, spend, plan, give and live with "intent, purpose and passion".

"I am truly passionate about financial planning and particularly want to empower more women to take control of their own financial futures through improved financial literacy," she says. "As a profession, we need to better understand that women respond differently to wealth, which means we have to change the way in which we talk to them about wealth creation. That's what I'm doing with The Financial Woman."

Adding to her already exhaustive work schedule, Felicity is also actively involved in mentoring young planners and participates in Griffith University and Bond University's

Congratulations

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

- **James O'Reilly AFP® –** Northeast Wealth (Vic)
- **Sandra Slattery AFP® –** Commonwealth Financial Planning (NSW)

"As a profession, we need to better understand that women respond differently to wealth, which means we have to change the way in which we talk to them about wealth creation."

internship programs. Her firm has also been a strong supporter of the Cancer Council's Pro Bono Financial Planning Referral Service and Felicity is taking her financial literacy program to women in rural Australia, alongside the Australian Shareholders' Association, through a grant they have received.

"My personal vision for the future is to dominate our area as a small independent licensee," she confidently says. "And I believe I'm well on the way to achieving that."

LINE IN THE SAND

As part of Felicity's plans to dominate her market, she is under no illusion that change is inevitable in the profession. And while she welcomes the improved professional standards that will flow on from the Royal Commission and FASEA's education requirements, which she says are the "line in the sand" that the profession needed, she also views generational change as being a challenge for the industry.

"The next generation of clients is going to be a challenge for many planners and businesses," she says. "This generation responds differently to advice than previous generations. We need to understand and adapt our advice offering to their needs, which includes how they consume information and use technology.

"Those businesses that fail to adapt, will fail. And with more Australians needing quality advice, that's going to be a challenge for us all."

START EARLY WITH SKILLS

And what advice does she have for aspiring professionals?

"Simple," she says. "Start early! Try and work part-time in a practice while studying. By doing so, you will be receiving practical, hands-on experience, which is perhaps more valuable than straight text book learning. And importantly, you will be learning essential people skills that universities simply don't teach. These skills are an invaluable part of succeeding in this profession."

And with Felicity's outlook on life and business, it's hard to disagree with her.

FPA Professional Practice of the Year Award

INDEPENDENCE IS KEY TO SUCCESS

For Wotherspoon Wealth, independence is the key to success for this Adelaide-based practice, as it takes out the FPA Professional Practice of the Year Award.

John Wotherspoon AFP® is no stranger to winning the occasional industry award. A couple of years ago, the Adelaide-based planner was voted Financial Planner of the Year by his peers, and now, he and his son, Simon, can add the 2018 FPA Professional Practice of the Year Award to their achievements.

Having moved to the financial advice profession in the mid 1980s from a background in civil engineering and management, John founded and grew a boutique financial advice firm, Accumulus. The firm became one of Adelaide's most respected and successful advisory firms and after several acquisitions, it is now part of Crowe Horwath.

John was a CFP® practitioner from 1992 until early 2007, when he sampled retirement for three years, at which point, with Simon's encouragement, they started Astute Investing – renamed Wotherspoon Wealth in 2010.

In awarding Wotherspoon Wealth the prestigious title of FPA Professional Practice of the Year, the judges were impressed with the father and son duo building a business "that is the very best out there".

The judges favourably commented on the practice's critical business decisions and constant exploration for improvement, which were focused on making the client experience the best it can be.

Winning the award is an achievement not lost on Simon Wotherspoon CFP® – director and principal adviser of Wotherspoon Wealth.

In accepting the award, Simon said it was recognition for the hard work done in establishing the practice, which he says is truly independent "in the legal sense of the word", as well as doing things a bit differently.

"Being independent means we receive no commissions on anything, so we are a totally fee-for-service business. And while this is becoming less rare in the industry these days, it was not those many years ago. Being a self-licensed business, I feel that we have helped pave some of the way for others to follow.

"So, it's been a hard slog, developing all our own processes and systems over the past eight years, without the support of a large dealer group or institution. We believe this award helps to recognise the work we've put into our business in delivering the best client experience we can possibly offer."

According to Simon Wotherspoon, being independent is very important for the business.

Congratulations

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

- **Eureka Whittaker Macnaught –** Sydney (NSW)
- **VISIS Private Wealth –** Brisbane (Qld)

Simon says successfully completing the early growth phase of the business was one of the catalysts for entering their practice in the 2018 FPA Awards.

"We feel quite proud of where we are with the business and what we've achieved, and so we viewed these awards as an opportunity to benchmark and test ourselves against our peers."

POINT OF DIFFERENCE

In an increasingly competitive market, Simon believes the FPA Professional Practice designation helps to set Wotherspoon Wealth apart from other planning practices.

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

"We strive to be as professional, ethical and reputable as we can be. So, being an FPA Professional Practice and adhering to its rigorous standards, helps us communicate that message to our clients and the wider community," says Simon.

In addition, Simon says Wotherspoon Wealth's independence is also a key market differentiator.

"Our independence is very important to us," he says. "Almost every client who walks through our doors thinks every planner is independent, though that's simply not the case. So, being independent is an opportunity to discuss that with them."

Simon not only views winning this award as another means of clearly differentiating Wotherspoon Wealth from other practices but also to help progressively lift the standard for everyone in the sector; a process he is clearly eager to communicate to the wider community – especially in this climate of misplaced trust.

"We're understandably very proud of this award and are keen to share this accolade with our clients and prospective clients. In an environment reeling from the Royal Commission's findings, this award will reassure our clients that they are dealing with a practice that upholds the highest professional standards and which has been peer-reviewed. It should demonstrate that the sector is improving itself," he says.

Wotherspoon Wealth

Established: 2010

Licensee: Wotherspoon Wealth

Number of staff: 12

Number of practitioners: 5

Number of CFP® practitioners: 4

FPA Professional Practice since: 1 August 2014

"This award not only provides our clients with the confidence they are dealing with a quality business but also importantly, it provides our staff with the confidence that they are working in a best of breed business, while receiving the recognition they deserve for helping to build this award winning business."

BEHAVIOURAL AND STRUCTURAL CHANGE

However, Simon concedes that without having a dealer group to fall back onto, being independent does come with its separate challenges, with keeping ahead of the technology curve prominent among them.

"It's always challenging to properly understand the possibilities that technological change can bring to the business, including how to successfully integrate it into the business."

Another constant challenge for the business is keeping up with the constantly changing regulatory environment, and the subsequent flow on of increased administration and compliance.

But perhaps the biggest challenge Simon identifies is the reputational damage to the profession as a result of the Royal Commission and the media attention that followed.

"While the level of scrutiny has been fair and reasonable, the question now is how does the profession come out of this and regain the trust and confidence of everyday Australians.

