

JULY 2019

VOLUME 31 | ISSUE 06

# MONEY & LIFE

*The magazine for* FINANCIAL PLANNING PROFESSIONALS

# Strive, survive and thrive

ANDREW MAY AND THE NEED  
TO EMBRACE CHANGE

## Guy Vicars:

PROTECTING AND FOSTERING HEALTH AND WELLBEING



FPA WELLBEING | NEW HORIZONS | VALUE OF ADVICE  
TRANSITIONING TO FEE-FOR-SERVICE | TAXATION ISSUES AND REDUNDANCY



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# Make a difference in your clients' lives



89% of deaths in Australia are caused by four preventable, lifestyle-associated conditions like diabetes and cardiovascular disease, which are due to lifestyle habits such as poor nutrition and lack of exercise.\*

You can help us reduce this figure.

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

\*Source: World Health Organisation – NCD Country Profiles, 2016

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## SUPPORTING WELLNESS

There's no underestimating the level of change financial planners are currently experiencing.

Whether it's undertaking further study to meet the new standards, preparing for the financial adviser exam or re-engineering business models, these big shifts are necessary and also very difficult.

Managing your mental health during times of change and challenge is important for everyone. To help you prioritise your health as you transition to the new education and regulatory standards, we're pleased to offer the **FPA Wellbeing** program.

FPA Wellbeing provides confidential support sessions with qualified counsellors and psychologists, as well as access to health and wellbeing resources via an app. The service is free to all FPA members.

We're all affected in different ways and we all cope differently. The new FPA Wellbeing program is one way to access support whenever you need it. Head to the online FPA Member Centre to register.

### PRONUP GETTING COUPLES TALKING

Our 2019 CFP<sup>®</sup> advertising campaign is about encouraging Australian couples to get a Pronup. Not to be confused with a prenup, a Pronup is a term we've created to explain the positive step of preparing a financial plan as a couple. The advertising has featured in outdoor, retail, digital and podcast channels through April, May and June.

If you have a client asking how to get a Pronup, it's really just another name for a financial plan. So, you're perfectly placed to create a Pronup for them. It's about sparking a conversation and making financial planning relevant to couples.

### MATCH MY PLANNER GROWS

We now have well over 1,000 CFP<sup>®</sup> professionals connected to the new Match My Planner service. To take part, you need to download the app to start connecting with consumers looking for a financial planner. I encourage all CFP<sup>®</sup> professionals to search Match My Planner in your app store and use your usual FPA login to get set up.

### 2019 FPA AWARDS

The FPA Awards open for nominations at the end of this month. We want to celebrate and thank you for the positive, meaningful difference you make in the lives of clients, our profession and the community. It's also an important way for us to share the outstanding work of FPA members with the wider public. To find out more, visit [fpa.com.au/awards](http://fpa.com.au/awards).

### FINANCIAL PLANNING WEEK

Our annual consumer awareness week, Financial Planning Week, celebrates 19 consecutive years in 2019. Running from 19-25 August, we'll be showcasing financial planning to the Australian public. For details on how you can support Financial Planning Week, visit [fpa.com.au/FinancialPlanningWeek](http://fpa.com.au/FinancialPlanningWeek).

*Dante De Gori CFP<sup>®</sup>, CEO*



Follow Dante on Twitter @ddegori10





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## NOMINATIONS CLOSE SOON FOR FUTURE2 GRANTS



Applications for this year's Future2 Make the Difference! Grants close this month at 5pm on 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.

For more information on the Future2 Make the Difference! Grants, visit: [future2foundation.org.au](http://future2foundation.org.au)



## WILL YOU RISE TO THE CHALLENGE?

In the lead up to the 2019 FPA Professionals Congress in Melbourne (27-29 November), the Future2 Foundation is calling on cycling and hiking enthusiasts to participate in one of two challenges this year.

The annual **Future2 Wheel Classic** departs from Melbourne's Federation Square on 22 November. The six-day ride will cover a distance of 819km, before finishing back in Melbourne on 27 November.

The route will take in the picturesque Daylesford Ranges, with an overnight

stop in the historic town of Kilmore, before cycling through the goldfields of Ballarat and then the rolling hills around Apollo Bay.

There will be an overnight stay in Queenscliff, before a ferry ride across to Sorrento and a final ride along the Portsea beaches around Port Phillip Bay back to Melbourne. Riders can also opt for a shorter three or four-day ride.

Future2 has also organised a five-day **Future2 Hiking Challenge** that takes on the Grampians mountain ranges.

Over four days, participants will hike the sandstone ridges, the impressive peaks and valleys, and enjoy the stunning views of the Grampians, before heading back to Melbourne on 26 November.

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

The FPA congratulates the following members who have been admitted as

### CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

#### QLD

**Cameron Teague CFP®**  
Cameron Teague Wealth  
Advisory

#### VIC

**Timothy Block CFP®**  
Grampians Investment  
Service

#### NSW

**Mark Mahony CFP®**  
StatePlus  
**Mark Henderson CFP®**  
Commonwealth Financial  
Planning





# FPA WELLBEING INITIATIVE GOES LIVE

The FPA has launched **FPA Wellbeing** – a free and confidential coaching and support program for FPA members that has been specifically developed to assist members through this challenging time for the profession.

