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MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS

big dreams, big goals

NETBALL CHAMPION CAITLIN BASSETT ON THE CHALLENGES OF LEADERSHIP AND TEAMWORK

Geoff Rogers

UNCONSCIOUS BIAS IN THE WORKPLACE

+ FPA TOOLS AND RESOURCES | CLIENT ENGAGEMENT | WOMEN IN WEALTH
GEARING STRATEGIES | WORK TEST EXEMPTION FOR RECENT RETIREES

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

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moneyandlife.com.au **fpa.com.au**
Level 4, 75 Castlereagh St, Sydney NSW 2000
T 02 9220 4500 **F** 02 9220 4580 **E** fpa@fpa.com.au

Paper + Spark, P.O. Box 443, Pyrmont NSW 2009

PUBLISHER
Zeina Khodr
M +61 414 375 371
E zeinak@paperandspark.com.au

ADVERTISING
Suma Wiggins
M +61 404 118 729
E suma@paperandspark.com.au

MANAGING EDITOR
Jayson Forrest
M +61 416 039 467
E editor@paperandspark.com.au

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Focus

SHIFTING THE NEEDLE

A career in financial planning offers a meaningful and financially rewarding path for men and women alike.

A year ago, we reported that 26 per cent of FPA members were female. Since then, the FPA Women in Wealth program has provided opportunities, including an event series with valuable networking and inspirational speakers.

In addition, our partnership with Financial Executive Women (FEW) has provided career advocacy and support, including their 'Circle' discussions. We also thank our FPA Women in Wealth ambassadors who are local advocates for female financial planners.

We're starting to shift the needle. Today, 27 per cent of members are female. It's a small but significant increase. We are moving in the right direction when compared to the gender split of the wider financial profession, which is around 20 per cent female.

Over the coming year, we will continue to inspire more females to join the FPA, particularly focusing on the next generation of financial planners.

This month's magazine includes stories supporting the positive progression of women. On page 20, you'll read about one of our elite national athletes who is joining us at the Women in Wealth events starting in July. You'll be inspired to be brave in your own life.

FEDERAL GOVERNMENT

Last month's re-election of the Coalition Government under Prime Minister Scott Morrison was not widely predicted. I have written to the Coalition's economic team, led by Treasurer Josh Frydenberg, to offer the FPA's congratulations on securing a third term of government. We've had a productive working relationship with Coalition Ministers during the last term and I will look forward to continuing this.

FPA NATIONAL ROADSHOW

Thank you for joining us at your local Roadshow event, as we've travelled around Australia in April and May. Our final events this month are in Riverina, Townsville, Albury/Wodonga, Mackay, Goulburn Valley and Wide Bay.

MATCH MY PLANNER

The new Match My Planner service is live and CFP® professionals can take part by downloading the app to start connecting with prospective clients. Unlike the original Find a Planner, Match My Planner works by sending lead notifications via an app. To download, search 'Match My Planner' in your app store and use your usual FPA login to get set up.

FPA PROFESSIONALS CONGRESS

Registrations are now open for this year's FPA Professionals Congress in Melbourne, 27–29 November. We're creating another inspiring program to help you consider new horizons and opportunities in our evolving profession, which will help reignite your business and personal development.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10

Want to boost client investment potential?

Investors are always on the lookout for ways to boost their investment power in a tax effective way. A margin loan provides investors access to funds as well as the opportunity to fix and prepay their interest.

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News

NOMINATIONS OPEN FOR FUTURE2 GRANTS

Applications for this year's **Future2 Make the Difference! Grants** are now open until 5pm Friday 26 July.

Each year, the Future2 grants program supports young Australians aged 12 to 25, who are experiencing social, financial or physical hardship.

Since 2007, Future2 – the philanthropic arm of the FPA – has committed over $1 million in grants to community not-for-profits. Through programs run by these organisations, Future2 has helped to turn the lives of thousands of disadvantaged young people from adversity to opportunity, from social exclusion to productive lives in the community.

Each grant nomination must be supported by an FPA member, so if you know or work with an organisation doing great things for disadvantaged youth, now is your chance to give them a helping hand.

The winning grants will be announced in November.

Each issue of Money & Life profiles a grant recipient and the work the charitable organisation does within the community.

Future2 grant recipient: EBL Disability Services is supporting young people with intellectual disabilities live meaningful lives.

For more information on the Future2 Make the Difference! Grants, go to: future2foundation.org.au

NEW HORIZONS AS CONGRESS EARLY BIRD OPENS

Planning is well underway for the FPA Professionals Congress 2019, which is taking place at the Melbourne Convention Exhibition Centre from 27-29 November.

New Horizons is this year's Congress theme, featuring powerful content and high calibre speakers.

"By bringing together our members to the peak event of the year, we are thrilled to expose you to the latest insights, fresh perspectives and developments in our profession," says Congress Chair, Michelle Tate-Lovery CFP®.

"Attend workshops that will show you how to enhance your knowledge and skills. As we move through immense change together, we have a great opportunity to reset and redesign our business model for future growth."

To challenge and stimulate our thinking, Congress welcomes back Mitch Anthony.

"You couldn't hear a pin drop at his keynote presentation last year and planners haven't stopped talking about the impact his messaging has made in their businesses," Tate-Lovery says.

This year's Congress offers up to 15 CPD hours.

Registrations open in June and delegates can take advantage of the Early Bird rate and receive $245 off the standard registration fee. The Early Bird price closes on 31 August.

The Congress kicks off on Wednesday 27 November with the FPA Professional Practice and Paraplanning workshops. This will be followed by the opening keynote presentation and the official welcome reception.

Other social events include the highly anticipated Future2 Celebration and the Women in Wealth Breakfast.

For more information or to register, visit: fpacongress.com.au

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

NSW

Britt Kingsley CFP®
Wealthpool Advisers

SA

Vanessa Di Cola CFP®
Moore Wealth Advisers

VIC

James Syme CFP®
Morgans Financial

Romesh Fernando CFP®
Shadforth Financial Group

CFP®

NATIONAL ROADSHOW ROLLS INTO final month

The 2019 FPA National Roadshow is now in its final month, with six locations to go.

This year's roadshow has visited 33 locations, having kicked off in Port Macquarie and New England on 10 April and finishing in Goulburn Valley and Wide Bay on 14 June.

With so much change, challenge and opportunity facing the profession, the roadshow features important updates on:

- **The new FASEA education framework and how it impacts planners;**
- **The FPA's Return to Learn online hub to assist planners navigate their way through the new framework;**
- **Receive your advanced copy of the FPA's new booklet on the FASEA Code of Ethics;**
- **The Royal Commission recommendations that will affect your business;**
- **Recent and imminent legislative change impacting your retirement planning advice; and**
- **Tools and strategies to deliver sustainable retirement income for clients.**

As the official partner of this year's roadshow, Challenger will provide attendees with exclusive access to retirement resources via a Challenger hosted portal.

Attendees will also learn about the FPA's new Find a Planner tool – Match My Planner – which will help connect more Australians to FPA members.

SAVE THE DATE

Wednesday 12 June
Riverina – 12pm-3pm
Townsville – 12pm-3pm

Thursday 13 June
Albury Wodonga – 12pm-3pm
Mackay – 7:30am-10:30am

Friday 14 June
Goulburn Valley – 12pm-3pm
Wide Bay – 7:30am-10:30am

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

The roadshow is free to attend and is open to FPA members and non-members. By attending this three hour event, planners will earn two CPD hours, including 0.75 FASEA ethics area CPD hours.

To register, go to fpa.com.au/roadshow

TOOLS AND RESOURCES

MATCH MY PLANNER LIVE

The FPA has developed a range of tools and resources to help support members in their businesses. Here's a look at two of them.

MATCH MY PLANNER

Match My Planner is a new online service based on the Find a Planner tool. It is currently exclusive to CFP® professionals to help connect Australians looking for a financial planner. How does it work?

Match My Planner walks consumers through some questions to discover their:

- **Financial goals;**
- **Demographic information (age, marital status and dependants); and**
- **Number of planners they wish to hear from.**

When a consumer completes their Match My Planner online request, the information is sent out to participating FPA members who have downloaded the Match My Planner app on their mobile phone.

FPA members will receive a notification on their phone via the app letting them know when a consumer is looking for a planner in their geographic location. By opening up the app, the planner will receive all the details about the consumer, allowing them to decide if this is a lead they would like to reach out to. Consumers will be notified when an FPA member has sent a message request expressing their interest in helping the consumer. The tool operates on a first come-first served basis.

Search Match My Planner in your Google Play/Apple iTunes store to download the app for free to your smartphone or tablet.

EDUCATION PATHWAYS TOOL

FPA Return to Learn is an online hub of tools and resources that support practitioner members as they navigate the FASEA education standards.

As part of Return to Learn, the Education Pathways Tool is a handy function. By answering a series of questions, users can identify what further studies they will need to undertake in order to comply with FASEA's new education standard.

Once their education pathways has been identified, planners can use the Cost Comparison Tool, which covers all the approved education providers offering postgraduate degrees, allowing planners to compare degrees and help them to identify their best option.

This tool also includes a comparison of the credits each university will allocate to FPA members who have completed the five unit CFP® Certification Program. The tool also includes links to the University Credit and Recognition of Prior Learning policies.

Other helpful information available via this tool includes: duration of the program, cost per subject, full program cost, delivery mode and more.

To log in, go to: learn.fpa.com.au

MORE TOOLS AND RESOURCES

FPA members have access to other great tools and resources.

FPA FINTECH BUYERS GUIDE AND CHECKLIST

A guide to help planners assess what fintech their business needs, and guide them on finding the right provider.
fpa.com.au/fintech

MAPPING FINTECH TO THE FINANCIAL PLANNING PROCESS: FPA REPORT

A report that identifies and matches fintech solutions to the financial planning advice process.
fpa.com.au/fintech

ONLINE FINTECH DIAGNOSTIC TOOL

Developed with advice technology provider YTML, this tool quantifies the costs involved in providing advice, determines how long it takes to provide end-to-end service, and provides the basis for calculating how to price services.
fpa.com.au/fintech

PRONUP EBOOK

This eBook, from the 2019 consumer CFP® ad campaign, encourages couples to plan for a better financial future together with a 'Pronup' – essentially, a financial plan.
Go to Advertising HQ at fpa.com.au to access the eBook.

Focus

1 JANUARY 2019 TO 31 MARCH 2019

COMPLAINTS AND DISCIPLINE

In the January to March quarter, the FPA received nine new complaints, finalised six complaints and have 11 ongoing complaints.

Of those ongoing complaints, four are currently in the process of being closed, four are in the process of finalising the report by the investigating officer to the Conduct Review Commission (CRC), two are in the process of seeking submissions from members and/or complainants, while the FPA is in the process of interviewing a witness in the remaining ongoing complaint.

8	**Complaints ongoing as at 1 January 2019**
9	New Complaints
6	Closed Complaints
11	**Complaints ongoing as at 31 March 2019**
0	Members Suspended
0	Members Expelled (CRC)
0	Members Terminated (Constitution)
0	Other Sanctions (CRC)
4	Referred to Professional Designations Committee for Sanction

AUTOMATIC TERMINATIONS

Five members were also automatically terminated under the FPA Constitution during the quarter. Of these, four members were terminated for no longer satisfying eligibility criteria, and one was terminated as a result of receiving a banning order under the *Corporations Act*.

Over the last two quarters, the FPA has experienced a substantial increase in the number of automatic terminations as a result of regulatory action being taken against AFS Licences and authorised representatives.