"Collectively, that's going to be our biggest challenge as a profession, because no matter how honourable any firm might be, we have all been tarnished by the same brush. So, it's going to take time to repair the reputational damage done to the profession."

According to Simon, "trust" is the key to repairing this damage.

"There's no denying that consumer trust has been lost. And so the challenge now is in rebuilding that trust. But how do we do that," Simon asks. "We can't simply ask 'mum and dad Australia' to trust us again. We need to re-earn this trust through behaviour and good deeds, which will take time.

"And it won't just be about behavioural change. From both a professional and regulatory perspective, perhaps structural change is required to clearly separate advice and product, as opposed to an increased compliance burden.

"If we change these structural issues, then I believe this is a good foundation from which to rebuild upon."

Community Service Award (supported by Future2)

LEADING YOUTH FORWARD

Zacary Leeson CFP® has taken out the Community Service Award (supported by Future2) for his commitment to providing mentorship and positive life experiences to disadvantaged youth in Perth.

It didn't require much convincing for Zacary Leeson CFP® to first become involved with Perth-based not-for-profit, Leading Youth Forward, back in 2013. Five years later, and the 28-year-old has taken out the FPA's 2018 Community Service Award for his volunteer work with the community organisation.

Leading Youth Forward offers one-on-one mentorship for at-risk Perth teenagers in years 7-10 at high school. The majority of teenagers are referred to the organisation by an affiliated charity, Uni Camp for Kids.

Every teen at Leading Youth Forward is carefully matched with a volunteer mentor for the year, and together participate in a range of activities, including: a weekend camp in March, up to four Big Day Out events, small group activities, and leadership activities for senior teens.

For the past three years, Zacary has been mentoring young Kobie, who graduated from the program in late 2018. Zacary says it has been a "privilege" to see his mentee grow from a troubled young boy into a responsible young adult.

In addition to his mentoring responsibilities, Zacary also participates on Leading Youth Forward's committee, having served two years as Treasurer and is currently working as the Volunteers Manager, which sees him pairing up the teens with the mentors and managing the volunteers involved in the program.

A DEVELOPMENTAL PATH

To better understand Zacary's involvement with Leading Youth Forward, you first need to wind the clock back five years, where he was involved in another charitable organisation – Uni Camp for Kids.

"Uni Camp for Kids is a respite program for children aged between 6-12 years, and is run by students from the University of Western Australia. We noticed that a lot of these children were graduating from the program, having developed positive relationships with the uni students – their role models – but then had no other program to move onto. So, we

Zacary Leeson CFP®

Age: 28

Position: Financial planner

Practice: HPH Solutions

Licensee:
HPH Financial Planning

Years as a financial planner:
5 years

developed Leading Youth Forward, which sees the program move from being a respite program to a developmental program for youth aged 12-16 years."

Zacary is not only drawn to the positive results the mentor program is consistently achieving for disadvantaged youth, but admits he often feels like he is the one who is getting more out of the program than the teens.

"It's always a good feeling to give back and to help out where I can," he says. "It's been a life changing experience that I'd recommend for anyone."

EVERY DOLLAR COUNTS

Zacary is unashamed to say that raising the not-for-profit's profile, as well as receive extra funding, were two of the major motivating factors for his entry into the 2018 FPA Awards.

Congratulations

The FPA congratulates the runners-up of the FPA Community Service Award (supported by Future2):

- **Amanda Cassar AFP® -** Wealth Planning Partners (Qld)
- **Wayne Fenton AFP® -** Elders Financial Planning (Tas)

to teenagers, as well as offering additional opportunities, like team building and developing leadership skills, that these young people wouldn't otherwise be exposed to.

"A lot of these teens come from families with a history of domestic violence, and drug and alcohol abuse. So, this program is positively changing their perspective on life and providing them with the

And with the Royal Commission currently focusing the spotlight back onto the profession, he believes if financial planners can provide more support to the wider community, through pro bono and charitable initiatives, it will help re-establish trust in the profession with consumers.

"By serving the community in ways that go above and beyond what we do in the office on a 9-5 basis, is not only a great way of re-engaging with clients but it's also a terrific way of demonstrating the value of what we do.

"By doing so, we can encourage more people to seek out financial planning advice, which can only be a good thing."

In fact, when it comes to community involvement, Zacary lives and breathes it. He ardently believes that by showcasing the excellent work financial planners do in their communities, the profession

"By serving the community in ways that go above and beyond what we do in the office on a 9-5 basis, is not only a great way of re-engaging with clients but it's also a terrific way of demonstrating the value of what we do."

"The $10,000 grant we received as part of the Future2 Make the Difference! Grants program will enable us to fund two of our events for the upcoming year. In the current environment, it's very competitive to get funding, so this grant is greatly appreciated.

"And winning this award is also a great way to help raise our profile in the wider community about the fantastic work Leading Youth Forward does with youth in need. All not-for-profits run on the smell of an oily rag, so the only way you're going to get the funding you need is to beat your own drum, and that means raising your profile."

Zacary is undeniably proud of the work Leading Youth Forward is doing by providing positive role models opportunity to choose a different life path to follow."

TAKING THE FIRST STEP

Zacary is unable to disguise the fact that winning the 2018 Community Service Award is both a personal and professional highlight for him.

"Not only does this award recognise the outstanding work Leading Youth Forward does in the community, from a professional perspective, community involvement initiatives enable the financial planning profession to show the wider public that we are more than just goals-based investing or spreadsheets. We are active participants in our communities, who give back to the very communities from which we make our living."

can reset the agenda and begin rebuilding the trust of Australians. But he emphasises, this requires community involvement.

"Getting involved in community programs is one of the best ways you can help others. If you've been thinking about doing this for a while, then you probably want to do it. So, what's stopping you? Shelve your excuses, pick up the phone, and offer your services," he says.

"There's always a shortage of volunteers and most not-for-profits are desperate for more people to help out. All it takes is that initial fist step. You won't regret taking it!"

FPA Paraplanner of the Year Award

A MEANINGFUL DIFFERENCE

As the 2018 FPA Paraplanner of the Year Award winner, Kearsten James CFP® LRS® is looking to pass on her values to the next generation of planners.

At first glance, you might be forgiven for thinking that any planner with the CFP®, Life Risk Specialist® and Accredited Aged Care Professional™ designations under their belt might be a little overqualified to be a paraplanner. But it's a view not supported by the 2018 FPA Paraplanner of the Year, Kearsten James CFP® LRS®.

"In 2008, I was trying to become a planner working at Tupicoffs. I already had my degree, so it was around this time that I was ramping up all my extra studies. This included undertaking the CFP® Certification Program, and a couple of years later, I obtained the LRS® designation.