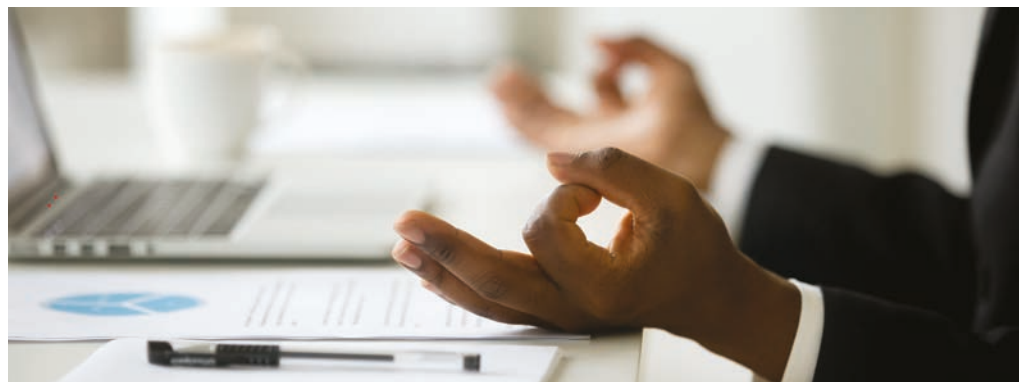
The FPA Wellbeing program is being run in partnership with Benestar® to provide a comprehensive support program to assist members with their health and wellbeing.

Commenting on the launch of the new program, FPA CEO Dante De Gori CFP® acknowledged the toll the recent Royal Commission and related legislative changes were having on many planners. He said FPA Wellbeing was introduced in recognition that planners were facing considerable change and uncertainty, and the FPA wanted to ensure that members who needed support had access to it.

“We are in the midst of extraordinary change as a profession. Higher education standards are forcing many of us to go back to the books and study, which is not easy when you’re running a business, a family, and volunteering in your community, like so many of our members do,” he said.

“Raising standards and advancing change is absolutely necessary, but at the same time it’s very, very difficult. We’re encouraging members to prioritise their wellbeing and reach out if they need more support to navigate the changes affecting all of us in different ways. Our new FPA Wellbeing support program is one way to do that.”

De Gori added that the health and wellness of planners was vitally important, not only for themselves but for their respective staff and clients. “Australian consumers need to be able to rely on a healthy and stable financial planning profession,” he said.



*We’re encouraging members to prioritise their wellbeing and reach out if they need more support to navigate the changes affecting all of us ... – Dante De Gori*

However, De Gori emphasised that using the service didn’t mean a practitioner had mental health or wellbeing issues. Instead, he said the trained counsellors and coaches available through the service could be used by planners to avoid making rash decisions that could ultimately affect their health and wellness.

“This service is to assist any member who feels anxious, confused or stressed and who feel the need to talk to someone,” he said. “FPA Wellbeing is there to assist members now and to help prevent anything happening in the future.”

The service offers support for:

- **My Coach:** Personal, confidential support sessions with qualified counsellors, psychologists and coaches via the phone, Live Chat or face-to-face; and
- **BeneHub:** A library of health and wellbeing resources available on your mobile phone via an app, or from your computer or tablet via a website.

“The person who can have the biggest impact on your health and

wellbeing is you. But with so much information available, it’s hard to know what is reliable or where to begin. That’s why we’ve partnered with Benestar® to bring you a comprehensive health and wellbeing program to help you feel great and to be your best self.”

Like many other FPA tools and services – like **Return to Learn** and **Match My Planner** – FPA Wellbeing is available for members to use if they need it. There is no obligation or judgement for members who do choose to use it. “The FPA’s role is to help and support our members through change and that is what we are doing,” De Gori said.

To access FPA Wellbeing, members need to phone 1300 360 364, or you can register at [www.benestar.com](http://www.benestar.com) and go to the BeneHub Login. Enter Company ID: FPA and Token: FPA01.

**fpa** Wellbeing

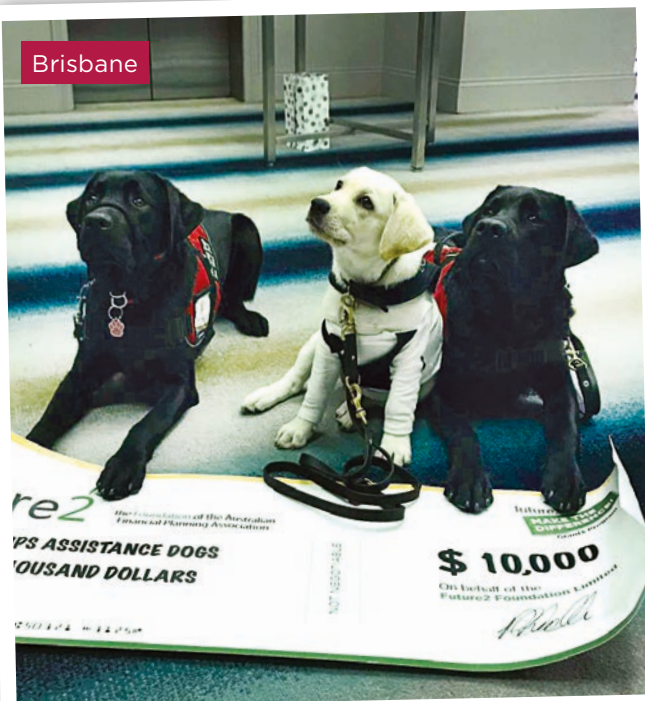




# OUT AND ABOUT

*Brisbane, QLD*

Brisbane



Brisbane

*Newcastle, NSW*



Newcastle



Newcastle

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

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

\*Lapse improvement rate based on rolling 12 month lapse rates for AIA Vitality and non-AIA Vitality members, by policy count, as at April 2019.



FPA members and guests at the Melbourne, Brisbane, Newcastle and Gold Coast Chapters enjoyed networking opportunities and the latest updates affecting them and their businesses at the recent FPA National Roadshow.



## Melbourne, VIC



## Gold Coast, QLD



Reduce your client lapse rates with  
AIA Vitality.

## ROYAL COMMISSION WRAP-UP: ADDITIONAL GOVERNMENT MEASURES

**The final part** of *Money & Life's* review of the Royal Commission's recommendations into Misconduct in the Banking, Superannuation and Financial Services Industry examines Additional Government measures, with a focus on how these recommendations specifically impact licensees and planners.