TPB REFERRALS

The FPA experienced an increased number of referrals from the Tax Practitioners Board (TPB) in relation to FPA members not renewing their registrations with the TPB on time. FPA members are reminded that under the *Tax Agent Services Act* (TASA), the TPB is required to inform the FPA when a member is subject to disciplinary action by the TPB Board.

ACADEMIC MISCONDUCT

During the quarter, the Professional Designations Committee handed down sanctions to four students in the CFP® Certification Program. Two of these students were found to have plagiarised parts of their assignment, while the other two students were found to have colluded with others when completing their assignment.

Current and prospective students should familiarise themselves with the CFP® Program Handbook and the FPA Disciplinary Regulations 2019 regarding academic misconduct and the sanctions that may apply if academic misconduct is proven.

GUIDANCE AND REASSURANCE

The Professional Accountability team enjoy hearing from you in relation to seeking assistance and guidance. If we are unable to help you, we will likely be able to assist you to find someone who can.

You can contact the team directly by email at: professional.standards@fpa.com.au

OUT AND ABOUT

FPA members and guests were out in force at this year's FPA National Roadshow, where they received the latest updates on developments affecting them and their businesses.

Geelong

Adelaide, SA


Bendigo


Adelaide

Bendigo, VIC


Coffs Harbour

Geelong, VIC


Coffs Harbour


Hobart

Coffs Harbour, NSW

Hobart

Hobart, TAS

Sydney, NSW

Sydney


Sydney


Launceston

Launceston, TAS


Perth

Perth

Perth, WA

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

ROYAL COMMISSION WRAP-UP: EXTERNAL DISPUTES AND CODES OF PRACTICE

Part 4 of *Money & Life's* review of the Royal Commission's recommendations into Misconduct in the Banking, Superannuation and Financial Services Industry examines External Dispute Resolution and Consumer Compensation, and Codes of Practice, Regulators and Culture. This article focuses on how these recommendations specifically impact licensees and planners.

Following is the fourth part of a wrap-up of some of the key recommendations made by Commissioner Kenneth Hayne that may affect the provision of financial advice. These key recommendations have been broken up into six sections:

1. Financial advice
2. Superannuation
3. Insurance
4. External Dispute Resolution and Consumer Compensation
5. Codes of Practice, Regulators and Culture
6. Additional Government measures

The March issue of *Money & Life* examined **Section 1 – Financial Advice**, the April issue looked at **Section 2 – Superannuation,** the May issue reviewed **Section 3 – Insurance**, and this month the focus will be on **Section 4 – External Dispute Resolution and Consumer Compensation and Section 5 – Codes of Practice, Regulators and Culture.** The FPA's full response to all six sections of the Royal Commission's Final Report can be accessed at fpa.com.au.

SECTION 4. EXTERNAL DISPUTE RESOLUTION AND CONSUMER COMPENSATION

RECOMMENDATION 4.11 – CO-OPERATION WITH AFCA

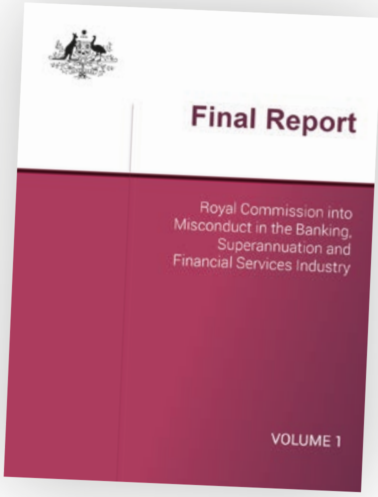
Section 912A of the Corporations Act should be amended to require that AFSL holders take reasonable steps to co-operate with AFCA in its resolution of particular disputes, including, in particular, by making available to AFCA all relevant documents and records relating to issues in dispute.

FPA comment: The FPA supports measures that improve the timeliness of reporting by financial services entities to co-operate with AFCA to resolve disputes, and the enforcement of reporting deadlines by the regulators.

RECOMMENDATION 7.1 – COMPENSATION SCHEME OF LAST RESORT

The three principal recommendations to establish a compensation scheme of last resort made by the panel appointed by Government to review external dispute and complaints arrangements made in its supplementary final report should be carried into effect.

FPA comment: The FPA does not support this recommendation. Commissioner Hayne has backed the recommendations in the Ramsay Review's supplemental final report to establish a limited compensation scheme of last resort. The Ramsay Review recommended a scheme be prospective, funded by industry and available where an AFCA, court or tribunal decision has awarded compensation which has not been paid.



The Government has agreed to follow Recommendation 7.1 and has made a number of other commitments, including to extend the jurisdiction of AFCA to 1 January 2008 for a 12 month period.

The major impact on financial planners will be on the mechanism to fund the scheme. It is not clear how this would operate or the quantum of funding, however, it would be another impost on all financial advisers who are already managing substantial increases in regulatory costs. The FPA has raised this issue consistently over the past three years, as the Government has looked to transition to a user pays regulatory funding model.

It is worth noting that initial comments from the Opposition are that it considers the scheme recommended by the Ramsay Review is the minimum required to compensate consumers who have suffered detriment. There is potential that the Opposition will announce it will support a broader compensation option.

A compensation scheme funded by an industry contribution would require legislation to establish and it is likely to take some time for the Government to draft it and get it through the Parliament.

In order for the FPA to support the implementation of a compensation scheme of last resort, the FPA will continue to recommend that the Government acts on the recommendations of the 'Compensation arrangements for consumers of financial services' report by Richard St. John, April 2012, in order to properly address the reasons consumers have failed to be compensated.

Only after these issues are addressed, should a compensation scheme of last resort be implemented where these measures fail to deliver consumer compensation.

SECTION 5. CODES OF PRACTICE, REGULATORS AND CULTURE

RECOMMENDATION 1.15 – ENFORCEABLE CODE PROVISIONS

The law should be amended to provide:

- *that ASIC's power to approve codes of conduct extends to codes relating to all APRA-regulated institutions and ACL holders;*
- *that industry codes of conduct approved by ASIC may include 'enforceable code provisions', which are provisions in respect of which a contravention will constitute a breach of the law;*
- *that ASIC may take into consideration whether particular provisions of an industry code of conduct have been designated as 'enforceable code provisions' in determining whether to approve a code;*
- *for remedies, modelled on those now set out in Part VI of the Competition and Consumer Act, for breach of an 'enforceable code provision'; and*
- *for the establishment and imposition of mandatory financial services industry codes.*

FPA comment: The FPA supports this recommendation. As one of only two organisations with an ASIC approved code, the FPA understands the importance and rigour required around the code approval process and ensuring subscribers are able to be held accountable to the rules under a code.

Industry codes play an important role in prescribing norms of behaviour for a covered population and provide professions, in particular, with an ability to establish a set of standards which generally exceed the minimum requirements of the law.

To this point, the FPA has expressed significant concern in a number of consultations that in general, proposed financial services codes simply replicate existing legal obligations and fail to properly hold subscribers accountable to breaches, which therefore create unsatisfactory outcomes for consumers.

For this reason, the FPA welcomes and supports the ability to make 'enforceable code provisions' and that where identified, mandatory financial services industry codes will be required to better protect consumers, raise standards above minimum legal requirements and hold financial services providers accountable for misconduct and poor consumer outcomes as defined by their peer group.

There is no initial impact on FPA members, however, as codes are updated or approved by ASIC, members will need to ensure they comply with 'enforceable code provisions' of codes which they are covered by and be aware of the accountability provisions.

RECOMMENDATION 5.6 – CHANGING CULTURE AND GOVERNANCE

All financial services entities should, as often as reasonably possible, take proper steps to:

- *assess the entity's culture and its governance;*
- *identify any problems with that culture and governance;*
- *deal with those problems; and*
- *determine whether the changes it has made have been effective.*

FPA comment: This recommendation is directed at financial service entities, rather than the Government or regulators. Commissioner Hayne notes that this recommendation is phrased in general, rather than prescriptive, terms because it is intended to apply to all financial services entities. He cautions any entities from assuming that this does not apply to them and notes that addressing issues with an entity's risk culture is a fundamental step in preventing future misconduct.

Consideration of risk culture in an organisation is a key responsibility of leadership at the board and executive level. This

Continued overleaf

recommendation should be read as reflecting and building upon the other recommendations made in the final report.

RECOMMENDATION 6.2 – ASIC'S APPROACH TO ENFORCEMENT

ASIC should adopt an approach to enforcement that:

- *takes, as its starting point, the question of whether a court should determine the consequences of a contravention;*
- *recognises that infringement notices should principally be used in respect of administrative failings by entities, will rarely be appropriate for provisions that require an evaluative judgment and, beyond purely administrative failings, will rarely be an appropriate enforcement tool where the infringing party is a large corporation;*
- *recognises the relevance and importance of general and specific deterrence in deciding whether to accept an enforceable undertaking, and the utility in obtaining admissions in enforceable undertakings; and*
- *separates, as much as possible, enforcement staff from non-enforcement related contact with regulated entities.*

FPA comment: For a long period of time, there has been a large amount of concern raised from within the industry about the effectiveness of infringement notices and Enforceable Undertakings as a deterrent and as an appropriate consequence for systemic breaches.

The FPA supports Recommendation 6.2 and suggests the new regulatory oversight body should be required to assess ASIC's adoption of Hayne's recommended approach to enforcement, as part of its assessment of the effectiveness of the regulator's performance of its functions.

RECOMMENDATION 6.12 – APPLICATION OF THE BEAR TO REGULATORS

In a manner agreed with the external oversight body (the establishment of which is the subject of Recommendation 6.14) each of APRA and ASIC should internally formulate and apply to its own management accountability principles of the kind established by the BEAR.

FPA comment: The FPA supports the intent of this recommendation and the Commissioner's view that APRA and ASIC apply the core tenets of the BEAR to their management structure.

It is, however, vital that the new independent regulatory oversight body assess whether the time and cost of implementing and managing the BEAR tenets is outweighed by a positive impact on the regulators' performance.

RECOMMENDATION 6.13 – REGULAR CAPABILITY REVIEWS

APRA and ASIC should each be subject to at least quadrennial capability reviews. A capability review should be undertaken for APRA as soon as is reasonably practicable.

FPA comment: The FPA agrees with Commissioner Hayne's view that capability reviews present an opportunity to consider the operational abilities and requirements of the regulators, and assist both the regulator and the Government by identifying resourcing and capability gaps. This is vital to ensuring ASIC is, and continues to be, fit for purpose.

The FPA supports this recommendation and Commissioner Hayne's statement that the "Responsibility for the periodic review should rest with the oversight authority" (page 471).

RECOMMENDATION 6.14 – A NEW OVERSIGHT AUTHORITY

A new oversight authority for APRA and ASIC, independent of Government, should be established by legislation to assess the effectiveness of each regulator in discharging its functions and meeting its statutory objects. The authority should be comprised of three part-time members and staffed by a permanent secretariat. It should be *required to report to the Minister in respect of each regulator at least biennially.*

FPA comment: Hayne's view is that the essential role of the oversight body should be to assess:

- the effectiveness of each regulator in discharging its functions and meeting its statutory objects;
- the performance of the leaders and decisionmakers within the regulator; and
- how the regulator exercises its statutory powers.

Importantly, Hayne has stated that an important consideration will be how effective the agencies are in enforcing the laws within their remit, and the number of proceedings filed, or infringement notices issued, will say little about ASIC's enforcement culture unless the decisions behind those numbers are evaluated.

The FPA supports the establishment of a new independent regulatory oversight body for ASIC and APRA. This is a measure the FPA has long called for to ensure the appropriate independent assessment of ASIC's performance, its ongoing ability to appropriately and effectively perform its role, and to improve the transparency of the regulator's performance.