"So, at that time, I was in an associate planner role. I spent about five years in this client-facing role. However, when I had my son five years ago,I made the lifestyle choice to step into a senior paraplanning role, because that was something I could do part-time. This also gave me the flexibility to do some work from home."

Kearsten attributes much of her current expertise and achievements to the 11 years she worked under Neil Kendall's supervision at Tupicoffs in Brisbane, where Neil also mentored her.

Although Kearsten agrees she could possibly have been the most overqualified paraplanner in the industry at the time of the awards, she believes the skills gained by working as an associate planner, in addition to her CFP® and LRS® studies, meant her paraplanning capabilities were extremely well honed.

It was a view supported by the FPA Award judges who, commenting on Kearsten's award application (submitted during the 10 months she was working at Sterling Private Wealth as a senior paraplanner in 2018), said that not only was her advice well written and thought out, but the depth of research done on the issues and the notes around it, made it an outstanding entry.

READY TO GIVE BACK

Kearsten views her education and technical achievements as part of the course of being "at the top of your game" when it comes to delivering advice solutions to clients.

In fact, the 35-year-old is no stranger to winning the odd award, having also picked up the *Money Management* Paraplanner Award in 2016. So, with fire in her belly, she finally felt the timing was right to enter the 2018 FPA Awards.

"To win the FPA award is something I really wanted to achieve, as the quality of my work is what is being judged, rather than simply the quality of my resume," she says. "The judges are actually peer reviewing the work I have done. It's a wonderful achievement to be recognised by my peers for the work I do."

However, awards don't actually figure too highly on Kearsten's list of priorities. Instead, she is more focused on imparting her knowledge and experience on the next generation of planners. She does this through mentoring university students.

"I am using my experience and the time spent in the profession to mentor university students. I've also done some lecturing and tutoring at Griffith

Kearsten James CFP® LRS®

Age: 35

Educational qualifications: BCom (Financial Planning and Investments), CFP®, LRS®, Accredited Aged Care Professional™

Position: Financial Planner

Practice: Cooper Wealth Management

Licensee: Cooper Wealth Management

Years as a paraplanner: Nine years

** Please note that Kearsten was working at Sterling Private Wealth when she was judged for this award. At the time of the judging process, Kearsten was working as a paraplanner.*

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"An SOA is a very valuable tool if used appropriately. If people disregard it as just a compliance document, then there's no value to the SOA whatsoever."

University because I want to pass on the values that I have in financial planning, which is all about making a meaningful and positive difference in the lives of clients," she says.

"So, while I can help a client individually by writing great advice for them, I can help the broader community by teaching the next generation of planners to do financial planning well."

PROFESSIONAL CREDIBILITY

So, what does winning the FPA Paraplanner of the Year Award really mean to Kearsten?

For one thing, it's recognition for the many years of hard work and dedication she has put into her role as a paraplanner.

"I have always prided myself on formulating good advice and providing the right advice to clients, while also being able to demonstrate this advice in a meaningful way to clients."

This award also provides this confident individual with additional credibility as a professional, particularly now she has assumed an advisory role at Cooper Wealth Management.

"Awards that come from your peers can only build upon your professional credibility, and they're something that clients can easily relate to. An award, like the FPA Paraplanner of the Year Award, enables you to gain additional respect from your clients and provide them with the added reassurance they are working with someone who is at the peak of their profession."

A ROLE THAT ADDS VALUE

While Kearsten may now be in a CFP® advisory role at Cooper Wealth Management, she still emphasises the importance of paraplanning in the overall financial planning process.

"Obviously, the paraplanning process provides the checks and balances that are absolutely essential in the provision of financial planning advice," she says. "When you have to actually document what the advice is, the basis for your advice, why the advice is appropriate and what the risks are, to cover off on all these areas is absolutely essential. Paraplanning is all about checks and balances, and the appropriateness of the advice.

"It's also about making sure the clients are put in a position of power to make an educated decision as to whether to accept the advice. Therefore, creating advice that is clear, concise and effective is not only a legal requirement, but it's important in the process of empowering clients."

However, having only recently come from a paraplanning role, Kearsten believes the profession still doesn't place enough emphasis on the importance of paraplanning.

"I believe there is a push towards outsourcing paraplanning offshore because for some people, the paraplanning role is simply about somebody typing up a recommendation or compliance document. But there's a lot more to paraplanning than this. Paraplanners add tremendous value to the overall financial planning process.

"So, I see an SOA as a document that provides certainty and clarity, and illustrates to the client that you have taken into account all of their circumstances and have tailored the advice specifically to them. An SOA is a very valuable tool if used appropriately. If people disregard it as just a compliance document, then there's no value to the SOA whatsoever."

Congratulations

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

- **Pierce Hanlen –** Hewson and Associates (Vic)
- **Emma Zwaan AFP® –** Capital Partners (WA)

A VALUABLE STEPPING STONE

As someone who its supremely passionate about her profession, Kearsten is not left short when it comes to offering advice to individuals aspiring to join the profession.

"I tell people that paraplanning can be used as a stepping stone to a career as a financial planner. It's an exceptional way of gaining the necessary technical skills, strategies, education and expertise for a career in financial planning," she says.

"But I also believe paraplanning can be a rewarding career in itself, particularly for someone who is details driven and analytical. Either way, paraplanning is an essential cog of the overall financial planning process."

FPA University Student of the Year Award

EXPERIENCE IS THE KEY

The University of South Australia's Mary Hadgis was named winner of the FPA University Student of the Year Award.

At 20 years of age, Mary Hadgis embodies all the qualities that makes an outstanding financial planner: academic excellence, high ethical standards, terrific people skills and a genuine motivation to help people from all walks of life reach their financial goals and lifestyle aspirations.

Mary is the first student from the University of South Australia to take out the FPA University Student of the Year Award, which recognises finance students who demonstrate strong potential in the areas of accounting, banking and finance.

In winning the 2018 award, the judges not only praised Mary's academic excellence but also her commitment to becoming a future leader within the profession, as well as being a driving force behind the University of South Australia becoming a Financial Planning Education Council (FPEC) accredited provider of a financial planning degree.

And while winning the award was an "absolute honour" for the student, who is completing a Bachelor of Business with a major in Finance, it was also something she never anticipated being in the running for.

"I knew I was up against some other outstanding candidates, so I wasn't expecting to win this award. However, to have won it, I am truly honoured," Mary says.

"It's incredibly heart-warming and encouraging to see so many young people entering the profession. Coming from Adelaide, there currently aren't many students studying financial planning, but attending the FPA Professionals Congress and seeing so many young people who are passionate about the same things as I am, has reaffirmed my decision to seek a career in financial planning.

"Winning this award has provided me with the added motivation to drive myself further and develop the skills and competency as a planner."