Following is the final 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 **Financial Advice**, the April issue looked at **Superannuation**, the May issue focused on **Insurance**, and the June issue reviewed **External Dispute Resolution and Consumer Compensation** and **Codes of Practice, Regulators and Culture**. This issue will take a look at the final part of the Royal Commission's recommendations – **Additional Government measures**. *The FPA's full response to all six sections of the Royal Commission's Final Report can be accessed at [fpa.com.au](http://fpa.com.au).*

### SECTION 5. ADDITIONAL GOVERNMENT MEASURES

#### ADDITIONAL MEASURE – FEDERAL COURT JURISDICTION IN RELATION TO CRIMINAL CORPORATE CRIME

**What this means:** The Government will expand the Federal Court's

jurisdiction in relation to criminal corporate crime.

The Royal Commission has emphasised that effective deterrence through judicial decisions relies on the timely institution of proceedings and punishment of misconduct. The Government agrees, and has already provided an additional \$70.1 million to boost ASIC's enforcement capabilities and supervisory approach, and \$41.6 million to the Commonwealth Director of Public Prosecutions (CDPP) to prosecute briefs from ASIC.

Extending the Federal Court's jurisdiction will boost the overall capacity within the Australian court system to ensure the prosecution of financial crimes does not face delays as a result of heavy caseloads in the courts.

The Federal Court has considerable expertise in civil commercial matters and is well-positioned to accommodate the conferral of a greater corporate criminal jurisdiction, which will help to increase the speed with which such matters are dealt with.

**FPA Comment:** The FPA supports the expansion of the Federal Court's jurisdiction in relation to criminal corporate crime.

#### ADDITIONAL MEASURE – FUNDING FOR FINANCIAL COUNSELLING

**What this means:** The Government agrees with the suggestion by Commissioner Hayne that there is

a need for predictable and stable funding for the legal assistance sector and for counselling services.

Financial counselling services play an important role in supporting consumers and the challenges faced by parties delivering these services include increasing demand, inconsistent and short-term grant-based funding streams, and fragmented delivery across jurisdictions.

The Government will review the co-ordination and funding of financial counselling services. This immediate review will be led by the Department of Social Services, in consultation with Treasury and the Department of the Prime Minister and Cabinet. The review will consider gaps and overlaps in current services and the adequacy of, and appropriate delivery models for, funding.

**FPA comment:** The FPA supports this additional measure and the role financial counsellors play, particularly in assisting consumers, who are experiencing financial hardship, to understand their options and to get back on track. The FPA Pro-Bono programs are an extension and support for financial counselling services offered by charities where consumers have immediate financial advice needs.

#### ADDITIONAL MEASURE – EXTENSION OF LEGISLATION FOR PIP/DDO

**What this means:** The Government





agrees with the suggestion by the Commissioner to extend the proposed Design and Distribution Obligations (DDOs) to apply to *NCCP Act* products and *ASIC Act* products, and the ASIC Product Intervention Powers (PIP) to apply to *ASIC Act* products.

The extension of the DDOs will benefit consumers by ensuring issuers of credit products and *ASIC Act* financial products identify in advance which consumers their products are suitable for, and direct sales to that target market, rather than promoting products to all consumers. These obligations will complement responsible lending obligations that apply to those offering credit.

The extension of the PIP to all *ASIC Act* products will empower ASIC to intervene in relation to a wider range of products, where ASIC identifies detriment or potential detriment to consumers.

The Government recognises that the extension of the DDOs may have a significant impact on many businesses and will carefully consider how these reforms are implemented.

**FPA comment:** The FPA supports this additional measure to extend the Design and Distribution Obligations (DDOs) and Product Intervention Powers (PIP) to credit products. The FPA will work with the Government to ensure the enacting legislation does not impede the ability of financial planners to provide financial advice that meets their client's needs.

## ADDITIONAL MEASURE – SUPERANNUATION BINDING DEATH BENEFIT NOMINATIONS FOR INDIGENOUS PEOPLE

**What this means:** The Government will consult with Aboriginal and Torres Strait Islander peoples and relevant representative bodies, as well as the superannuation industry, about difficulties in using binding death benefit nominations.

**FPA comment:** A question arose in the course of the Commission's proceedings about whether the law, as it now stands, permits Aboriginal and Torres Strait Islander peoples

to make binding death nominations in respect of their superannuation that reflect the kinship structures of the peoples concerned, and urged consultation to address this issue.

The FPA supports this additional measure, noting the broader issues in relation to binding death nominations and current norms in relation to family structures.

## ADDITIONAL MEASURE – REVIEW OF THE EFFECTS OF VERTICAL AND HORIZONTAL INTEGRATION IN THE FINANCIAL SYSTEM

**What this means:** The Government agrees that understanding the longer term market implications of integration is an important component of promoting competition in the financial system, and supports the ACCC considering integration issues where they are identified as part of its market studies work.

This also responds to the Productivity Commission's report, *Competition in the Australian Financial System*, which recommended that the ACCC should undertake five yearly market studies on the effect of vertical and horizontal integration on the financial system.

**FPA comment** It is important to acknowledge Commissioner Hayne's discussion on vertical integration in his Final Report and his consideration of the inherent conflicts of interest of vertical integration. Noting that the changes to the industry, as many vertically integrated firms sell parts of their business, the Commissioner made the following conclusions:

"Ultimately, whether there should be a separation between the manufacture or sale of financial products and the provision of financial advice will depend on whether the benefits of such a separation would outweigh the costs." (page 192)

"The industry is already undergoing significant change. Many of those changes – both those already in train, and those recommended in this Report – should improve the way that conflicts of interest are managed by financial advisers, and help to eliminate some of those

conflicts. Further changes will follow as the industry adjusts to these and other changes – including, perhaps, a continued shift away from vertically integrated institutions, which would help to reduce or further eliminate conflicts of interest.