The FPA supports Hayne's view that the Council of Financial Regulators should not be appointed as the new regulatory oversight body.

RECOMMENDATION 7.2 – IMPLEMENTATION OF RECOMMENDATIONS

The recommendations of the ASIC Enforcement Review Taskforce made in December 2017 that relate to self-reporting of contraventions by financial services and credit licensees should be carried into effect.

FPA comment: The recommendations made by the ASIC Enforcement Review in relation to self-reporting of breaches will provide greater clarity for the industry, which will lead to a more consistent approach to self-reporting and help prevent further harm to consumers impacted by such breaches.

Breach reporting standards are able to be set by ASIC through regulatory guidance and may therefore be implemented reasonably quickly. Licensees will need to familiarise themselves with the new breach reporting standards once they have been finalised.

RECOMMENDATION 7.3 – EXCEPTIONS AND QUALIFICATIONS

As far as possible, exceptions and qualifications to generally applicable norms of conduct in legislation governing financial services entities should be eliminated.

RECOMMENDATION 7.4 – FUNDAMENTAL NORMS

As far as possible, legislation governing financial services entities should identify expressly what fundamental norms of behaviour are being pursued when particular and detailed rules are made about a particular subject matter.

FPA comment: The FPA has long held concerns about the over prescriptive and complex nature of the regulatory environment for the provision of financial advice, and the risk that this would and has led to a 'tick-a-box' approach to compliance by some licensees.

The FPA supports regulation that is simple, effective and with consistent application across the industry. Noting this, removing exemptions from the law will be a generally complex process with the potential for many unintended consequences, and is therefore likely to be a long-term process for Government to implement in terms of existing laws, but would be more likely to be implemented as the standard as new laws are created.

Please note: Due to space restrictions, this article only outlines the key recommendations from the Final Report that specifically impact licensees and planners in relation to External Dispute Resolution and Consumer Compensation, and Codes of Practice, Regulators and Culture.

To read the FPA's full response to the Royal Commission's Final Report into 'Misconduct in the Banking, Superannuation and Financial Services Industry', go to fpa.com.au

OPINION CORNER

FINANCIAL EQUALITY

Question: With financial inequality continuing to be an issue for many Australian women, what are you doing to engage with women to help them better realise their financial goals and objectives?

Antoinette Mullins CFP®

Financial Adviser, Macaplan

Licensee: Macaplan

Reaching female clients on a more personal level is essential to the success of the relationship. By sharing my experiences, I've been able to encourage women along their own way to improved financial literacy. This has two benefits: Firstly, it empowers women and this confidence can spill over into other areas, such as their career and relationships.

And secondly, helping mums manage their family's financial future. Although we might be the actual bill-payers – the one who opens the mail, runs the household, manages the utilities – we often neglect our own financial planning, especially long-term planning like retirement. When you are financially secure, or at least on track and working towards that security, it makes the juggle and the time away from your kids a little easier.

As a working mum myself, the juggle is all too real. So, anything I can do to make my clients' lives easier, benefits both of us. This includes being available for after hours appointments and making the advice process easy through clever use of technology.

I've found my female clients appreciate values-based and strategic financial planning much more than the product-focused comparisons many advisers push.

When advising couples, it's important that both understand all aspects of their financial plan. In order for women to feel empowered to work on those financial goals, they need to understand the strategies and terms, so a good adviser needs to break down the complexity into something they can relate to.

Nathan Nash CFP® LRS®

Director, Private Wealth, Scarlett Financial

Licensee: Lonsdale Financial Group

With four young daughters, I do feel strongly about this issue and feel part of my role as a father, as well as a financial adviser, is to help tackle this issue of financial inequality for women. As a father and financial adviser, I really have two main objectives: to educate and to initiate smart financial practises sooner rather than later.

In my experience, the biggest issue has been that people have a fear of the unknown. They haven't had any education in financial management and don't know where to start when it comes to financial matters.

At Scarlett Financial, we are doing our best to tackle this with a digital advice service that has been significantly discounted to help young women take control of their finances sooner.

Our program provides a substantial amount of information on managing finances, investment education and ultimately, creates a financial plan.

Similar to the 'barefoot investor', it is about low costs and instigating smart financial habits but on a personal level with a tailored plan.

Our digital advice program has helped many women build deposits for property purchases, construct investment portfolios and regular investment plans, as well as having someone to keep them accountable.

Playing an important role in helping women build financial security, witnessing them take control of their finances and indeed, extinguishing any financial inequalities, is some of the most rewarding work we do.

Question: With financial inequality continuing to be an issue for many Australian women, what are you doing to engage with women to help them better realise their financial goals and objectives?

Genene Wilson AFP®

Founder and Principal Adviser, Finesse Financial Advisers
Licensee: FYG Planners

When it comes to engaging with women, my goal is to change their lives and my mission is to guide each individual client on their unique money journey with patience, love and care.

My clients are mainly women who are going through a traumatic life event like divorce, widowed, redundancy or early retirement due to illness, who need help with their finances and their future.

My observation from talking to hundreds of women is our ability to achieve goals, starts well before they're set. I almost always find myself talking about mindset, behaviours, choices and habits to really get to the heart of who they are, what they want, their blind spots and how their objectives align.

These three things are top priorities:

- **Know your audience and get social:** For me, that means getting lots of targeted content out. It also involves talking to people, including women in corporate and life centred businesses, as well as building relationships, so that they engage in the advice process or begin considering their future;
- **Sharing insights:** This is all about helping clients to upgrade their life. Illustrating that a brighter future awaits them is important; and
- **Engaging with allied professionals:** This involves being respectful, dealing with challenges like inertia, poor decision-making and other blockages. Often in a financial settlement, both parties want the trophy, so funding, valuations, research and asset assessment are key. Patient small steps to release limiting behaviours usually paves the way for bigger success.

By raising my profile and influencing client behaviour through mentoring, coaching, speaking and writing, I'm aiming to help women improve their financial literacy.

By helping them plan for the present and the future, I am endeavouring to prevent my clients from unwittingly making financial mistakes. I want women to be very comfortable in the knowledge that they're fully informed and making the right choices. After all, every dollar counts!

Peter Campbell CFP®

Senior Financial Adviser, Merideon Wealth Strategies
Licensee:
Infocus Securities Australia

Financial inequality is a major issue facing current and future generations and in my experience, it largely boils down to financial literacy and engagement with finances. A great way that we can address this is by running seminars at community groups.

For women who are seeking advice for themselves, I have found that talking about their experiences to date with money and getting to the heart of their concerns or frustrations, can provide them with a safe environment to start to form goals for the future.

Being accessible and flexible for these clients is important, as they tend to be quite time poor (due to career and/or family). Digital solutions can assist here, such as video meetings and online signatures.

For women who are a part of a couple, it is imperative to have both parties in the discussion and, most importantly, to ensure that both voices are heard.

By fostering an inclusive discussion, we ensure that all concerns are put on the table. This provides planners with the opportunity to educate both parties as required.

Consider having both parties complete their goals and objectives separately, and then bring these goals and objectives together to compare and contrast. This avoids having one person drive the goals and the other confirm them.

In running this exercise, it fosters great discussion with clients, ensuring that their needs and objectives are treated seriously and addressed.

Question: With financial inequality continuing to be an issue for many Australian women, what are you doing to engage with women to help them better realise their financial goals and objectives?

Peter White CFP®

Financial Adviser, Abound Financial and Lifestyle Planning
Licensee: Charter Financial Planning

Within our practice, engagement can come in different forms depending on the circumstances:

- Within a couple, we may discuss the shared contribution to the household of a stay-at-home partner and their forgone work/super for the family's benefit. From this discussion, we look to undertake super splitting of the working partner's employer contributions to attribute a tangible financial benefit to the hard work being undertaken at home, and that both partners are valued for their different roles.
- For women actively seeking advice, we have two specialist advisers in place; a same sex couple specialist and a female independence specialist. With significant experience and resources dedicated to these areas of advice within the practice, we want to give confidence to all women we meet that they are not alone and that there is tailored support to assist them with the realisation of their goals.
- For those just starting out or are inquisitive, we look to build confidence through education. We provide tailored workshops, webinars and social media videos to help engage on areas such as family law and understanding different money mindsets.

Personally, having grown up with three younger sisters, I have learnt so much from their input and feedback of their own financial experiences. I will forever have them front-of-mind when looking to engage with, and improve the opportunities of, women in realising their future goals and objectives.

Lisa Papachristoforos AFP®

Manager, Superannuation Services, Hughes O'Dea Corredig
Licensee:
Hughes O'Dea Corredig

Being a specialist in the SMSF field in the areas of accounting, tax and advice, for the last 15 years, I've mostly met with male clients. This is despite the fact that their spouses are usually members of the SMSF.

Over the last couple of years, in particular, I have actively sought the engagement of women superannuant clients by requesting to meet them at the completion of the annual compliance and tax work. Contacting clients and requesting all members attend meetings regarding their SMSF has been a great relationship builder.

I work alongside women in improving their financial literacy by walking through the 30 June financial reports in order to teach them how to interpret and disseminate the information being presented. This always forms the basis of a robust discussion regarding superannuation, how it works, and fielding the questions they have. In fact, sometimes, they may have held onto these questions for years!

This inevitably evolves into an exploration of what opportunities are available, with superannuation being one of the means to reach their retirement goals and objectives.

Approaching my conversations from a factual accounting/tax perspective fosters trust and is a great avenue to deep dive into both the woman's and a couple's goals and objectives.

This sets a great foundation for advice in the future, or the realisation that advice is needed now to get to where they aim to be.

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.

GUEST CONTRIBUTOR

UNCONSCIOUS BIAS

A key to championing gender equality and diversity in the workplace requires confronting unconscious bias, writes **Geoff Rogers**.

Geoff Rogers

Since the beginning of my career, I believed that I was a supporter of championing gender equality in the workplace. Growing up I was never one of 'the boys'. I hated the bullies at school, and throughout my career, many of the best leaders I worked for were exceptional female executives whom I still have enormous respect for.

Despite this background, it was not until later in my career that I began to realise that I needed to look deeper into how I was approaching gender equality in the workplace.

After working overseas for 10 years, I landed back in Australia in 2005. This is when I was introduced to gender quotas which were being used to encourage workplace diversity. At the same time, the concept of managing unconscious bias was being taught at the corporate level.

As the term suggests, unconscious bias is holding stereotypes about groups of individuals and basing our decisions on them without really being conscious of doing so.

This is where Judith Beck comes into my story. Judith had voluntarily started up Financial Executive Women (FEW) and needed to get some people on board. FEW is not run for commercial purposes. Its vision is to help women excel in their careers and develop future leaders. I was impressed from the beginning and wanted to become involved with FEW.

CHAMPIONING WOMEN

Men can better champion women in the workplace by checking if they still have some element of unconscious bias about gender equality. I know far more people are aware now, but it's still worthwhile reflecting on to see what more can be done.

Over the past 10 years, I have cemented into my working pattern a number of steps to ensure opportunities are being created for all team members. While these are not unique, it's more about the commitment to ensuring these happen that has worked for me. Here are the major ones I rely on.

- For new hires, I ensure there is a mix of female and male candidate(s) being considered and interviewed. If using a recruiting firm, I explicitly ask they do everything they can to find a sufficient number of quality female candidates.
- For rising female talent within the organisation, I make an effort to reach out to them early to discuss their interests and career aspirations, both within and beyond the scope of their current role.
- I work in an organisation that genuinely supports flexible working, and I consciously ensure that I am encouraging and supporting this. Unfortunately, many people do not take advantage of flexible working unless explicitly encouraged and supported.
- I have learned to be proactive when encouraging female staff to seek promotion. Work-life balance is one key concern preventing women from applying for bigger or more senior roles. Engaging early can help them make the best decision for themselves.