EVERY DAY IS DIFFERENT

Mary confesses her decision to major in finance was an easy one for her to make, having been raised in a family with a finance background. But her eventual decision to undertake a Bachelor of Business (Finance) degree was more altruistic, with Mary having a strong desire to help others with their own financial needs.

"Financial planning is about empowering people from all walks of life," she says. "It's not about the 'big dollars'. It's about helping out mums and dads; the widow down the street; or the young couple next door. That's

Mary Hadgis

Age: 20

University:
University of South Australia

Educational qualifications:
BBus (Major Finance)

Graduation: April 2019

what I love about financial planning. Every client is different, every single day is different. So, financial planning enables me to use my passion for people and building relationships with them, to help them with their financial goals."

With Mary scheduled to graduate from university in April 2019, she is currently putting her skills to good use working at People's Choice Credit Union in a graduate position.

"I started working at People's Choice Credit Union as an intern, which involved undertaking a 14 week program, and I was fortunate enough to secure the graduate position."

As part of her graduate role, Mary is mentored by two senior financial planners, including a CFP® practitioner, where she is not only exposed to the implementation side of financial planning but also the strategy side.

"This allows me to see things from a different perspective," she says. "It's practical, on-the-job training, which enables me to apply what I've learnt. This is much different from text book learning at university. So, I'm incredibly fortunate to work for a company that is nurturing my growth and wants to see me develop as a professional."

And as part of this professional development, Mary has firmly set her sights on the CFP® Certification Program as the next step in her career development.

"I'm looking to start the CFP® Certification Program in 2019. In fact, with the profession's new education and professional requirements, I believe the CFP® designation will become an essential part of a planner's technical requirements."

GENERATIONAL ENGAGEMENT

When it comes to engaging with students, or the next generation of planners, Mary concedes the profession still has a lot to do, particularly with raising the profile of financial planning as a career choice, as well as encouraging more tertiary institutions to offer approved degrees.

Congratulations

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

- **Mitchell Harrison –** Deakin University (Vic)
- **Paul Travis –** Griffith University (Qld)

In fact, with the University of South Australia not having an approved financial planning degree at the time of her studies, Mary became a driving force behind her alma mater becoming an FPEC accredited provider of a financial planning degree.

"We really need to do a better job of showing the benefits and good examples of financial planning to students, particularly as the dust settles on the Royal Commission's findings. However, when it comes to disciplines like finance, most students only think about investment banking and the like, whereas there are other options available to them as well."

> *"It's not about the 'big dollars'. It's about helping out mums and dads; the widow down the street; or the young couple next door."*

However, Mary concedes financial planning is still not widely known or considered by most tertiary students as being a viable career option, and that's something she is hoping to change.

"In Adelaide, student awareness of financial planning is low. The profession really needs to be more proactive by going to university campuses and engaging more closely with students. That would be a great way of raising awareness.

"It's all about lifting the profile of the FPA and the profession, and showing students what financial planning actually is, instead of what the media portrays the profession to be.

"As a career, financial planning is a viable option. That's something we need to do a better job of conveying to all students – not just at tertiary level but also at secondary level, too."

TIME TO TAKE CONTROL

So, what advice does this Adelaide local have for other students considering financial planning as a career?

"My advice is fairly simple," she says. "Just get yourself out there! Do your research, contact reputable practices and ask for work experience or an internship. That's the best way of getting your foot in the door. I can't emphasise the importance of getting some work experience. You just have to get yourself out there and see what the profession has to offer."

In fact, Mary gained her "foot in the door" through social media – LinkedIn and GradConnection.

"I used both social media platforms to apply for a number of internships, and I was successful with gaining my internship with People's Choice Credit Union. I was able to show potential employers what I could offer and that I was willing to learn.

"I also think it's important for students to understand that in this profession, when starting out, they don't need to know everything. This profession is about continuous learning, so you need to show that you're willing to learn, and LinkedIn and GradConnection are great places for students to begin their journey."

And finally, Mary advises to use "word of mouth".

"The simple act of speaking to your course co-ordinator can generate valuable leads. Students should not be daunted by making the first move and reaching out to those planners or practices they want to work with. Ultimately, it's about you taking control of your own career path."

Life

Gwen Fletcher Memorial Award

START HOW YOU WANT TO FINISH

John Dacker CFP® took out the Gwen Fletcher Memorial Award for being the highest achieving student in Semester 2 of the CFP® Certification Program.

Having graduated with his Bachelor of Business degree with a High Distinction average and four Dean's Awards for his outstanding academic achievement – placing him in the top 2 per cent of over 10,000 business faculty students – it's hardly surprising that John Dacker CFP® takes his educational responsibilities very seriously.

So much so, that the father of two, from Sydney's Northern Beaches, took out the prestigious Gwen Fletcher Memorial Award for being the highest achieving student in Semester 2 of the CFP® Certification Unit – an honour not lost on the Private Client Adviser from Shadforth Financial Group.

And although John has only notched up five years as a financial planner, he has been actively working in the financial services profession since 2008, where he has provided specialist technical support to clients and other planners, as well as providing managerial oversight and leadership to a boutique advisory firm.

John Dacker CFP®

Age: 29 (30 in March)

Educational Qualifications: BBus (Finance), ADFP, CFP®

Practice: Shadforth Financial Group

Licensee: Shadforth Financial Group

Date of CFP® designation: December 2018

Years as a financial planner: 5 years

Naturally, he viewed the CFP® designation as the obvious progression to advance his technical skills as a financial planner.

"Once I decided to make financial planning my career, I was eager to get the required degree and the CFP® Mark to clearly differentiate me as a professional," John says.

However, he concedes that undertaking the CFP® Certification Program didn't come without its challenges, with the demands of juggling his family, job and study commitments, placing additional pressures on his busy life.

"The key is to have an understanding and supportive spouse," he laughs. "However, undertaking additional professional study does require sacrifices."

BETTER TIME MANAGEMENT

To help John better manage the rigours of study with his family and business commitments, he often referred back to some words of wisdom that his dad once shared with him: 'Start how you want to finish.'

The Gwen Fletcher Memorial Award

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

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

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

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

As part of the award, recipients receive a certificate of recognition, a complimentary ticket to the FPA Professionals Congress and $1,000, which is funded by the Financial Planning Association.

"This advice reminded me that whether it's my studies, a new client relationship, undertaking a project at work or anything else – make sure you start how you want to finish. This goes to the heart of being well prepared, having a clear plan and clear goals, and putting in your best effort."

This advice proved invaluable in helping John manage his work/life/study balance, particularly during the final semester of his studies, when his wife was pregnant with their second son.

"The birth of our son, Rowan, came two weeks before I sat the final exam, so this advice really helped me to remain focused and get through my studies."

John did most of his reading on his daily bus commute to and from the office, as well as at lunchtime. By doing so, he was able to spend more time with his family when he got home, with any additional studying or course work undertaken once his children were in bed.