"Enforced separation of product and advice would be a very large step to take. It would be both costly and disruptive. I cannot say that the benefits of requiring separation would outweigh the costs....I observe, however, that the Productivity Commission recommended, and I agree, that commencing in 2019, the Australian Competition and Consumer Commission 'should undertake five yearly market studies on the effect of vertical and horizontal integration in the financial system'." (page 195)

The FPA has long held the view that it is necessary to have a separation of advice and product to maintain the independence of the advice providers. The reason for our position is the strong tension between the professionally constrained interests of advice businesses and the commercial interests of product businesses. Unless advice businesses are protected from undue pressure from product businesses, the tension between product and advice may not serve the interests of consumers.

The FPA agrees with Commissioner Hayne's view that regulatory and market changes currently in train and to be implemented from the Royal Commission recommendations, will impact the existence and management of conflicts of interest and therefore, the effect of vertical integration on consumers seeking financial advice.

The FPA supports the recommendation for the ACCC to undertake five yearly market studies on the effect of vertical and horizontal integration on the financial system.

*Please note: This article only outlines the key recommendations in relation to 'Additional Government measures'. To read the FPA's full response to the Royal Commission's Final Report, go to [fpa.com.au](http://fpa.com.au)*

GUEST CONTRIBUTOR

## BETTER HEALTH, BETTER YOU

Creating time to consider, and act on, how you protect and foster your health and wellbeing, is the best way to ensure the success of your business and satisfaction in your life, writes **Guy Vicars**.

Some years ago, I worked with a bloke who had a consulting business that was a one-man-show. He had a good life and looked after his family, managed to balance professional and home life, and enjoyed helping his clients.



*Guy Vicars*

As is typical for sole operators, he was everything from chief bottle washer, emptying the bins, cleaning the office, doing his own IT, running the accounts receivable and accounts payable department, answering the phones and scheduling appointments. You get the picture. And then he did the work his clients paid him to do; the work he loved.

He had an office set up at home. The office was the first room to the front door, meaning clients could come straight in without going through the rest of the house, and the bathroom was accessible without impacting the rest of the family... so long as he timed his clients right. That is, when the kids were at school and the wife was at work. Of course, this proved stressful in its own right, but, well, he figured this is just what you have to do.

He loved his office. It was a great size and of a style that suited him. Separate phone line. Fireplace. Comfortable. He had it set up just right.

Fact is, he could often be found in there, in his office, late at night. He enjoyed the space, so why not? It helps to start the following day getting a few extra things done. After all, there was only him. It made sense. Admittedly, he found it hard to get a break because the proximity of the office meant it was easy to slip in and do the 'odd job'. It was almost addictive.

One morning he went into the office to answer the phone – early. He took the call. He was the consummate professional; available for his clients; responsive. It was good for business. That's the turf for a 'solo-preneur'.

After finishing the call, he looked down. On the top half he was wearing a T-shirt and jumper; on the bottom... nothing. Not a thread. Not a skerrick. Horrified, and stifling a yelp, he bent over double as he reached for the door, hoping no one would see him through the window, and fled.

Having working so hard to get it right, to balance everything and be 'on top', reality came crashing in. He had no time off, or time away from work, because everything was so 'convenient'. There were no boundaries between work, home and family.

Despite being social and speaking to many people on the phone, he came to the sudden, surprising realisation that he was lonely, having little outside contact with friends or even colleagues.

He was stretched too thin and a creeping awareness emerged that he probably wasn't providing the best service to his clients. To top it all off, he was exhausted.

### A STORY THAT'S ALL TOO FAMILIAR

This story is pretty typical in many respects. Maybe you can identify with this 'case study'. Perhaps you change the gender of the person, the marital status or the office setting.

However, the essential set of problems are easy to identify. The person needs to set some proper personal/professional boundaries. There needs to be greater, set





time away from work doing other things, but particularly having social connections. Time to exercise is clearly important but so is time just doing nothing; an almost seemingly impossible luxury these days.

## GETTING THE BALANCE RIGHT

The economy is challenging to say the least, but couple that with working in a demanding industry undergoing huge ructions and ongoing change makes for a stressful work life, to put it mildly.

Unfortunately, when businesses and people are under pressure, the first things they tend to sacrifice for the greater good are things that don't cost anything financially. Things like having a break, employing staff or even getting a cleaner. Things like getting out under the sky and moving the body. Things like being social (as opposed to being on social media).

In fact, the very things we all need to look after most – our health and wellbeing – are the things we tend to sacrifice first. How often have you said: "I'll go for a longer run/gym session/swim...tomorrow." You and I both know it never happens.

If you don't look after you, no one else will. I'll keep it brief but start here:

### DO'S

- **Drink water.** This is especially important when you're tired. People often reach for a snack or a coffee when, in fact, they are dehydrated.
- **Move your body – often.** Sitting is the new smoking. If you can use a standing desk, it helps considerably. If not, at least take calls standing.
- **Notice your own daily rhythms and work accordingly.** If you override them often, then you may not recognise important health signals, but they mean something, so figure it out for you.
- **Schedule times that best suit you.** This includes scheduling meetings, time for computer work, emails and phone calls according to the times of the day that best suit your energy and concentration levels.



*The very things we all need to look after most – our health and wellbeing – are the things we tend to sacrifice first.*

- **Establish good sleep hygiene practices.**
- **Incorporate different, non-work-related stimuli into daily life.** Examples include sport, hobbies and music, which all help to keep you fresh.
- **Meet with friends regularly.**
- **Get a mentor and/or a support group.**
- **Be a mentor for others.** This looks like more work, but studies also show that 'giving' has significant health benefits.

### DON'TS

- Quench thirst with soft drinks.
- Overdo stimulants, such as tea and coffee (e.g. energy drinks).
- Work for the sake of putting in the hours; it's counter-productive. After about a 38-hour work week, studies reveal that productivity dives sharply, so breaks are essential for health and wellbeing.
- Reduce life to the narrow track of work only. This creates a stale mind.

- Get lulled into taking a break by checking social media constantly or even frequently. Develop discipline around this. Early studies show what we know to be true when it comes to reliance on social media platforms, and the effects are negative.
- Be on blue screens for an hour prior to bed.
- Become isolated.