GENDER DIVERSITY AND EQUALITY

For me, there are obvious benefits to championing women in the workplace. I have enjoyed working in more balanced teams with greater diversity of views and opinions, and seeing more talent come through than if I had not been paying attention to this issue. Having a workforce that reflects our customer base and community better, is the right thing to do. It helps drive innovation and is good for customers and our business.

I'm grateful there is currently such a focus on encouraging gender diversity and equality, especially with all the challenges and changes we face today. Being an advocate for women means being an advocate for all.

Throughout my career, one of the most rewarding and important parts of my role has been to mentor and coach people to develop and reach their potential. Shaking off my own unconscious bias has allowed me to do this more fully and effectively.

Working on improving gender equality is rewarding and engaging, and we must continue with our efforts to address this issue.

Geoffrey Rogers is General Manager, MLC Wealth Distribution.

Insight


SUNCORP SUPER NETBALL
GIANTS NETBALL
HCF
FDC construction & fitout

BIG DREAMS, *big goals*

It's not all rough and tumble on the netball court, as Diamonds captain **Caitlin Bassett** talks to **Jayson Forrest** about the challenges of securing her own financial future.

It's not everyday you get the chance to rub shoulders with a true sporting superstar; somebody who has two Netball World Championship gold medals, a Commonwealth Games gold and silver medal, and who is the captain of a national sporting team.

But that's what the FPA is offering members with netball champion and skipper of the Australian Diamonds team, Caitlin Bassett, featuring as part of a team of inspirational speakers at this year's FPA Women in Wealth networking events.

Joining Caitlin as part of these events will be her team mate from the Giants Netball team, Jo Harten, who plays goal shooter and goal attack. Jo has also celebrated success at the elite level, including winning gold with the England Roses at the Gold Coast Commonwealth Games in 2018.

Rolling out across five cities from 29 July until 26 August, both Caitlin and Jo will be sharing some of their insights around leadership and overcoming challenges – insights Caitlin has accrued over almost 15 years playing at the elite level of Australian sport.

"You might not think that financial planning and female sport has much in common, but you'd be surprised," says Caitlin. "There's plenty of similarities, like working as part of a team and dealing with setbacks and challenges. They're the types of things that happen to people everyday in business and that's what I want to share with other women."

Caitlin draws a lot of her personal strength from working as part of a team, where she is able to use other people's skills and leverage off the different dynamics within a group, to not only make the team stronger, but to achieve more as an individual.

"As women, we sometimes think that we have to be able do it all, as we fight for perfection in our own lives. But by understanding that someone else in their role can help you in your's, is very powerful."

With 183 elite caps notched up, including an impressive 90 international caps, Caitlin knows a thing or two about achieving success at the highest level; and it's something she is keen to share.

"In business, just like sport, to be successful means properly preparing yourself both mentally and physically. And that's where your team mates can help. Sometimes, when I'm not feeling 100 per cent, I can go to them for help and support. It's also important to be organised and prepared, and that's where training comes in. So, when it comes to game day, whether on the court or in the office, you can feel confident because you've done all the hard work in the lead up to it."

Caitlin's commitment to training also helps with her resilience to dealing with challenges.

"I'm always mindful that things aren't always going to go my way. Like anyone, I have my ups and downs. I know that fronting up to work means there will be challenges, but being part of a team means I'm never on my own; there are other people around who can help me. Stepping into that team environment, whether in sport or at work, can provide you with that sense of confidence that you can tackle any challenges.

"For me, as a netballer, my team mates give me strength. Although I might not be feeling 100 per cent on the day, I know that when I'm out on court with them, they will be giving absolutely everything to help me play my best and they know, I'll be doing the same for them."

INSPIRATION AND MOTIVATION

The 31-year-old goal shooter from Western Australian has become somewhat of a cult figure, with a sporting record the envy of other athletes. Affectionately known as 'C-bass', Caitlin made her entry into elite netball in 2005 with West Coast Fever and has played 183 national league games.

For the previous two years, she played for Sunshine Coast Lightning, finishing the 2017 Suncorp Super Netball (SSN) season as the most accurate shooter in the competition, with an accuracy of 94 per cent, while during the 2018 regular season, she netted 553 goals from 601 attempts and registered 12 goal assists. In 2019, Caitlin joined the Giants, where she will compete for the next three years.

'C-bass' is a two-time SSN grand final champion and was voted the Most Valuable Player of the 2018 grand final match. But it doesn't stop there. Caitlin is currently the Australian Diamonds captain, with a record that includes 86 test caps, two Netball World Championship gold medals (2011 and 2014), a Commonwealth Games gold medal (2014) and a Commonwealth Games silver medal (2018).

It's an impressive list of achievements for the goal shooter. So, where does she draw her inspiration?

Continued overleaf

"At a national level, my motivation and inspiration comes from the women who came before me, including the likes of Liz Ellis and Anne Sargeant.

"These women put in all the hard work, so we can call ourselves professional athletes today," she says. "I'm very mindful that the women who came before me did it for very little money and made tremendous sacrifices, often working either full-time or part-time just to be able to play netball and travel to compete.

"These women are my motivation and inspiration for wanting to work hard and grow this sport, because like them, I want to make Australian netball even better for the next generation coming through."

OVERCOMING DIVERSITY

Although Caitlin participates in an overwhelmingly female dominated sport, she is nonetheless aware of issues facing women in the workplace and home, like gender diversity and equality. It's an issue she is particularly passionate about.

"It should never matter what gender you are," she says. "I want to see a future in my lifetime where it doesn't matter what sex, colour or ethnicity you are. It's about the best person getting picked for a position and doing the job. As women, I think we sometimes take the easier option of believing we can't do something, when we can.

"I'm a great believer in positive self-talk, meditation and mindfulness. We do create our own luck, and a big part of that comes from putting in the hard work and believing in yourself."

As a role model, self-belief and personal empowerment are two qualities she is hoping to instil in the next generation, particularly young girls and boys.

"I want to be a positive role model both on and off the court by making sure I'm doing all the right things to show boys and girls that through dedication, motivation and a lot of hard work, you can be the best you can be, while achieving your goals."

In fact, Caitlin is delighted to see the progress of Australian netball over the last decade. She says that through media coverage, it has been particularly empowering for young girls to see "fit and fearless" women competing at the elite level.

"We've been able to build a platform through sport that is showing young girls and boys what's possible, and that's been a wonderful thing to be a part of."

REACH OUT FOR HELP

When it comes to empowering women to take greater control of their own futures, Caitlin believes role models can be a powerful conduit in achieving this.

"There are so many amazing and strong women we can draw inspiration from. I'm not the most financially savvy person, so getting professional help – just like I do with my netball training – was one of the best things I did."

Caitlin is a strong advocate of financial planning, having seen firsthand the benefits of working with a financial planner in achieving her own goals and objectives.

"I like being organised and I like having a plan, so going to see a financial planner really allowed me to develop a plan for my money and my own future independence. It didn't mean I was just floating through with life, taking risks and chances with my money. So, it makes me feel good about myself that I'm working towards achieving my own financial goals."

Caitlin believes the first step to empowering more women to take greater charge of their own financial wellbeing is to reach out for help.

Women in Wealth shooting goals

Do you want to hear more from netball champions, **Caitlin Bassett** or **Jo Harten**? Then attend the upcoming **FPA Women in Wealth** networking events. Tickets to this event include complimentary access for your mentee, young planner, student or netball enthusiast to join you.

FPA Women in Wealth is a program designed to advance the progression of women in the financial planning profession, from young female planners to senior leaders in the industry. The program offers mentoring, personal and professional development opportunities to support career progression.

This year's events will be rolled out across five cities – Sydney (29 July), Melbourne (5 August), Brisbane (12 August), Adelaide (19 August) and Perth (26 August). These networking events are supported by Platinum Asset Management.

As a bonus offer, guests can also join founder of FEW, Judith Beck, when she hosts FEW's Circle discussion group following the lunch. FEW's Circle events are an opportunity to discuss topical issues with your peers.

For more information, go to fpa.com.au/womeninwealth

"While I'm very confident playing netball, it doesn't mean I know what I'm doing off court with certain areas of my life. Asking for help and not being afraid to ask for help is really important. It was empowering to know that I could reach out to an expert to help me with my own financial future.

"By doing so, it means I will be financially secure with my life after netball, and that's something I would have probably struggled with had I not had professional help."

In fact, Caitlin's financial planner is an ex-athlete herself, which made it easier to relate to Caitlin's circumstances.

"I felt very comfortable about the whole financial planning process," she says. "My financial planner took the time to listen to me and understand my goals for the future. We looked at some options and settled on the right strategy for my risk tolerance. She provided me with the confidence I needed.

"Because I'm not playing a sport where I'm earning millions of dollars, I want to make sure that the money I work hard to earn, works hard for me."

Caitlin concedes she was initially apprehensive about seeking help from a financial planner, but has actually found the whole experience incredibly liberating.

"I was able to use my financial planner as a sounding board. She provided me with a sense of calmness and confidence about what I was doing with my money, because when I do finish my sporting career, I want to know that I have the financial means to support myself as I transition to the next phase of my life."

However, Caitlin freely admits she is no financial guru, so when it comes to securing her own financial wellbeing, the key for her was working with a professional and keeping her financial planning simple, like making extra super contributions.

It's an approach she believes can work for other women who want to secure their own financial independence.

There are so many amazing and strong women we can draw inspiration from. I'm not the most financially savvy person, so getting professional help was one of the best things I did.

– Caitlin Bassett

"Women really need to take charge of their own financial futures and if they are unsure, then like me, find someone who can help you. Everybody has different needs and circumstances. For me, it's about life after netball, whereas for somebody else it could be about planning to buy their first house or planning for a family.

"I think it's really important to find someone who you are comfortable with, who understands the situation you are in and what you are working towards. And finding that right person could be as simple as having a conversation at work with your colleagues, or with friends and family, because you don't know what others are doing unless you ask."

LIFE AFTER NETBALL

Caitlin is at the top of her game and this talented goal shooter has more than a few years left in her. But when the whistle blows for the final time, what does life after netball look like for the gregarious Aussie captain?

"Look, I haven't quite decided yet," Caitlin laughs. "I'm doing a double degree in broadcast journalism, because I enjoy working in the media, particularly when it comes to sports."

But Caitlin also has a soft spot for animals, and doesn't rule out working more closely with them sometime down the track. "I have helped train an assistance puppy, which was incredibly rewarding. It's something I'd like to do again, perhaps after the next World Cup."

But before then, 'C-bass' has her sights firmly set on this year's World Cup in Liverpool U.K. and another gold medal at the Commonwealth Games in Birmingham in 2022. As the saying goes: You can't keep a champion down!

Caitlin and team member Jo Harten will be speaking at the upcoming FPA Women in Wealth networking events. Tickets to this event include complimentary access for your mentee, young planner, student or netball enthusiast to join you. Go to fpa.com.au/womeninwealth

GEARING FOR LONG-TERM GOALS

Gearing strategies have their pros and cons, but they remain a genuine strategy for wealth creation, for the right type of client. Is it time to reconsider gearing?

The days when capital city property was a sure-fire path to building wealth may be well and truly over.

With the property market still looking for a bottom, financial planners are increasingly searching for alternative strategies to help clients build their wealth.