However, he believes the best tips he learnt for undertaking the CFP® Certification Program, and which served him well throughout his study regime, was to start early and break down the course work into as many small goals or steps as possible.

"These were two ways that helped me stay on track," he says. "And with the inevitable demands of family and work, by starting early, if you do start to fall behind with your study schedule, you still have some time to catch up, if you need to."

John also took advantage of studying with colleagues who were also undertaking the CFP® Certification Program.

"For CFP1 and CFP2, there were two other colleagues I was able to catch up with and share ideas with, which I found helpful. However, I ended up doing the last course of units by myself."

John also benefited from using the FPA Learn facility, which provided him with the necessary support throughout the program. This included data and resources via an interactive student platform, live and recorded tutorials, access to self supported study groups, dedicated subject matter experts to help assist in a chat room, and a student help desk.

"FPA Learn is a really intuitive system, with plenty of good resources available on it to help students. And the change in format of the print material, reducing in size from the larger folders to A5 books, was a huge benefit. It meant I could easily read these materials on my bus commute."

THE BENEFITS OF STUDY

Graduating as the highest performing student in the final unit of the CFP® Certification Program was a very humbling achievement for John, who says it was "a great honour to receive the award".

"Winning this award is recognition of the hard work that I've put into my studies, because this program has no shortcuts. To cap off my studies with the Gwen Fletcher Memorial Award is simply amazing.

"It validates my decision to achieve the highest professional globally recognised designation, which provides clients with the confidence they are dealing with a professional who is at the peak of their ethical, educational and technical competencies."

In presenting John with his award, FPA CEO Dante De Gori CFP® said: "The rigorous CFP® Certification Assessment unit demands students to be at the top of their game, so to receive the Gwen Fletcher Memorial Award is a significant achievement.

"John's outstanding results reflect his commitment and dedication, and I congratulate him on his efforts."

GOOD FOR THE SOUL

Philip Coldwell recently cycled over 1,000km in eight days as part of the Future2 Wheel Classic ride from Canberra to Sydney.

1. WHAT MOTIVATED YOU TO PARTICIPATE IN THE 2018 FUTURE2 WHEEL CLASSIC?

My employer, Netwealth, is a sponsor of the event. As a result, the opportunity came up for a person in our business to participate as a sponsor's representative. As I am a keen cyclist and love to support a cause that contributes value to our society, I didn't hesitate in volunteering.

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

The main personal challenge was putting aside the time from a busy life to focus on the event. The riding was solid and at times required perseverance to get through the day. But as Future2 Event Co-ordinator, David Eck frequently pointed out to us, there are young people out there facing much tougher challenges in their days – and not by choice.

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

The absolute highlight was the camaraderie and team-work. People working together to get through. And there were some really supportive leaders in the group.

There were a couple of blasting mountain descents that were awesome fun. And some big smiles at the bottom of the hills!

There were fines every day for misbehaviour and there were plenty of them. And then there were ill-prepared bikes, difficulty getting into clubs without ID (who doesn't have a current driver's licence these days?), plenty of practical jokes that cannot be repeated, and wrong turns by the leaders and support vehicles.

Not to mention the support crew's ability to understate the distance to destinations and the size of the hills involved!

4. WAS IT DIFFICULT FUNDRAISING AND HOW SUPPORTIVE WERE PEOPLE?

Honestly, I was not good on the fundraising side of things. Because this initially came up as part of my job and Netwealth contributed to the cause through its sponsorship, I didn't give the attention needed to the personal fundraising aspect of the ride.

However, having now been involved, and seeing the efforts of the other cyclists and the commitment of the organisers to the cause, I intend to come back next year with a proper fundraising effort.

Phil Coldwell (right) enjoying the camaraderie of the other cyclists.

5. HOW IMPORTANT ARE FUNDRAISING INITIATIVES, LIKE THE FUTURE2 WHEEL CLASSIC?

The commitment from the Future2 organisers and the acknowledgment from grant beneficiaries, underlines just how important grants are for not-for-profit organisations and their respective causes. Activities of this nature are very important in raising awareness of causes, and not just amongst the participants and the people they touch, but also amongst the general public who encounter the event along the way and who are motivated to ask what it's about.

Philip Coldwell is General Manager Product at Netwealth Investments.

FUTURE2 WHEEL CLASSIC

The 2018 Future2 Wheel Classic ride followed an eight day route covering a distance of 993km, starting at Parliament House, Canberra and finishing in Sydney.

Twenty cyclists participated in the ninth Future2 Wheel Classic, with grateful thanks to the event's gold sponsor, MLC, and the supporting sponsors, Netwealth, IRESS and Pickles. Stephen Ballinger CFP® received the Jack Griffin Memorial Award for being the highest individual fundraiser. The IRESS team took out the Susan Grice Honorary Award for fundraising the most as a team, while Michael Carmody CFP® received the Purple Pedal Award for his determination and achievement in completing the arduous ride.

Find out about the 2019 Wheel Classic, featuring the Great Ocean Road. Visit future2foundation.org.au.

REDEFINING INSPIRATION

Rosa Velkovski strapped on the hiking boots and took on the Future2 Blue Mountains Hiking Challenge. She talks about her motivation for doing so.

1. WHAT MOTIVATED YOU TO PARTICIPATE IN THE FUTURE2 CHALLENGE?

The opportunity to support Future2, having seen much of the great work it does to support disadvantaged youth around the country, was a motivating factor for me to participate in the Future2 Blue Mountains Hiking Challenge.

Many young people do not have the financial and family support network to reach their full potential and need a helping hand.

More broadly, in a year that has been very challenging for our whole industry, where we often overlook the personal toll our roles and responsibilities may take, it was great to join a group of like-minded people to celebrate health and wellbeing.

2. WHAT WAS THE MOST CHALLENGING PART OF THE HIKING CHALLENGE?

Although I enjoy walking the family dog, I had never undertaken such an arduous challenge as this two day hike.

In undertaking this challenge, I did have some pre-existing physical ailments and a little mental anxiety that the challenge was going to be too much to overcome. However, the support of the other participants and some seasoned hikers, plenty of positive encouragement, as well as lots of Gatorade and sugar, were enough to get me through. Oh, and a good pair of hiking boots didn't go astray either!

3. WHAT WERE SOME OF THE HIGHLIGHTS?

The other participants were a definite highlight. A long walk allows you to talk about life, personal challenges and to hear inspiring stories from others. Defining success, creating a work/life balance, and having the ability to take the time to enjoy it all was very inspiring.

And the picturesque setting of the Blue Mountains, great hiking weather and the solace of connecting with nature, all provided the ideal space to think, reflect and regenerate – even if it was with aching joints!