These lists could go on for some time and each of us will have our idiosyncratic additions that make the lists even more meaningful and helpful. The point is, creating time to consider, and act on, how you protect and foster your greatest asset, will without doubt be the best way you ensure the success of your business and satisfaction in your life.

*By the way, the names and faces of the people talked about in this 'case study' have been pixelated to protect my their identity.*

*Guy Vicars is an individual counsellor, psychotherapist and relationship therapist in private practice. He is an academic teacher in undergraduate and postgraduate courses in counselling. He has written chapters in two books including 'The Ripple Effect of Depression' and 'Life is a Choice and the Choice is Yours'. Guy also featured recently on Channel Seven's show 'The SuperSwitch'. He is also the proud dad of Finn Vicars, who appeared at the 2018 FPA Professionals Congress. For more information, go to [www.guyvicars.com.au](http://www.guyvicars.com.au)*



## OPINION CORNER

# APPRECIATE WHAT MATTERS MOST

**Question:** With so many challenges and changes facing the profession, it's a stressful time to be a planner. What are your top three tips for managing your own health and wellbeing?



**Troy Theobald CFP<sup>®</sup>**

**Director - Financial Services,**  
Robina Financial Solutions

**Licensee:** Australian Advice  
Network

I actually have four tips I'd like to share.

- 1. Be involved with your kids.** Kids provide a great perspective on life. My wife and I are actively involved in the school community. This provides our kids with a positive perspective of volunteering and knowing their parents are interested in what they are doing.
- 2. Have an interest.** For me, that's golf. We have a golfing group in the financial community. We have a WhatsApp group that is used for the weekly banter around golf-related activities and then we have games that we meet up for. This is a way

to keep connected, which then leads to phone calls and ideas sharing. This is a great method of commutating with each other and to reach out when you need a hand with something.

- 3. Stay active.** We like to stay active as a family. It may be walking on the weekends, soccer or playing tennis together. I also enjoy my stand-up paddle board, as it's an ideal way to get away from the world for a little bit, while exercising.
- 4. Have a good support network.** I am part of the Australian Advice Network, where all the directors are in regular communication and support each other. Dealing with changes as a group provides a greater outcome to all, as well as a support release. Change is constant, so you need to find a way to deal with it and then it will not matter what the change is, as you will have a process to deal with it.



**Michael Carmody**  
**CFP<sup>®</sup>**

**Founder and Director,**  
Viva Wealth

**Licensee:** Sentry Financial  
Services

There are different ways to explain the term 'wellbeing'. What is commonly accepted, however, is that our wellbeing is influenced by all facets of our life. Knowing and understanding how content we are in each of these facets is integral to achieving 'wellbeing'.

There is a well-known tool – the **Wheel of Life**. This is my pick to help bring clarity to our own wellbeing. This tool gives a bird's-eye view of our life. It is a visual representation of all areas in our life at one time.

Each spoke in the Wheel of Life represents a facet of our life, e.g. fitness, finances, family, health, career. I regularly use the Wheel of Life for myself and it has become a common practice to offer my clients the opportunity to complete the tool, too.

I find clients who are stressed or lead very busy lives, love the tool. It is not only simple, it is also effective in providing clarity as to what facets require attention for increasing their wellbeing.

My top three tips:

- 1. Google search for 'Wheel of life'.**
- 2. Complete the Wheel of Life activity.**
- 3. Reflect on the shape of the wheel** and see what areas you may like to **focus on** to bring balance and wellbeing to your life.





**Question:** With so many challenges and changes facing the profession, it's a stressful time to be a planner. What are your top three tips for managing your own health and wellbeing?



**Shayne Sommer**  
CFP® LRS®

Private Client Adviser, Shadforth  
Financial Group  
Licensee: IOOF

I've borrowed some components from a robust investment philosophy to create a framework to maintain my health and wellbeing during those busy periods.

- 1. Control what you can control:** Just as we advise clients to maintain an appropriate mix of growth and defensive assets in their portfolio to endure market movement, we can aim to keep enough 'defensive' time in the diary to do those administrative procedures like file notes, advice reviews and implementation follow-up.

Loading up your diary with too many 'growth' activities, like seeing clients and prospecting, can make it hard to deliver all the things discussed in meetings in a timely and efficient manner.



**Matthew Torney CFP®**

Partner, Muirfield Financial  
Services  
Licensee: Muirfield Financial  
Services

- 1. Explore:** Discover what wellbeing and happiness really means to you. Do some research on strategies to improve your overall wellbeing. What works for you may not work for others.

Personally, I enrolled in a 'Diploma of Positive Psychology and Wellbeing' to gain the knowledge and skills necessary to increase individual, business and collective wellbeing. I now have practical tools to make a significant and positive difference in people's lives, including my own.

Where psychology has previously focused on what is wrong with people, this course provides a foundation to provide equal focus on what is right with people. The content includes nurturing strengths, promoting excellence, gratitude, emotional intelligence, achievement, relationships and meaning.

- 2. Connect:** This can be as simple as talking to the people around you – with family, friends,

- 2. Diversification is essential:** Split your time between all your activities, not just 'work' ones. Carve out space for physical and creative interests into your week.

The change in perspective, environment and physical engagement in activities, will enhance the time you do spend on your workload.

- 3. Discipline is paramount:** Just as we coach clients to be disciplined in their approach to investing, when you're not really feeling like you can afford to spend time at the gym or yoga class, then make yourself stick to your plan.

Don't make excuses. Just get out and enjoy the change of pace.

Sometimes, the pendulum does swing and we spend more time on work than on other pursuits, but that's nothing a quick rebalance of our priorities can't fix.

colleagues and neighbours. Quality relationships need investment, and building these connections can support and enrich you every day.

In communicating authentically with people, I have learned a great deal from others about strategies to improve wellbeing. Just as we advocate the benefits of quality financial advice, the same is true of health and wellbeing advice.