One solution that may be about to have its day in the sun again is margin lending. Many planners burnt by client margin calls when portfolio values went south during the GFC remain reluctant to dip their toes – and those of their clients – back into those waters.

That sense of reluctance can result in a missed opportunity for some clients, claims Leveraged national distribution manager, Teresa Dalla-Fontana.

"Regulatory change has altered the way margin lending is used. In addition, some of the features of margin loans have also evolved making them different to the products of the past. While margin lending is not for everybody, it definitely can be a bona fide strategy for wealth creation."

CHANGING TIMES? ADVICE NEEDS TO CHANGE

Traditionally, the catalyst for implementing a gearing strategy was rising sharemarket sentiment. Current caution around the market means planners are unlikely to be considering gearing.

"Is there ever a 'right' time to consider gearing? It should really be about the appropriateness of the strategy for the client," says Dalla-Fontana.

Given the weak returns available in most investment markets, Dalla-Fontana believes planners must consider every appropriate strategy to make a client's money work as hard as possible.

For example, gearing can be a useful strategy for younger clients finding it difficult to enter the property market or looking to finance their children's future education.

A new study by consulting firm EY, *Safe as Houses*, found more than 60 per cent of Sydney residents would have been financially better off if between 1992-2017 they had opted to rent and invested into the ASX200 using a loan strategy geared at 50 per cent.

The report has significant implications for Australians looking to build wealth, according to EY chief economist, Jo Masters.

"We would caution against just assuming that home ownership is the only way to create future wealth. The conversation needs to be broader and a consideration of alternatives needs to be a part of the conversation."

For many planners, the study challenges existing assumptions that home ownership – particularly in certain areas – is the best way to create wealth. It also provides a useful backdrop for client discussions around advice strategies, like margin lending, which allow clients to build wealth without focusing on overpriced assets like residential property.

As Masters noted when releasing the study findings: "With today's property prices, you could be better off renting somewhere affordable and investing the cash you've saved."

REVOLUTION IN THE FINANCIAL LANDSCAPE

The current transformation of the banking industry means planners also need to reassess the suitability of traditional strategies, like using a client's home loan redraw facility to fund other investments.

"Regulatory uncertainty and increased difficulty in obtaining credit means many planners are finding their clients' banks are no longer willing to provide an interest-only loan, or rollover an existing loan facility. The banks have changed, so advice needs to change and adapt as well," says Dalla-Fontana.

"Planners need to keep in mind that margin loans may be an ideal strategy to consider for some clients."

In today's compliance-focused advice environment, planners also need to reassess the gearing solutions they currently use, as they may be easy to implement, but lack the regular monitoring offered by margin loan products.

"Are you genuinely offering holistically appropriate advice if you put the client into a set-and-forget strategy, like home loan-financed gearing? Do you have the sophisticated systems that constantly monitor portfolios to allow reassessment of the strategy?" says Dalla-Fontana.

"Ask yourself if you can justify your fee using a home loan versus using a margin loan that encourages regular interaction with clients. Which is the more compelling tool?"

Many planners remain worried about recommending margin loans, but it's important for them to recognise that the market has evolved and margin loan products have evolved as well. – Teresa Dalla-Fontana

MISSING OUT ON CLIENT DEMAND?

Sticking with an out-dated attitude to gearing may also mean missing out on solid client interest.

The Investment Trends *2018 Borrowing to Invest Report* found strong interest in using gearing to invest, particularly among millennial online investors.

"Nationwide, an estimated 86,000 online investors are gearing their investment portfolio through a variety of methods, most commonly with margin lending products, line of credit secured against their home equity and home loan redraw facilities," says Investment Trends analyst, John Carver.

"These borrowers firmly believe in gearing's effectiveness as a wealth creation strategy and on a net-basis, agree that others their age should also use gearing to achieve their goals."

According to the Investment Trends report, there is significant potential for further growth in the number of investors willing to utilise portfolio gearing, with its modelling indicating 81,000 intended to begin using gearing in the next 12 months and a further 230,000 could be encouraged to do so.

Use of gearing is highest in the late accumulation stage, with 16 per cent of online investors aged 35-50 and 19 per cent of those aged 50-64 using gearing, compared with only 5 per cent of millennials. There is, however, substantial interest among millennials, with 52 per cent saying they would like to, or can be encouraged to begin borrowing to invest.

DIFFERENT GOALS, DIFFERENT ATTRACTIONS

Despite the latent client interest, many financial planners remain suspicious of margin lending's inherent risks in the wake of the Hayne Royal Commission's focus on inappropriate lending.

"We often hear it's too difficult for compliance reasons to use margin lending, however, we support planners by providing tools for cashflow analysis, illustrations of geared vs non-geared scenarios, SoA wording and more to aid their compliance," says Dalla-Fontana.

It is also important for planners to

Continued overleaf

8 pros and cons of margin loans

PROS

1. Access to funds to take advantage of investment opportunities.
2. Potential to increase investment returns.
3. Ability to diversify portfolios.
4. Allows greater market exposure and flexibility.
5. Additional liquidity without selling assets.
6. Ability to borrow without property equity.
7. Potential tax deduction for loan interest.
8. Ability to prepay interest and bring-forward a deductible expense.

CONS

1. Potential to magnify investment losses.
2. Possibility of increasing the debt amount.
3. Risk of margin calls.
4. Unwanted crystallisation of losses due to forced asset sales.
5. Risk of LVR changes imposed.
6. Interest rate risk.
7. Removal of chosen shares and managed funds from approved list.
8. Unsuitable for investors with short investment horizons.

recognise that margin lending is not a one-size-fits-all strategy, with different clients wanting different paybacks.

"Millennial borrowers recognise the benefits of leverage-funded investing … to facilitate greater investment, given their cash flow and ability to achieve increased diversification in their portfolios," says Carver.

"These benefits are cited more often than older borrowers, who are more likely to cite negative gearing as a key advantage."

The variation highlights the different ways margin loans can be utilised.

"Investors tend to associate gearing with negative gearing. However, gearing allows investors to increase their share in potential investment income and capital growth. Therefore, gearing can be neutral, positive or negative," explains Dalla-Fontana.

LONG-TERM GOALS

The Investment Trends study also found clients using margin loans tended to be in it for the long haul, with 62 per cent saying they intended to continue using their loan for five or more years, while a further 18 per cent said they planned to continue until they reached a specific wealth or savings target.

"Margin lending investors predominantly see borrowings as a long-term investing tool, not for short-term gains. This is also reflected in their level of gearing, with an average margin loan LVR of 42 per cent," says Carver.

Gearing an investment is not only about margin loans. There are other options available to planners and their clients that remove some of the issues – like margin calls – associated with traditional margin loan facilities. Financial planners can also consider using internally geared managed funds and ETFs as a simple way to utilise the advantages of geared investments and improve portfolio diversification, without some of the client risks normally linked with margin lending.

RISKS REMAIN, BUT PRODUCTS HAVE EVOLVED

Despite its usefulness as an investment tool, margin lending still has significant downside risks.

Margin loans: Want to stay out of trouble?

In the wake of the Royal Commission, many planners take fright at the idea of using a non-vanilla strategy, viewing margin loans as a potential compliance minefield. But there are ways of staying out of trouble.

The Australian Financial Complaints Authority has taken over responsibility for margin loan disputes and initially is relying on guidelines established by its predecessor, the Financial Ombudsman Service (FOS).

According to FOS, a margin loan recommendation may not be considered reasonable for a client if the:

- investor had little or no ability to resource the loan facility, aside from investment proceeds;
- adviser's recommendations could only be achieved through the use of gearing and were in conflict with the investor's investment objectives and risk profile;
- loan was secured over an investor's primary residence with few other liquid assets in the portfolio; and
- recommendation to enter into a gearing strategy was based on general or limited advice.

"While it can magnify gains, it can also do so for losses. When considering margin calls, never say never. While measures can be taken to minimise risk, we must never lose sight of the fact that we could have a catastrophic event that triggers one," concedes Dalla-Fontana.

"Many financial planners remain worried about recommending margin loans, but it's important for them to recognise that the market has evolved and margin loan products have evolved as well."

Conservatively geared, well-diversified portfolios, are less likely to trigger a margin call.

In fact, licensees generally do not allow gearing strategy recommendations with an LVR of more than 50 per cent.

For financial planners, an important step in assessing a client's suitability for a margin loan strategy is to consider their cashflow and budget position.

For example, to further reduce risk, Leverage offers a product that encourages diversification by limiting the portfolio concentration of investment in some direct equities to 20 per cent of the total portfolio. At the same time, it is flexible and allows 100 per cent of the portfolio to be invested in certain managed funds, ETFs and Exchange Traded Government Bonds.

PRACTICE MANAGEMENT

FACING OFF THE OVERWHELMING

Peter Foley CFP® is taking lessons learnt from a facilitated in-house women's forum to help his business better engage with the unique needs of women.

Laughter, shared experiences and storytelling are not something we usually associate with financial planning, but it's the type of approach Peter Foley is using to better engage with women to help them realise their financial goals and objectives.

It's an approach that is working for the CFP® professional, who is acutely aware of the interrupted careers his female clients face in order to raise a family and care for loved ones. Not surprisingly, it's gender pay gaps, lower super balances and the fear of poverty in retirement that keep his female clients awake at night.

But these concerns are something that Peter – a director at Thirdview Financial Planning – is working hard to rectify, by allowing women to talk about their fears and worries in a safe and non-judgemental environment, which he believes is the key to working with women on their financial wellbeing.

"According to recent statistics from the ABS, women generally have an average super balance at retirement that is about $114,000 lower than men. So, this means women need to be more fully engaged with their super in an effort to close this gap, and to ensure they have adequate funding to support their lifestyle in retirement," Peter says.

However, with women generally more conservative, risk averse and less confident when it comes to investing and planning for their financial future – a fact supported by a 2018 UBS report that revealed that 56 per cent of women still leave investment decisions to their husbands or partners, with the worst offenders being Millennials at 61 per cent – Peter is mindful of the challenges involved in engaging more women with their financial futures.

"The key reason listed by women for deferring financial decisions to their husbands or partners was they don't consider themselves to be as knowledgeable about investing as their spouse," Peter says. "Unfortunately, when it comes to money, women are generally less confident. As planners, we need to change this!"

FINANCIAL LITERACY

It's a view supported by Loredana Fyffe – a mum and professional, who is also a client of Thirdview Financial Planning. And although Loredana views herself as being knowledgeable in most matters, she admits to still being conservative and a little hesitant when it comes to money and investing.

For Loredana, education and financial literacy is at the core of her relationship with Peter and the team at Thirdview. In fact, for the 40-year-old, she believes improved financial literacy is the key to improving the engagement of women with money.

"Today, 85 per cent of women living in Sydney are actively involved in earning and managing their household budget – a statistic uncovered through research we commissioned in my previous role as marketing and partnerships manager at the Sydney Women's Fund (a sub-fund of the philanthropic Sydney Community Foundation). So, women are already money savvy on a day-to-day, week-to-week basis," Loredana says.

"I believe that by improving the financial literacy of women, we can improve their confidence, allowing them to step up to the next level and take greater charge of their overall financial independence and wellbeing.

"However, as a woman, it pains me to say that the financial literacy of women has traditionally not been very high. And even though I'm well educated, when it comes to the nuances of investing, I still need professional help."

> *When it comes to financial matters, I think a lot of women are embarrassed that they don't know everything. We don't know what we don't know, so we don't take action, which is highly dangerous.*
>
> *– Loredana Fyffe*

In seeking Peter's advice, Loredana freely admits to wanting to work with a professional who takes the time to clearly explain the various financial planning options and strategies available to her, as an individual, and for her family.