4. WHAT WERE SOME OF THE FUNDRAISING CHALLENGES?

It was not difficult to fundraise for the challenge. I received donations and plenty of encouragement from family, friends and colleagues (both current and previous) in support of the great work the Future2 Foundation does.

My employer, Nab Wealth, was also a Corporate Gold Sponsor for the two Future2 Challenges (the Future2 Wheel Classic and the Future2 Blue Mountains Hiking Challenge). Nab Wealth also ran a work funding page with a bike placed in our office building. Staff were provided the opportunity to ride and donate, so there were several opportunities for staff to donate to Future2.

So, we achieved great results overall, for a great cause.

Rosa Velkovski is Strategic Account Manager at Nab Asset Management.

The group of intrepid hikers taking on the Blue Mountains Hiking Challenge.

BLUE MOUNTAINS HIKING CHALLENGE

Sixteen hikers participated in the 2018 Future2 Blue Mountains Hiking Challenge, which covered 45km over two days across the challenging terrain of the Six Foot Track and Megalong Valley. MLC was the gold sponsor of the Future2 Hiking Challenge.

For the second consecutive year, Anne Graham CFP® LRS® and David Graham CFP® received the Hiking Challenge Award for fundraising the most money for this challenge.

Find out about the 2019 Hiking Challenge in Victoria's Grampians National Park. Visit future2foundation.org.au.

CPD MONTHLY

EXEMPT CURRENT PENSION INCOME

Julie Steed

IOOF

This article is worth
0.5 CPD hours

FPA Dimension
Capability

ASIC Knowledge Area
Superannuation

INCLUDES:

- Segregated and unsegregated methods
- Disregarded small fund assets
- Actuarial certificates
- Capital gains and losses

Exempt current pension income (ECPI) is income earned on assets solely supporting retirement phase pensions. To be eligible for ECPI, the retirement phase pension must meet the superannuation pension standards (most notably to pay minimum pensions). In addition, income generated from non-arm's length arrangements cannot be ECPI.

SEGREGATION

There are two methods of determining ECPI – the segregated method and unsegregated method.

Segregated method
Assets supporting the income streams are physically held separately from assets supporting accumulation accounts. The ECPI is identified as income that is derived from the assets that are held separately and wholly supporting income streams. The assessable income of the fund is identified as income that is derived from the assets that are held separately and supporting accumulation accounts. Assets supporting pension accounts are called segregated current pension assets.

Where a fund sells a segregated current pension asset, the capital gains and capital losses from the disposal are disregarded. This results in any unused capital losses not being carried forward to offset capital gains in future years.

The segregated method applies to funds that only have pension accounts, provided funds do not have disregarded small fund assets.

Unsegregated method
Assets supporting the income streams are not distinguished from assets supporting accumulation accounts. An actuarial certificate is required to determine the amount of ECPI based on the average member interests in the retirement phase throughout the year relative to the average total member interests.

This is the most common method of calculating ECPI in SMSFs.

Where an unsegregated fund sells an asset that results in a capital loss, that loss can be carried forward if it is not used to offset a gain in that year. Capital gains are offset against capital losses before the ECPI percentage is applied.

DISREGARDED SMALL FUND ASSETS

Effective 1 July 2017, SMSFs and small APRA funds (SAFs) are prohibited from using the segregated method to calculate ECPI if all of the following apply:

- The fund has a retirement phase pension at any time during the year;
- Any fund member has a total super balance above $1.6 million at the previous 30 June,
  - where the total super balance is the member's balance in all super funds (not just the SMSF or SAF);
- The member with a total super balance above $1.6 million has a retirement phase pension at the previous 30 June,
  - where the retirement phase pension is in any fund not just the SMSF or SAF.

Interestingly, the $1.6 million threshold is defined as $1.6 million, rather than being linked to the total super balance or transfer balance cap amounts. When these thresholds are indexed to $1.7 million, the threshold for disregarded small fund assets will remain at $1.6 million.

A fund that meets the above condition is determined as having disregarded small fund assets, which applies to all assets of the fund for the entire income year. Where funds have disregarded small fund assets they will be required to obtain an actuarial certificate in order to claim ECPI.

Chart 1

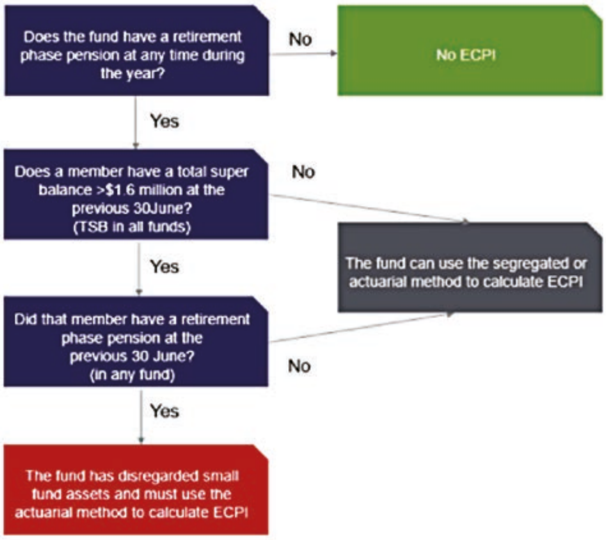


Chart 1 is a decision tree that can be used to determine available ECPI methodologies.

Understanding whether a fund has disregarded small fund assets will be an essential component of completing the 2017/18 SMSF annual returns due by May 2019.

Single fund case studies

Case study 1: As at 30 June 2017, the Mum & Dad SMSF has a $1.5 million accumulation account for mum and a $1.8 million retirement phase pension account for Dad.

- Is the fund paying a retirement phase pension? *Yes.*
- Does a member have a total super balance above $1.6 million at 30 June 2017? *Yes* – Dad has $1.8 million.
- Does that member have a retirement phase pension at 30 June 2017? *Yes.*
  - The fund has disregarded small fund assets and **cannot** use the segregated method.
  - An actuarial certificate is required to determine ECPI.

Case study 2: As at 30 June 2017, the Mum & Dad SMSF has a $1.5 million retirement phase pension account for mum, a $500,000 accumulation account for mum and an $800,000 retirement phase pension account for Dad.

- Is the fund paying a retirement phase pension? *Yes.*
- Does a member have a total superannuation balance above $1.6 million at 30 June 2017? *Yes* – Mum has $2 million.
- Does that member have a retirement phase pension at 30 June 2017? *Yes.*
  - The fund has disregarded small fund assets and **cannot** use the segregated method.
  - An actuarial certificate is required to determine ECPI.

Case study 3: As at 30 June 2017, the Mum & Dad SMSF has a $1.5 million retirement phase pension account for mum and a $1.8 million accumulation account for Dad.