Engaging a mentor or coach in this space to regularly communicate with has helped me reflect, plan and ultimately improve my overall wellbeing.

- 3. Move:** Exercising makes you feel good. Discovering a physical activity you enjoy and that suits your level of mobility and fitness, can have profound effects on your overall wellbeing.

Most of my day is desk bound, so I enjoy opportunities to get outdoors. It can provide the chance to get curious; to catch sight of the beautiful; to remark on the unusual; and simply be aware of the world around you.

Being mindful and reflecting on these experiences can help you appreciate what matters most.





**Question:** With so many challenges and changes facing the profession, it's a stressful time to be a planner. What are your top three tips for managing your own health and wellbeing?



**Corey Wastle CFP®**

**Founder and Financial Coach,  
Verse Wealth**

**Licensee:** Synchron

For me, the last four years have included starting a business from nothing, consistently working 60 hours per week for three years, having our first child (second soon), living on one wage and a business partnership split. It's been the most challenging period of my life and has challenged my wellbeing consistently.

I've always prioritised nutrition, have never been willing to trade on sleep, and for as long as I can remember, exercise has been part of my life. Even still, I've been run down, consistently 'busy', less present with others and as much as I don't like to admit it, stressed at times.

In recent months, I have taken up transcendental meditation. My daily practice includes two 20-minute

sessions to simply and effortlessly take the mind to a place of stillness.

The noticeable changes have included:

- Significantly decreased the 'noise' inside my head;
- Far more present with family, friends, clients and teammates;
- Easily 'switch off' from work;
- Less emotionally responsive to daily stressors;
- Better relationships with loved ones;
- Increased sense of clarity;
- Consistent feeling of calmness;
- Decreased phone use;
- Not 'running on adrenaline'; and
- Improved quality of sleep (and needing less sleep).

If you're a tram driver, global leader or financial planner trying to keep all the balls in the air, I can't recommend establishing a daily meditation routine highly enough. When you do, everything else gets easier.



**Amanda Cassar AFP®**

**Director, Wealth Planning Partners**

**Licensee:** Financial Services Partners

I always make sure that my diary includes time for some exercise or time out. Each weekend, I head to the local pool, as well as try for one morning a week. It's great to look after your physical health, which in turn impacts your mental health.

I also love reading and pick up a book every night before turning out the lights. Most often it's fiction, but now and then I'll include a book on business or personal development. Mostly, I read just to escape and turn my brain off from thinking about work and home life.

My daughter has recently bought me the entire *Game of Thrones* series to watch, so I'm working my

way through that. I love a glass of wine too, but try not to drink as a rule through the week. I also enjoy entertaining, so having a few friends over on the weekend and getting a bit creative with cooking is also fun for me.

I've been down the path of being a workaholic and am not interested in going back down that rabbit hole. There's so much more to life. I don't want my early grave to read what a dedicated person I was to the job. I also invest a lot of time on my own education and enjoy attending conferences, which allows me time to mingle with like-minded advisers and learn from others.

Maintaining balance is really important. I know there are many who are struggling with industry changes, but it's important to remember that our self-worth should never be tied to our net worth. Life goes on and it's important to look after our physical health and wellbeing.

”

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## MEET THE BOARD

# COACHING SKILLS

FPA Board member, **David Sharpe CFP<sup>®</sup>** believes it's time the profession resets the media narrative as it moves forward.

With three active sons, two footy teams to coach, regular media commitments, as well as running his own self-licensed financial planning practice, by anybody's reckoning, David Sharpe lives a fairly hectic life.

And things don't slow down for the Perth-based CFP<sup>®</sup> practitioner, who in 2016 was shortlisted as one of the top three CFP<sup>®</sup> professionals in Australia. He has also served as Chair of the FPA Western Australia Chapter before being elected to the FPA Board in November 2016.

But with such demands on his personal and professional time, why would the 40-year-old seek nomination for the FPA Board?

It's a question the self-confessed "regular dad" is happy to answer: "Through my role as Chair of the Western Australia Chapter, I was inspired by the work the FPA was doing. As I have always been very community-minded, the decision to become more involved with my own professional community, by nominating for the Board, was an easy one to make.

"The way I see it, if you want to make a difference, then roll up your sleeves and get involved."

As part of his Board responsibilities, David also chairs the Professional Standards and Conduct

Committee and is a member of the Governance and Remuneration Committee.

### TOP THREE ISSUES

But first and foremost, David is a small business owner, running Globe Financial Planning – a boutique financial services firm located in West Perth. And like the practitioner members he represents on the Board, he also faces the same types of challenges they do running their financial planning practices on a daily basis.

So, what does he see as being the top three issues currently confronting him as a professional?

For David, it's dealing with regulation and red tape, changing the media narrative on financial planning, and the engagement of students for the future of the profession.

"The top issue would be the amount of regulation and red tape the profession is facing, and the amount of work planners have to do just to deliver advice to our clients," he says.

David also identifies planner angst with the media narrative about the profession, as another topical issue.

"You only need to look at the narrative in the media that's been around for the last 18 months about the profession, which has been highlighted by the Royal Commission.

While there have been some planners who have done the wrong thing, the vast majority of my colleagues do the right thing every day. They improve the lives of their clients, but we don't get to hear those good news stories. So, we need to change the narrative and focus on those many good news stories," he says.

And the third issue that David identifies is what he calls a "sleeping issue" – ensuring the future of the profession by engaging with today's students.

"There's a lot of talk about planners leaving the profession as a result of the new FASEA standards. And even if that doesn't happen, there's still going to be some natural attrition of planners. However, now that we've got significant barriers for entry to the profession, there's going to be a time lag before new planners are actually qualified to deliver advice.

"The challenge for the profession will be engaging with students about financial planning as a career, so that in five to seven years' time, we've actually got new planners entering the profession."