THE KITCHEN TABLE

Peter sees this general lack of confidence as being an opportunity for planners to reach out to women and help them to better understand their own finances and financial circumstances. He is doing this in his Sydney-based practice through a venture called – The Kitchen Table® – a thoughtfully constructed, facilitated forum in which small groups of women unpack their own beliefs about their relationship with money.

"Women focus on the shared experience, teasing out each other's problems, supporting and validating each other's experiences," Peter says. "This venture has been the foundation of my business, which focuses on women's unique financial planning needs, encouraging open conversations to build two-way trust."

Peter says one of the real privileges of focusing on women and finance has been witnessing the honesty and openness with which women share their stories. He admits, it's something he hasn't experienced with many of his male clients.

"While it can be heart-warming and sometimes heartbreaking to hear their stories, other women inevitably offer support, validation and encouragement. It's very powerful. As a result, the conversations usually become lively and optimistic, with a 'can-do' approach to action."

When it comes to client meetings, Peter believes it's essential to give his clients a "clear voice". By doing so, it provides clients with buy-in and ownership of their financial world. He does this by allowing clients to articulate their ideal lifestyle, by ensuring both sides of a couple have an equal part in expressing their financial aspirations.

"We also talk about the client's money mindset," Peter says. "Quite often, one client's approach to money is much different to that of their partner. So, as a dispassionate third-party, I can more easily talk to them about their different money mindsets and the consequence this has on each party's approach to money."

And although Loredana is not a participant of The Kitchen Table® forum, through her involvement with Peter, she feels more in control of her financial future.

"Peter has listened to me and understood my risk appetite, that of my husband, and importantly, has respected that. He has really helped me to better understand what to do with my super and insurances," Loredana says.

"Peter's work around insurances for me has been very in-depth. I have really appreciated his proactiveness and the due diligence he has undertaken on my behalf in relation to product selection, in particular, his ability to understand my health and medical needs."

WOMEN AND INSURANCE

Interestingly, when it comes to insurance, Peter believes this is always a hot topic with his female clients, particularly in relation to the premature death of their husband or partner.

According to Peter, women are most interested in paying down debt and not losing the home, and ensuring there is enough money to safeguard the family and to live off. They are most concerned that their "financial world" is secure at all stages of life, regardless of whether they are married, divorced or widowed.

"When it comes to insurance, for most women, it's a non-negotiable. If the main breadwinner is no longer around, there must be a contingency

Continued overleaf

in place. Whereas men tend to be more ambivalent."

Peter takes a proactive approach to talking to his clients about their insurance needs. This involves presenting them with scenarios, as if an event had happened in their lives, and getting them to walk through those scenarios.

"This can range from the premature death of the partner, to illness and disability. We talk to them about their lifestyle in relation to that event and then we build the financials around that. So, if that event did occur, at least they have an understanding of what the next steps are from an insurance perspective in supporting their required level of lifestyle."

It's an approach that Loredana supports. "When it comes to financial matters, I think a lot of women are embarrassed that they don't know everything," she says. "I think that's something that women have a tendency to run away from. We don't know what we don't know, so we don't take action, which is highly dangerous.

"Peter took the time to understand my needs and concerns. It has taken a lot of communication, and it's been a real dialogue, with a lot of learning from both sides, for us to get to where I needed to be."

In order for women to secure their financial wellbeing, Loredana says it's essential that they don't shy away from the things they don't like or that seem overwhelming.

"We all know just how unprepared women are for retirement. We are the carers, so accruing superannuation and planning for the future is hard for us, particularly as we still earn less than men in most situations."

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It all goes back to the biggest lesson I've learnt in planning: People don't want to be rich, they just don't want to be poor.

– Peter Foley

The key, says Loredana, to facing off the overwhelming is to find a guide or coach to help you through, just as she has done with Peter.

She also believes that financial products could be more sympathetic to the needs and circumstances of women. Interestingly, Loredana's girlfriend, Emily Hollingum, is launching a tool for women that rewards them with cash payments directly into their super, when they shop from retailers, as well as providing other ways to accrue value, which is particularly beneficial for low-income earners.

"Emily is also working on another product for women by negotiating better insurance premiums for females, which is very encouraging.

"Compared to men, fewer women take up income protection insurance. I don't think enough value is placed on insuring ourselves as women. Less of us take out income protection and disability insurance, compared to health insurance, which we view as a necessity for our families, and that needs to change."

A DIFFERENT TYPE OF ENGAGEMENT

Peter is under no illusion that when it comes to working with his female clients, he needs to engage with them differently to that of men. So, how does he think the profession can improve with involving more women in the financial planning process?

"First and foremost, I would encourage the profession to get rid of jargon," Peter says. "We have made the financial planning process far more complicated than it needs to be, so it's little wonder so many people are disengaged."

Secondly, Peter believes planners should take as much time as it requires for both men and women to feel comfortable with them and the advice process.

"Don't assume your clients understand everything you tell them. Make sure you check-in with them to ensure they understand what it is you are doing and why. Ask questions like: 'Does that make sense' or 'How does that make you feel?' You need to ensure that women are comfortable and accepting of the conversations you are having with them and the advice you are offering."

And finally, don't just listen to what's being said but listen to how it's being said.

"By doing so, you can pick-up on some of the feelings of what is being

Understanding different life stages of women

FULL-TIME CAREER WOMAN

According to Peter Foley CFP®, the full-time career woman typically is more knowledgeable about her finances, but often lacks the time to properly deal with her money. This demographic also continues to take on a higher proportion of housework chores than full-time men.

"This group of women are time poor. So, we give information in short sound bites that go straight to the point, and clearly offers solutions for these women," Peter says.

STAY-AT-HOME MUM

Peter has found that stay-at-home mums tend to have less confidence around large financial decisions, even though they typically control the household budget, deferring most investment decisions to their partner.

"We spend more time checking in on their level of understanding around money, and raise their level of engagement with money to give them a greater sense of confidence."

WIDOW

Peter says he has advised too many widows who not only lack confidence but have outright fear about money, because they were not party to financial conversations with their husbands. He says it often takes years before they begin to feel safe, even when they have exceptional financial means.

"I find that widows who haven't had an exposure to financial decision-making before, have the greatest lack of confidence and fear about money," Peter says. "This group requires a 'start from scratch' approach, which includes foundation learning about money, as well as a lot of reassurance and encouragement. In many ways, you're counselling them to believe in themselves.

"We support this with financial modelling that shows the facts of their financial position, so we're approaching both logical and emotional levels to lift their confidence and competence."

SINGLE WOMAN

Single women have a different set of considerations. Excluding inheritance or other forms of family support, they are self-reliant and lack the economic framework provided by a partner. However, they are most aware of the importance to be financially independent.

"Whether she is a single parent or just on her own, this group is seeking a sense of security and protecting what's already there," Peter says.

"It all goes back to the biggest lesson I've learnt in planning: People don't want to be rich, they just don't want to be poor. So, while all these demographic groups want security, the level of education and reassurance does vary depending on their individual circumstances."

conveyed. Explore and draw out your client's feelings by asking them how they feel about something, rather than how they think about it," he says.

"It's important to make the distinction between wanting to know your client's feelings and wanting to know their thoughts. By allowing your clients to express their feelings, this will lead to better conversations with your clients about advice."

Loredana agrees. "The entire financial planning process needs to be less intimidating and more accessible to women. I believe improved financial literacy will go a long way in helping more Australian women realise their financial goals and objectives.

"But the fact that 40 per cent of women are low-income earners in carers roles, means that most women wouldn't think it's worthwhile seeking professional advice. Yet these are the women who probably need help the most."

But Loredana remains pragmatic: "However, women need to concern themselves with their finances because it's their future, and financial independence is the key to their safety.

"Be curious. Ask questions. Seek professional help. Don't fear the time it takes 'that you don't have', nor all the paperwork. Once you do the ground work and have a plan, you'll feel and be a lot more secure about the future."

Life.

IN THE COMMUNITY

TAKING GIANT STEPS

Giant Steps Australia is helping young Australians with Autism Spectrum Disorder reach their full potential, while providing support and guidance to their families.

GRANT RECIPIENT:
Giant Steps Australia

GRANT AMOUNT:
$10,000

ENDORSED BY:
Luke Priddis CFP®

FPA CHAPTER:
Sydney

As a parent of a child diagnosed with Autism Spectrum Disorder (ASD), Luke Priddis is keenly aware of the extensive daily assistance required to help children on the autism spectrum to participate in every day activities.

Luke – a CFP® practitioner with Sydney-based CPR Wealth – has been involved with Giant Steps Australia since 2012. Giant Steps Australia operates a school and intervention services catering specifically for children and young Australians who have been diagnosed with ASD.

ASD is a neurological disorder affecting social communication, including delayed or impaired language development, difficulties developing and maintaining relationships, difficulties understanding and using non-verbal communication and social imagination and play, as well as restricted and repetitive behaviour and/or interests. According to Olga Tennison Autism Research Centre, ASD affects one in every 100 children. There is no cure to this lifelong condition.

MAKING IT PERSONAL

Along with his wife Holly, Luke – a former high profile rugby league player – started a charity in 2006 called the Luke Priddis Foundation, with the aim of "supporting kids and their families living with ASD".

As Chair and founder of the Luke Priddis Foundation, Luke is acutely aware of the importance that funds and grants, from organisations like the Future2 Foundation, play in ensuring that the valuable programs provided by not-for-profit charities continue. It was also a key reason for Luke's endorsement of Giant Steps Australia's application for a Future2 grant for its Vocational Education Program for Young People with Autism.

"Autism is a part of my family's daily life, with my third child being diagnosed on the autism spectrum since the age of two and more recently, my wife and youngest daughter having also been diagnosed as being on the autism spectrum," Luke says. "As a family, we have had a personal association with Giant Steps over the past several years."

GIANT STEPS AUSTRALIA

Located in the Sydney suburb of Gladesville, Giant Steps Australia was established in 1995. It provides a program that is trans-disciplinary, meaning intensive occupational, speech and music therapies are combined with educational programs catering specifically for each individual student.

The team at Giant Steps provides maximum support to families through the provision of home programs, support for siblings, frequent consultation with parents and carers, and aims to improve the understanding of autism in the wider community.

The Future2 grants committee was impressed with the work Giant Steps Australia is doing in the local community, awarding the organisation a $10,000 Future2 grant.

VOCATIONAL EDUCATION PROGRAM

Giant Steps does not charge any fees to the students or their families of its programs. The cost to provide the specialised education and therapy that each student requires is approximately $95,000 per student per annum.

Understandably, Giant Steps Australia's Communications Director, Phillippa Talbot was delighted to receive the $10,000 Future2 grant, saying the funding will go towards

The Vocational Education Program is providing positive student and employer relationships.

Giant Steps Australia's Vocational Education Program for Young People with Autism. This program was established for 'high support' students to learn appropriate work and community behaviour skills.

"The Vocational Education Program is an integral part of the curriculum, not just for our students and staff, but also the students' families," Phillippa says.

"The opportunity to experience real work environments is invaluable and would not be possible without the support of corporate and community partners. All work placements are designed to be meaningful for both the young person and the employer."

Phillippa concedes that opportunities for young people with autism are few and far between and even less so in the workplace, therefore the Vocational Education Program was established in response to the need for Giant Steps' high support students to learn appropriate work and community behaviour skills.

"The funding from the Future2 grant is being used to support students with autism learn and practice valuable life skills, while accessing meaningful work opportunities," Phillippa says.