- Is the fund paying a retirement phase pension? *Yes.*
- Does a member have a total super balance above $1.6 million at 30 June 2017?
  Yes – Dad has $1.8 million.
- Does that member have a retirement phase pension at 30 June 2017? *No.*
  - The fund does not have disregarded small fund assets and **can** use the segregated method to calculate ECPI.

Multiple fund case studies

Case study 4: As at 30 June 2017, the Mum & Dad SMSF has a $1.5 million retirement phase pension account for mum and a $1.8 million accumulation account for Dad. Mum also has a $500,000 retirement phase pension in an APRA regulated fund.

- Is the fund paying a retirement phase pension? *Yes.*
- Does a member have a total super balance above $1.6 million at 30 June 2017? *Yes* – Dad has $1.8 million and mum has $2 million.
- Does that member have a retirement phase pension at 30 June 2017? *Yes* – Mum has a retirement phase pension in the APRA fund.
  - The fund has disregarded small fund assets and **cannot** use the segregated method to calculate ECPI.
  - An actuarial certificate is required to determine ECPI.

100% pension assets with disregarded small fund assets

Nonsensically, the disregarded small fund assets definition means that some funds will require an actuarial certificate, even though the fund has 100 per cent of its assets in pension phase.

Case study 5: As at 30 June 2017, the Mum & Dad SMSF has a $700,000 retirement phase pension account for mum and a $700,000 retirement phase pension for Dad. Both pensions commenced with $800,000. However, Dad has a defined benefit pension as a former government employee of $60,000 per annum. The special value of the defined benefit pension is $960,000 ($60,000 x 16). Dad then has a total super balance of $1,660,000.

- Is the fund is paying a retirement phase pension? *Yes.*
- Does a member have a total super balance above $1.6 million at 30 June 2017? *Yes* – Dad has $1.66 million.
- Does that member have a retirement phase pension at 30 June 2017? *Yes* – Dad has two retirement phase pensions.
  - The fund has disregarded small fund assets and **cannot** use the segregated method to calculate ECPI.
  - An actuarial certificate is required to determine ECPI.
  - The actuary will determine that the fund has 100 per cent ECPI.
  - However, without the certificate, the fund is not eligible to claim ECPI.

INVESTMENT CALCULATIONS

There is no prohibition against SMSFs and SAFs maintaining individual investment accounts for members, including maintaining a separate accumulation account and pension accounts for a member. This can be maintained separately, regardless

Continued overleaf

Chart 2

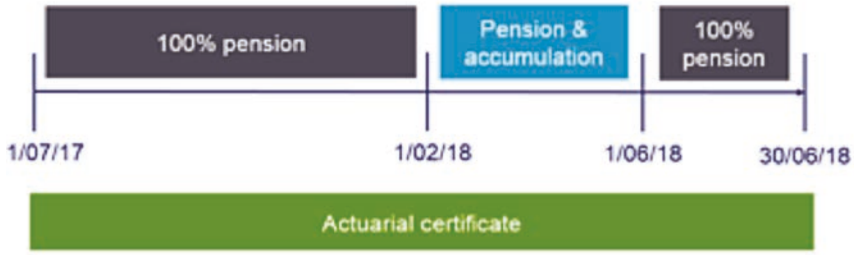
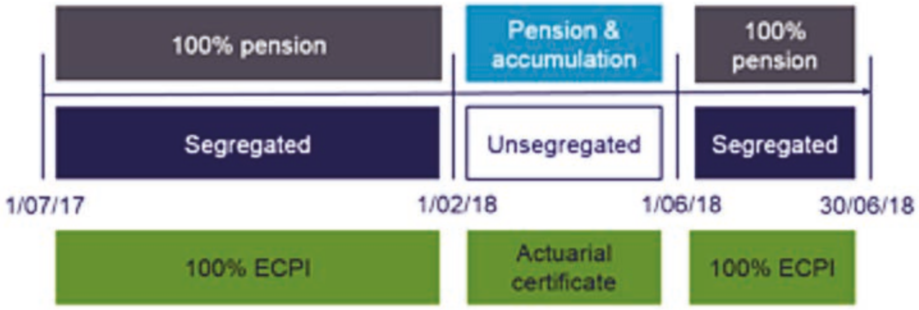


Chart 3



of whether the fund uses the segregated or unsegregated method for calculating its tax liability.

There are two methods of maintaining member account balances:

Member directed investment accounts
The investments for each member (and each member's multiple accounts) are held separately. The investment returns attributed to each member's account directly reflect the earnings for each account.

Pooled investment accounts
The investment decisions for the fund are made by the trustee on behalf of all members. This is the more common method of holding investments in SMSFs.

An SMSF or SAF could invest using individual member accounts and complete its tax on an unsegregated basis. However, trustees in this space should ensure they are fairly apportioning the tax liability across the member accounts.

Where the investments of all members are pooled, it is generally not possible to calculate ECPI based on the segregated method. As the assets and their investment returns cannot be identified as belonging to member 1 or member 2, it is generally not possible to identify the assets and their investment returns that are attributable to retirement phase pension accounts.

ACTUARIAL CERTIFICATES

Small funds also require an actuarial certificate where the fund was not segregated for the full financial year.

Historic view
Historically, if a fund was segregated for part of the year and unsegregated for another part of the year, the actuarial certificate was issued with an ECPI percentage that was applied to the total income of the fund for the whole year. This can be illustrated as set out in Chart 2.

Chart 2 (refer to chart)

- Contribution received 1 February 2018.
- Used to start a pension 1 June 2018.

ATO view
The ATO has stated that from 1 July 2017, if a fund transitions from segregated to unsegregated during the year, each period must be treated separately. All income earned on segregated assets remains fully exempt, but income earned during a period where assets were unsegregated will have the actuarially calculated percentage applied to that income.

Again, understanding this change is an important component of completing the 2017/18 SMSF annual returns due by May 2019.

This can be illustrated as set out in Chart 3.

Chart 3 (refer to chart)

- Contribution received 1 February 2018.
- Used to start a second pension 1 June 2018.

The ATO's view potentially creates significant additional expense for funds that move from segregated to unsegregated during the year. As industry practice was universally not meeting the ATO's expectations, the ATO has stated that it will not be applying compliance resources to 2016/17 and earlier years. However, this is not the case from 1 July 2017.

The most common time this will cause issues for funds is if they are fully in retirement phase but receive a contribution during the year, even if that contribution is then used to commence an additional retirement phase pension. Trustees who expect to be in this situation may consider retaining a small amount in accumulation phase throughout the entire year and therefore be able to use the unsegregated method for the entire financial year (see case study 7).

Multiple unsegregated periods
The ATO has confirmed that if a fund has multiple unsegregated periods, then only one actuarial certificate covering all the periods is required, as set out in Chart 4.