### THE BOARD IS RESPONDING

Having identified his top three issues confronting the profession, how is David and the FPA executive responding to them?





## 1. Regulation and red tape

In relation to increased regulation and red tape, David says the FPA has a good working relationship with all the regulators. He concedes that while the FPA doesn't always get its way on regulatory policy, it nonetheless strenuously lobbies the regulators for sensible outcomes for the profession.

As a case in point, he refers to the recent FASEA education requirements. According to David, prior to the FASEA legislation, there was a push from some sectors of the industry to see all existing planners having to obtain an undergraduate degree, plus sit an exam every two years. That meant under the initial guidelines of 2017, 91 per cent of FPA practitioner members would have needed to do a Graduate Diploma.

However, after considerable work over a year presenting the case for recognition of much of the study already undertaken by planners, the FPA was able to secure sensible outcomes, with approximately 50 per cent of FPA members only needing to do one unit (the Code of Ethics course), with approximately 15 per cent of members having to do between three and seven units, a further 30 per cent between four and eight units, and fewer than 5 per cent of members having to complete eight units.

"This would not have been possible without all the hard work the FPA did on behalf of its members," says David. "It's the result of the FPA's pragmatic approach to prosecuting a case based on reason and objectivity. It's something the FPA does a lot of but we don't do a good job of communicating these achievements to the wider membership, and that needs to change."

David also identifies a range of tools and resources the FPA has designed to help members adapt to the changing advice landscape, including the Return to Learn online education and study hub, the FASEA Code of Ethics toolkit, the Match My Planner tool, fintech evaluation tools and the National Roadshow.

## 2. Changing the narrative

When it comes to changing the media narrative about financial planning, David has taken a personal approach. For a number of years now, David has 'walked the talk' by becoming a regular contributor in the media, particularly with Perth's *Channel 9* and radio *6PR*.

"I decided to become involved with the media because I wanted to be a voice that was positive for our profession," he says. "I wanted to reach out to consumers by providing them with practical tips."

The FPA's *Money & Life* consumer website is also helping to change the narrative by uncovering those "good news" stories and sharing them with the wider community.



David Sharpe CFP®

"My aim is to raise the profession to a level where, just like the Australian Medical Association, it is consulted by the media as a first point of reference, particularly in relation to Government policy on personal finance."

## 3. Student engagement

To help raise greater awareness of financial planning as a career for students, the FPA is working closely with universities in relation to FASEA compliant courses. In fact, David enjoys an active involvement with Curtin University and working with local high school students.

"I spend a lot of time meeting with students and talking to them about financial planning and the various pathways available to them to make this a career. The FPA encourages this type of grassroots involvement."

He also points to the FPA Emerging Professionals Network, which is aimed at increasing student awareness of financial planning as a career. The

network comprises of young FPA professionals, who actively seek to raise awareness of financial planning to secondary and tertiary students. "These initiatives are all helping to safeguard the future of the profession," David says.

## HEALTH AND WELLBEING

With the profession facing such rapid change, David is acutely aware of the challenges planners face with their mental health and wellbeing. It's a topic close to his heart.

"The issue of mental health and wellbeing is massive," David says. "Financial planners are frequently dealing with client tragedies that are very confronting. And then they have their own personal issues to deal with. Many planners are running their own practices too, which can be very isolating."

Running his own self-licensed practice, David manages his health and wellbeing by participating in a peer networking group, which enables him to openly talk about his challenges and successes in a supportive environment.

"A problem shared, is a problem halved," he says. "We often get caught up in the day-to-day, so taking the time to talk about our stresses and challenges with others, does make a difference. I encourage planners, particularly sole practitioners, to join a peer networking group. It's a great opportunity to support others, while being supported yourself."

And while David concedes he runs a fairly full work schedule, he still ensures he puts time aside for his family. Part of that involves coaching two of his sons' footy teams at the Kingsley Junior Football Club.

"Whether it's footy or cricket, most of my weekends are spent at sporting fields," he laughs. "But this time is incredibly precious to me and as a coach, even for a kids' team, it keeps me well-grounded. My family is a constant reminder to me of what's truly important in life, which is the key to my personal wellbeing."

## NEW HORIZONS

Congress chair **Michelle Tate-Loverly CFP®** talks about this year's theming and format for Congress 2019.

### 1 WHY WAS THE THEME – NEW HORIZONS – CHOSEN FOR THIS YEAR'S CONGRESS?

Last year was confronting for the profession, with so much uncertainty and change – making sense of FASEA education standards and dealing with the big issue of gradually rebuilding trust in financial services post Royal Commission. So, this year, we want to recharge planners, by helping them reignite their passion for financial advice, to help recalibrate their businesses, to think differently, and to be hopeful for the future of advice.

In choosing this year's Congress theme – New Horizons – we were mindful that the definition of 'horizon' not only refers to the line at which the earth's surface and the sky appear to meet, but that the range of vision is different for each observer and every individual.

Whilst we may all experience slightly different challenges along the way, New Horizons is an appropriate theme for Congress, as it describes the journey we are all on of adapting and evolving to change as a profession, with shared values and standards.

New Horizons is about adjusting to the pace of change. It's about looking forward to the future and embracing changes – whether that be technological, educational, regulatory and professional. New Horizons is about facing the future and adapting to these changes collectively as a profession.

### 2 HOW WILL THIS YEAR'S THEME RESONATE WITH PRACTITIONERS?

Thankfully, as a profession, by November this year, we will be over the uncertainty we faced last year. So, this year's Congress



Michelle Tate-Loverly CFP®

is an opportunity for practitioners to reimagine their businesses, as we look to the future.

Congress will allow planners to think beyond their daily challenges, by showing them what their

businesses could look

like in the years ahead. And an important part of this is to empower and support practitioners with embracing change as we move forward together.

Adapting to change can seem overwhelming, particularly when you are working in a small business, which can often be isolating. When you're disconnected from insights and other points of view, there is always the danger that we can miss new ideas and trends that can positively impact our future. But when we move together as a community, nothing is impossible.