STUDENT BENEFITS

According to Phillippa, 56 young people between the ages of 12 and 25, all of whom have moderate to severe autism, will benefit from the program's outcomes. The program provides opportunities for students to reach their optimal physical, mental and social abilities in a supposed environment.

"Many young people with moderate to severe autism experience anxiety, depression and extreme mood swings, without a means of communicating their needs. This can result in highly challenging physical behaviours, leading to social exclusion and isolation," Phillippa says.

Students are engaged in a range of Vocational Education Program opportunities.

"Active participation in the wider community, independence and making a meaningful contribution to society are some of the goals of this program.

"Learning and completing a set of tasks in a real work environment, which includes learning skills for employment, using safe and appropriate behaviour, learning to recognise money and take directions from people outside a school and family context, are all part of this program which is helping young Australians with autism."

Phillippa adds that in addition to the students and staff involved in the Vocational Education Program, the program will also benefit 18 corporate and community partners currently involved in the program.

"Each student completes meaningful work that adds value to the organisation, as well as assisting workplaces to learn more about autism and the many challenges it brings," she says.

"The program promotes positive employee relationships, as well as offering organisations and their employees an opportunity to assist people who are often excluded from society."

The benefits to the students and their families by participating in the program are immense.

Instead of receiving negative feedback about their children's disability and behaviours, families are empowered to know that through the program, their child is valued in the community.

"The improved outcomes and skill development that each student gains through the program has a far reaching effect, as these skills can be used to participate in the broader community, which is so important to the wellbeing and enjoyment of family life," says Phillippa.

FIRSTHAND EXPERIENCE

Luke has had a long association with Giant Steps, having had his third child with ASD educated there.

"Although my son no longer attends Giant Steps Australia, I remain an avid supporter of the organisation and the tremendous work it does on a daily basis," Luke says.

"The Future2 grant will allow young Australians with ASD to participate in a program that allows them to be fully supported as they go out into the community to undertake work experience, allowing them to explore potential post school options that will result in them being active participants within the employment sector.

"Like anyone, if you feel you are making a contribution to the community, it provides you with a sense of self-worth, achievement and the ability to live a fulfilled life."

SUPER CONTRIBUTIONS: WORK TEST EXEMPTION FOR RECENT RETIREES

Craig Day
Colonial First State

This article is worth
0.5 CPD hours

ASIC Knowledge Area
Superannuation

FASEA CPD Areas
Technical competence

INCLUDES:

- Work test exemption rules
- Bring forward rule
- Investment property sale proceeds
- Deferring asset sales

From 1 July 2019, recent retirees aged 65 to 74 with total superannuation balances below $300,000 will be eligible to make voluntary contributions for an additional financial year. This article explores the new work test exemption rules, as well as tips and traps that need to be considered by a range of eligible clients.

EXISTING CONTRIBUTION RULES

Under current legislation, for a client aged 65 to 74 to be eligible to a make a voluntary superannuation contribution, they must have already satisfied the work test during the financial year that the contribution is made.

The work test is satisfied where a client has been gainfully employed for 40 hours in a period of 30 consecutive days during the financial year.

Voluntary contributions are all contributions other than employer contributions required under Super Guarantee law or an industrial award or agreement (i.e. mandated employer contributions).

Note: In the 2019 Federal Budget, the Government announced a number of proposals related to the work test, including:

- *removing the work test for voluntary contributions for people aged 65 and 66;*
- *extending the ability for members age 65 and 66 to utilise the bring forward rules to make non-concessional contributions of up to $300,000; and*
- *an increase to the age limit for spouse contributions, from 69 to 74.*

However, given these changes are not proposed to take effect until 1 July 2020 and their implementation will depend on the outcome of the next federal election, they have been ignored for the purposes of this article.

WORK TEST EXEMPTION ELIGIBILITY

The work test exemption is intended to give people with low superannuation balances more time to make contributions to superannuation after they have retired.

The exemption was originally proposed in the 2018 Federal Budget. After releasing draft regulations for consultation, the Government made final regulations on 6 December 2018 implementing this measure.

Under the work test exemption, from 1 July 2019, clients aged 65 to 74 who cannot make voluntary contributions under the existing rules (due to not meeting the work test), can make voluntary contributions using the work test exemption if:

- they met the work test (40 hours of gainful employment in a 30 consecutive day period) in the previous financial year; and
- their total superannuation balance at the end of the previous year is less than $300,000; and
- they have not made use of the work test exemption in a previous financial year.

Example 1: Using the work text exemption
Carla is aged 69 on 1 September 2019 and wishes to make a non-concessional contribution of $100,000 to her superannuation fund. While she hasn't been gainfully employed during the 2019-20 financial year, she retired from full-time work in March 2019 and had therefore met the required work test in the 2018-19 financial year. Her total superannuation balance at 30 June 2019 was $260,000.

As a result, Carla is able to rely on the work test exemption to make up to $100,000 in non-concessional contributions during the 2019-20 financial year.

Important points to note:

- Once in a lifetime exemption – the work test exemption can only be used in one financial year. This prevents clients from using the exemption, then meeting the work test and using the exemption again in a later financial year. This means it's important to make best use of the exemption, as the client won't get another opportunity.
- As the exemption is only available for clients aged 65 to 74 who meet the work test in the previous financial year, the exemption is only available for those who cease work for the last time on or after age 64. Clients who ceased work for the last time at an earlier age will not be able to utilise the exemption.
- Only available to clients with relatively low superannuation balances. As the total super balance must be below $300,000 at the end of the previous financial year, it limits the number of clients who will be able to utilise this measure. However, it may be an opportunity to equalise superannuation balances for members of a couple where one partner has a lower superannuation balance.
- The work test exemption does not permit contributions to be made when the client would not otherwise be eligible due to their age. For example, spouse contributions cannot be made in respect of a spouse who is age 70 or over, and other voluntary contributions cannot be made once a client has reached age 75.
- Clients using the work test exemption are able to make any type of voluntary contribution including concessional and non-concessional. This means they may have access to:

  – A concessional cap of $25,000, or a higher amount due to the carry forward of unused concessional cap amounts since the 2018-19 financial year (carry forward amounts are also limited to the five previous financial years).

  – A lifetime CGT cap of $1.48 million (2018-19).

  – Contributions arising from structured settlements or orders for personal injuries (no cap).

  – Bring forward rule for non-concessional contributions. See below for more information.

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The work test exemption provides a number of important planning opportunities for clients with low superannuation balances.

BRING FORWARD RULE

In the Government's initial draft regulations, the non-concessional contributions cap rules were proposed to be modified, so that a client could not trigger the bring forward rule when relying on the work test exemption.

However, this proposal was removed from the final regulations, so normal contributions cap rules apply to clients using the work test exemption.

This means that clients can trigger the bring forward rule after their 65th birthday in the year they reach age 65 where they do not meet the work test in that year, provided they satisfy the work test exemption criteria.

Example 2: Triggering bring forward rule using work test exemption
Colin retired from full-time work in March 2019 and used up his general non-concessional cap of $100,000 in the 2018-19 financial year. His total superannuation balance at 30 June 2019 is $250,000. He reaches age 65 on 2 August 2019.

Colin has an investment property that he plans to sell for $500,000 and wants to maximise his superannuation. Under existing voluntary contribution rules, Colin needs to make any contributions in the 2019-20 financial year prior to his 65th birthday, which will involve having to receive settlement proceeds very early in the 2019-20 financial year by likely having already exchanged contracts on his property well before the end of the 2018-19 financial year.

An exchange of contracts in the 2018-19 financial year means that any assessable capital gain will be taxable to Colin in the 2018-19 financial year when his marginal tax rate is relatively higher (due to employment income received in the 2018-19 financial year).

With the introduction of the work test exemption, Colin will be eligible to make voluntary contributions throughout the 2019-20 financial year. He can therefore wait until early in the 2019-20 financial year to sell his property (potentially minimising any tax on assessable capital gain due to no employment income and his tax rate being potentially lower), and then has the remainder of the 2019-20 financial year to make a non-concessional contribution of $300,000 under the bring forward rule.

TIPS AND TRAPS

The work test exemption provides a number of important planning opportunities for clients with low superannuation balances.

TIP: Extra contributions when selling an investment property close to retirement
Under existing rules, where a client who is already age 65 at the start of the financial year is retiring and selling an investment property to help fund their retirement savings, they are limited to a non-concessional cap of $100,000 and concessional cap of $25,000.

Continued overleaf

With the introduction of the work test exemption, eligible clients who have not triggered an existing bring forward period can put at least an additional $100,000 of sale proceeds into their super fund. Those who have triggered an existing bring forward period may be able to contribute a higher amount.

Example 3: Contributing investment property sale proceeds

Stephanie (age 72) winds up her business and retires on 1 January 2019. She then sells an investment property for $450,000 a month later. She makes a non-concessional contribution of $100,000 and a personal concessional contribution of $25,000 in the 2018-19 financial year.

At 30 June 2019, her total super balance is $240,000. Stephanie can therefore make use of the work test exemption to make a further $100,000 non-concessional contribution in the 2019-20 financial year.

> *From a tax perspective, it can often be much more favourable to wait until the financial year after retirement to sell assets.*

Depending on whether she has other assessable income during the 2019-20 financial year and her marginal tax rate, she may also consider making a personal concessional contribution during the 2019-20 financial year.

Note: If instead, Stephanie's investment property had been her main residence at some time for CGT purposes and had been owned for 10 years or more, she could also consider contributing the proceeds under the $300,000 downsizer contribution rules.

TIP: Deferring asset sales to the financial year following retirement

Under existing rules, where a client who is already age 65 at the start of the financial year is retiring, they may wish to sell assets held outside super and make use of the non-concessional and concessional contributions caps to maximise their retirement savings.

However, from a tax perspective, it can often be much more favourable to wait until the financial year after retirement to sell assets, as the client's marginal tax rate may be much lower (due to no employment or business income), minimising the tax paid on any assessable capital gains.

With the introduction of the work test exemption, eligible clients can consider waiting until the financial year following retirement to sell their non-super assets and still be able to contribute the proceeds into superannuation.

Example 4: Contributing sale proceeds in the financial year after retirement

Boris (age 68) retires on 1 May 2019 having received a salary of $100,000 during the 2018-19 financial year. He has a portfolio of listed shares valued at $100,000, which have been held for many years and have an unrealised capital gain of $60,000.

Without the work test exemption, if Boris wanted to maximise his superannuation balance by contributing the proceeds from his share portfolio, he would need to sell his share portfolio during the 2018-19 financial year. This would allow him to make a personal concessional contribution of $15,500 (the concessional cap remaining after the Super Guarantee) and a $78,627 non-concessional contribution – the remaining $5,873 sale proceeds would be used to pay the increased tax and Medicare levy liability due to the capital gain after allowing for the tax-deduction for the contribution.

The total tax and Medicare levy liability associated with the sale of the share portfolio in this case is $8,198 ($5,873 + $15,500 x .15).

With the work test exemption (assuming his total super balance at 30 June 2019 is less than $300,000), Boris could instead sell his share portfolio at the start of the 2019-20 financial year. This would allow him to make a $100,000 non-concessional contribution. As Boris's total assessable income for the 2019-20 financial year consists only of the $30,000 assessable capital gain, he pays no income tax during the 2019-20 financial year.

Boris therefore saves almost $8,200 in tax and Medicare levy by delaying the sale of shares and using the work test exemption.

In this example, it is assumed that Boris has no other taxable income and any dividend income provided by the share portfolio has been ignored.