Chart 4 (refer to chart)

- Contribution received 1 August 2017.
- Used to start a second pension 1 December 2017.
- Contribution received 1 June 2018.

CAPITAL GAINS AND LOSSES

Where a fund has segregated current pension assets, any capital gains or losses from the sale of an asset are disregarded. No capital gains tax applies and capital losses cannot be carried forward to offset capital gains in future years.

Where an unsegregated fund sells an asset that results in a capital loss, that loss can be carried forward to offset a future gain if it is not used in the year of sale. Capital gains are offset against capital losses before the ECPI percentage is applied. In an unsegregated fund, the ECPI

Chart 4

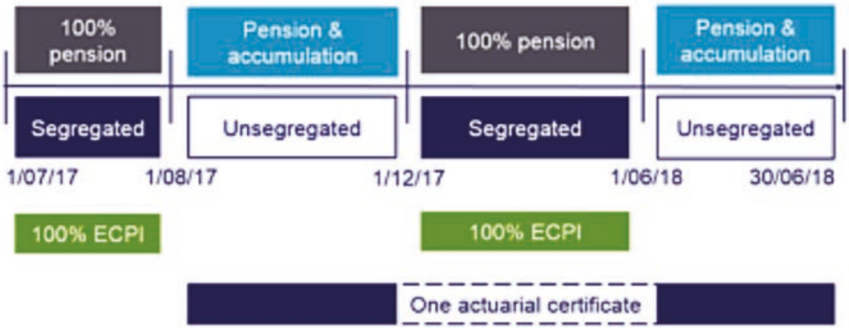
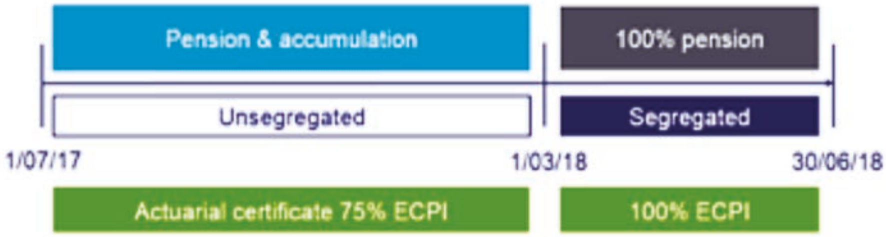


Chart 5



percentage is used to calculate the exempt income on all assets.

Under the methodology required from 1 July 2017, there can be a significant difference in the tax payable by a fund depending upon when an asset is sold.

Case study 6: As at 30 June 2017, the Mum & Dad SMSF has a $500,000 accumulation account for mum and a $1.5 million retirement phase pension account for Dad.

- Mum and Dad have no other super, so the fund does not have disregarded small fund assets.
- On 1 March 2018, mum commenced a pension.
- The actuary determines that the ECPI percentage for the unsegregated period is 75 per cent (Chart 5).

Chart 5 (refer to chart)

- If the fund sells an asset on 1 October 2017 with a discounted capital gain of $100,000, the ECPI will be $75,000 and the assessable income will be $25,000.
- If the fund sells an asset on 1 April 2018 with a discounted capital gain of $100,000, the capital gain will be disregarded and there will be no assessable income.
- If the fund sells an asset on 1 October 2017 with a capital loss of $100,000, the capital loss can be used to offset capital gains in the current year and/or carried forward to future years if not fully used.
- If the fund sells an asset on 1 April 2018 with a capital loss of $100,000, the capital loss will be disregarded and cannot be carried forward.

Case study 7: If we use the same scenario as above, however, mum retains $1,000 in accumulation phase, the fund is able to use the unsegregated method and obtain an actuarial certificate covering the whole of 2017/18.

- The actuary determines that the ECPI for 2017/18 is 82 per cent.
  - If the fund sells an asset on 1 October 2017 or 1 April 2018 with a discounted capital gain of $100,000, the ECPI will be $82,000 and the assessable income will be $18,000.
  - If the fund sells an asset on 1 October 2017 or 1 April 2018 with a capital loss of $100,000, the capital loss can be used to offset capital gains in the current year and/or carried forward to future years if not fully used.
- Retaining a small amount in accumulation phase may also assist if the fund expects to receive contributions in future years.
  - The ECPI percentage is likely to be close to 99 per cent and the cost of obtaining an actuarial certificate and identifying the timing of transactions may be outweighed by the simplicity of applying the ECPI percentage to income from all assets.

MAXIMISING ECPI

The timing of an asset sale is not the only transaction type where timing is important for funds that use the unsegregated method at any time during the year. The calculation of ECPI is determined as outlined in the maximising ECPI chart (see below).

ECPI can be maximised by maximising retirement phase liabilities throughout the year, including by commencing pensions early in the year and by making pension payments and commutations late in the year.

ECPI can also be maximised by minimising non-retirement phase liabilities throughout the year, by making withdrawals from accumulation and transition to retirement pensions (that aren't in retirement phase) early in the year and by making contributions late in the year.

CONCLUSION

It is important to understand the changes that apply to ECPI calculations from 1 July 2017 and how they will impact the completion of the 2017/18 SMSF annual returns. It is also important to note that some clients who only have retirement phase pensions throughout the year may still be required to obtain actuarial certificates.

Julie Steed is Technical Services Manager at IOOF.

Maximising ECPI

$$\text{ECPI} = \frac{\text{Average value of retirement phase liabilities}}{\text{Average value of superannuation liabilities}}$$

Continued overleaf

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QUESTIONS

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

1 For a segregated fund to determine ECPI, an actuarial certificate is:

a. Never required.
b. Sometimes required.
c. Always required.
d. Required for each member.

2 Which of the following is not used to determine whether a fund has disregarded small fund assets during a year?

a. A member's total super balance at the previous 30 June.
b. A member's total super balance at 1 July.
c. Whether the fund is paying retirement phase pensions during the year.
d. Whether a member had a retirement phase pension at the previous 30 June.

3 Which of the following statements is true regarding unsegregated funds?

a. Capital gains are disregarded.
b. Capital gains can be carried forward.
c. Capital losses are disregarded.
d. Capital losses can be carried forward.

4 Which of the following is not a strategy for maximising ECPI?

a. Commencing pensions early in the year.
b. Paying pensions early in the year.
c. Paying pensions late in the year.
d. Making contributions late in the year.

5 The Mum & Dad SMSF was 100 per cent in retirement pension phase at 30 June 2018. Mum received an employer contribution on 1 September 2018 and used her full accumulation balance to start a second pension on 1 October 2018. Dad contributed $100,000 on 1 November 2018 and used his full accumulation balance to start a second pension on 15 January 2019. How many actuarial certificates will the fund require for 2018/19 to determine ECPI?

a. None.
b. One.
c. Two.
d. Three.

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