Note: If Boris's share portfolio had instead been larger, for example $200,000, it would not be possible to rely on the work text exemption to contribute the entire sale proceeds. Where this is the case, the optimal strategy will likely be to sell part of the share portfolio in each of the 2018-19 and 2019-20 financial years and make use of both years' contributions caps, including relying on the work test exemption in the 2019-20 financial year. Under this multiple contribution strategy, it would be important to confirm that Boris's total superannuation balance at 30 June 2019 will be under $300,000.

Trap: Deferring property sale and losing existing year's contributions caps

Where a client who is already 65 at the start of the financial year is retiring and has an asset that they wish to sell, they may receive a better tax outcome by delaying the sale until the financial year after retirement – as shown in Example 4. However, where the asset is an indivisible asset (e.g. an investment property), this strategy may mean the client loses one year of non-concessional contributions cap, as they do not have any funds to make a non-concessional contribution in the year of retirement.

Where such a client cannot otherwise use their non-concessional cap in the year of retirement, it is important to compare selling the asset in the year after retirement to minimise tax on the asset sale, versus selling the asset in the year of retirement to maximise overall superannuation contributions.

Example 5: When to sell an investment property
Mike (age 72) retires on 1 May 2019, having received a salary of $90,000 during the 2018-19 financial year. He has an investment property valued at $500,000, providing net rental income of $15,000 per annum, which has been held for many years and has an unrealised capital gain of $200,000. He has no other funds to make superannuation contributions.

To minimise tax, Mike can wait until the start of the 2019-20 financial year to sell his investment property. This would allow him to make a personal concessional contribution of $41,450 (his 2019-20 financial year cap is $25,000 plus $16,450 unused cap carried forward from the 2018-19 financial year) and $100,000 non-concessional contribution during the 2019-20 financial year, using the work test exemption.

In this case, the income tax and Medicare levy liability attributable to the capital gain, after allowing for the tax deduction for the contribution, is $11,095, and Mike's total net super contribution in the 2019-20 financial year is $135,233 ($100,000 + $41,450 x .85).

Alternatively, Mike could sell his investment property just prior to the end of the 2018-19 financial year. This would allow him to make a personal concessional contribution of $16,450 (the concessional cap remaining after the Super Guarantee) and $100,000 non-concessional contribution during the 2018-19 financial year, and a

further $100,000 non-concessional contribution in the 2019-20 financial year using the work test exemption.

In this case, the income tax and Medicare levy liability attributable to the capital gain after allowing for the tax deduction for the contribution is $33,574, and Mike has made a total net super contribution of $213,983 ($200,000 + $16,450 x .85).

By delaying the sale of his property until the 2019-20 financial year, Mike saves just under $22,500 in income tax and Medicare levy, but his net contribution to super is $78,750 less.

In this example, it is assumed that Mike has no other taxable income and that rental income from the property is paid for all of the 2018-19 financial year but none of the 2019-20 financial year.

TIP: Using work test exemption for recontribution strategy
Where a client who is already 65 at the start of the financial year is retiring, but does not have additional cash or assets to fund super contributions under the work test exemption, they could consider using the exemption in the next financial year to undertake a recontribution strategy. This can be effective where future death benefits will be paid to beneficiaries who are not dependants for tax purposes, for example, adult children.

Example 6: Recontribution strategy
Andrea (age 67) retires from full-time work on 1 June 2019. She has a superannuation balance of $250,000 (all taxable component) in a retail superannuation fund. Her only beneficiary is her adult child, Tom, who is nominated in a binding death benefit nomination.

As part of her estate planning strategy, Andrea makes a lump sum withdrawal of $100,000 in June 2019 and immediately recontributes it back into a new super account.

Assuming her balance remains the same, in the event of her death, the tax payable on her death benefit by Tom will decrease from $42,500 to $25,500, as a result of the strategy – a saving of $17,000.

Using the work test exemption (and assuming again that her balance remains the same), Andrea makes a further lump sum withdrawal of $100,000 during the 2019-20 financial year from her first superannuation account and immediately recontributes it back into her new super account. In the

Continued overleaf

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QUESTIONS

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1 Which of the following is the commencement date of the new work test exemption?

a. 1 July 2018.
b. 1 July 2017.
c. 1 July 2019.
d. 1 January 2019.

2 A client who has used the work test exemption in a previous financial year can utilise the work test exemption again in a later financial year. True or false?

a. True.
b. False.

3 Which of the following types of contributions cannot be made using the work test exemption?

a. Spouse contribution in respect of a spouse who is age 70 or over.
b. Personal deductible contribution.
c. Non-concessional contribution using the bring forward provisions.
d. Contribution under the lifetime CGT cap.

4 Bob met the work test in 2018-19. He is age 66 and wants to contribute in 2019-20. Assuming his total super balance at 30 June 2019 is $295,000, can Bob make a voluntary contribution?

a. Yes.
b. No.

5 George met the work test in 2018-19. He is age 77 and wants to contribute in 2019-20. Assuming his total super balance at 30 June 2019 is $295,000, can George make a voluntary contribution?

a. Yes.
b. No.

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event of her death, the tax payable on her death benefit by Tom will decrease to $8,500, as a result of the strategy – the work test exemption has therefore allowed Tom to save a further $17,000 in tax.

Note: While for simplicity this example assumes that Andrea's superannuation accounts are in accumulation phase, in practice, clients of this age will likely have some or all of their accounts in retirement phase income streams (e.g. account-based pensions). Where this is the case, it is important to understand that contributions cannot be made to existing income streams, so a new accumulation account or recommencement of an income stream may be required to receive contributions under the work test exemption.

TIP: Delaying lifetime CGT cap contributions – indexation and an extra year of NCCs

With the introduction of the work test exemption, eligible clients who also have small business sale proceeds that qualify for the lifetime CGT cap, can benefit from a higher cap due to indexation if they delay their contribution to the year following retirement and rely on the work test exemption.

In addition, by delaying their lifetime CGT cap contributions until the year following retirement, they can qualify for an extra year of non-concessional contributions cap under the work test exemption.

When considering delaying small business CGT contributions, it is important to ensure that any contributions are still made within the timeframes required to qualify for the lifetime CGT cap.

Example 7: Accessing a larger lifetime CGT cap

John (age 68) sells his business assets for $2 million and retires on 1 April 2019. At that time, he has $130,000 in superannuation and has just made a $100,000 non-concessional contribution.

John qualifies generally for the small business CGT concessions and all business assets sold qualify for the 15 year exemption.

If John makes a lifetime CGT cap contribution in the 2018-19 financial year, he is limited to $1.48 million. He also becomes ineligible to use his non-concessional (or concessional) contributions cap in the 2019-20 financial year, as his total superannuation balance at 30 June 2019 is $300,000 or more.

If he waits until early in the 2019-20 financial year and relies on the work test exemption, the lifetime CGT cap will be indexed. Assuming the lifetime CGT cap in the 2019-20 financial year is $1.515 million, John is able to make an extra $35,000 in super contributions by delaying the contribution of his small business sale proceeds and relying on the work test exemption. In addition, he is able to use other contributions caps under the work test exemption, allowing a further $100,000 in non-concessional contributions during the 2019-20 financial year.

John has therefore been able to make an extra $135,000 in super contributions by delaying the contribution of his small business sale proceeds until the 2019-20 financial year.

Craig Day, Executive Manager – Technical Services, Colonial First State.

FPA CHAPTER DIRECTORY

NSW

SYDNEY
Jade Khao CFP®
Chairperson
T: 0488 889 138
E: jadekhao@gmail.com

MID NORTH COAST
Julie Berry CFP®
Chairperson
T: (02) 6584 5655
E: jberry@berryfs.com.au

NEWCASTLE
Mark Alexander CFP®
Chairperson
T: (02) 4923 4000
E: mark.a@crosbiewealth.com.au

NEW ENGLAND
David Newberry AFP®
Chairperson
T: (02) 6766 9373
E: david@newberry.com.au

RIVERINA
Graham Cotter CFP®
Chairperson
T: 0408 011 322
E: graham.cotter
@stateplus.com.au

WESTERN DIVISION
Peter Roan CFP®
Chairperson
T: (02) 6361 8100
E: peter@roanfinancial.com

WOLLONGONG
Mark Lockhart AFP®
Chairperson
T: (02) 4244 0624
E: mark@jamfinancial.com.au

ACT

Lisa Weissel CFP®
Chairperson
T: (02) 6241 4411
E: lisa.weissel@miqprivate.com.au

Victoria

MELBOURNE
Julian Place CFP®
Chairperson
T: 0418 111 224
E: julian_place@amp.com.au

ALBURY WODONGA
Wayne Barber CFP®
Chairperson
T: (02) 6024 1244
E: wayne@mws.net.au

BALLARAT
Paul Bilson CFP®
Chairperson
T: (03) 5332 3344
E: paul@wnfp.com.au

BENDIGO
Gary Jones AFP®
Chairperson
T: (03) 5441 8043
E: garyjones@
platinumwealthbendigo.com.au

GEELONG
Lesley Duncan CFP®
Chairperson
T: (03) 5225 5900
E: lesley@planwellgroup.com.au

GIPPSLAND
Rodney Lavin CFP®
Chairperson
T: (03) 5176 0618
E: rodneylavin@bigpond.com

GOULBURN VALLEY
John Foster CFP®
Chairperson
T: (03) 5821 4711
E: john.foster@bridges.com.au

SOUTH EAST MELBOURNE
Scott Brouwer CFP®
Chairperson
T: 0447 538 216
E: scottb@prosperum.com.au

SUNRAYSIA
Stephen Wait CFP®
Chairperson
T: (03) 5022 8118
E: stephenwait@
thefarmprotectors.com.au

Queensland

BRISBANE
Duncan Forbes CFP®
Chairperson
T: (07) 3031 1610
E: duncan.forbes@sfg.com.au

CAIRNS
Kris Robertson AFP®
Chairperson
T: 0439 724 905
E: kris.robertson@bdo.com.au

FAR NORTH COAST NSW
Shane Hayes CFP®
Chairperson
T: 0411 264 002
E: shane@
agedcarearchitects.com.au

GOLD COAST
Kearsten James CFP®
Chairperson
T: (07) 5531 6295
E: kearsten@cwealth.com.au

MACKAY
Brendan Hughes AFP®
Chairperson
T: 0439 781 190
E: brendan_hughes_83@
hotmail.com

SUNSHINE COAST
Natalie Martin-Booker CFP®
Chairperson
T: (07) 5413 9264
E: natalie@wealthmed.com.au

TOOWOOMBA/DARLING DOWNS
Naomi Alletson AFP®
Chairperson
T: (07) 4638 5011
E: nalletson@achieveitfp.com.au

TOWNSVILLE
Gavin Runde CFP®
Chairperson
T: (07) 4760 5900
E: gavin@runde.com.au

WIDE BAY
Louise Jealous-Bennett AFP®
Chairperson
T: (07) 4153 5212
E: louise@c2g.com.au

South Australia

Andrew Harris CFP®
Chairperson
T: (08) 8373 1711
E: andrew.harris@
minerdsbell.com.au

Northern Territory

Susie Erratt CFP®
Chairperson
T: 0411 331 870
E: admin@advfps.com.au

Western Australia

Fran Hughes CFP®
Chairperson
T: 0418 713 582
E: fran@intuitivemoney.com.au

Tasmania

Todd Kennedy CFP®
Chairperson
T: 1300 651 600
E: todd.kennedy@mystate.com.au

MEMBER SERVICES
1300 337 301
Phone: 02 9220 4500
Email: fpa@fpa.com.au
fpa.com.au

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