Congress will expose practitioners to new ways of conducting our business, and help you discover how to be more relevant, efficient and competitive in this ever-evolving professional landscape.

### 3 WHAT EXCITES YOU ABOUT THIS YEAR'S CONGRESS FORMAT?

So much... The Congress team is living and breathing Congress to deliver an amazing experience for you.

The workshops will be particularly practical, addressing the hard-hitting questions all planners are asking at this juncture. For example, there is currently a lot of interest around the new FASEA exam, so we are hoping to have planners who have completed the exam talk about their experience with us.

How to price, add value to our clients, have deeper conversations with clients, provide



compliant and efficient advice under Best Interest Duty and FASEA, and build a successful team culture will all be workshopped at Congress. We will be able to better equip practitioners with the knowledge and insights they need to adapt their businesses for the better.

Another exciting aspect of this year's format will be the international element we intend to infuse in Congress. We have locked in a number of global business leaders as some of our keynote presenters, who will reveal how they have adapted to change – both personally and professionally – and how they have excelled as a result of it.

As these business leaders come from different industries, it will be interesting to hear how they have transformed their businesses to thrive.

And for the first time, we're going to hear from leading financial planners from around the world. These practitioners will share their experiences of dealing with legislative, technological and client change, and explain how they have successfully embraced and evolved their businesses as a result of these changes.

These are exciting, vibrant and client-focused businesses, so there will be plenty of new ideas to discover from our international colleagues.

## 4 WHY SHOULD FPA MEMBERS ATTEND THIS YEAR'S CONGRESS?

There are so many reasons!

Once again, we have sourced an outstanding mix of specialist speakers, national and international speakers, inspirational speakers and practitioners.

The Congress program will balance compliance with client engagement, along with technological advancements in advice and best practice, ensuring delegates are well equipped to manage and adapt to all the change and transition happening within the profession – both now and as we head to New Horizons.

Through feedback from this year's FPA National Roadshow, our members are looking for a community of like-minded professionals and there's nowhere better to find that community than at Congress.

Practitioners want to know they are not alone as they face and work through changes to their business. By attending Congress, we can come together as a profession and share this exhilarating journey with each other. Congress will help reignite the passion in what we do – helping our clients to live their dreams.

The Congress program is designed as a balance between trying to deal with our short-term challenges and at the same time, thinking beyond, creating a vision for the future of advice.

Delegates attending this year's Congress can expect to receive up to 15 CPD hours, inclusive of three FASEA CPD hours for Ethics and Professionalism.



By confronting today's challenges, we can embrace change together, as we head into a more certain future.

## 5 WHAT WILL BE THE THREE KEY TAKEOUTS FROM THIS YEAR'S CONGRESS?

Whether you are new to the profession or a seasoned veteran, the FPA Professionals Congress program has been designed to deliver something for everyone.

The three key outcomes you will take away from this year's Congress are:

- 1. Community:** You're not alone. You're part of a community of like-minded professionals who are all on a shared journey together, supporting each other.

- 2. Vision:** We will encourage you to think about what is possible for 'your' future and for the future of financial advice. This includes how we can emerge stronger, improve our advice offering and remodel our businesses to not only be sustainable but to thrive, delivering significantly improved results for our clients.

- 3. Leadership:** As we head to New Horizons, it's important that we bring along the next generation of planners on this journey with us. However, in order to follow, there must be a vision of the future and that comes from your leadership. There is much to do in our transformation. Congress will inspire you to be more strategic, to take action and to realign your team for the journey ahead.

At this year's Congress, we want to reignite the passion and purpose of individuals for this profession. It's not only important to stay the course, as we move to higher professional

standards and adapt to change by future-proofing our businesses, but also to reinforce the difference we make to our clients' lives, each and every day.

So, come to Congress and broaden your 'horizons'. Equip yourself and business for change, embrace new ideas and expand your thinking. See you in Melbourne!

*Michelle Tate-Loverly CFP® is Chair of the Congress Committee. The Congress Committee looks forward to welcoming you to the 2019 FPA Professionals Congress in Melbourne (27-29 November). For more information on Congress or to register your attendance, go to [fpacongress.com.au](http://fpacongress.com.au)*

Insight<sup>®</sup>





# STRIVE, SURVIVE *and thrive*

Are you ready to embrace change and step out of your comfort zone? **Andrew May** is, and he says it's time for the profession to overcome obstacles by building new capabilities to create opportunities. **Jayson Forrest** reports.

Do you remember Andrew May? He was the high energy presenter at last year's FPA Professionals Congress who had delegates doing push-ups!

Well, he's back for the 2019 Congress in Melbourne, where he will be challenging planners to step out of their comfort zones and embrace change. And what a timely presentation this will be. With change all around us – whether it's the new FASEA education standards, fintech innovation or adjusting to the Royal Commission recommendations – change is omnipresent in financial planning.

But – as one of the world's leading strategists on workplace performance and wellbeing – one thing Andrew is acutely aware of is that coping with change, whether in the workplace or at home, can be hugely stressful. It's a fact that is particularly relevant for financial planners, as they adapt to unprecedented changes within the profession.

The key to dealing with change, he says, is good mental health and wellbeing.

"Without a positive and flexible mindset, you're not going to be able to ride through the ups and downs of life, particularly given all the challenges planners are faced with today. Having a positive mindset will enable you to survive and thrive when there is change."

Yet, when it comes to health and wellbeing, Andrew believes the planning profession hasn't put enough focus on these areas in the past, but is heartened to see the start

of a shift in people's attitude to their health and wellness.

He particularly applauds the FPA's latest initiative for members, FPA Wellbeing – a free and confidential coaching and support program that has been developed to assist planners through this challenging time for the profession.



*The problem for many of us in middle age, is that we still think we're 25. We're floating in that river in Egypt called 'denial'.*

## ARE YOU MATCHFIT?

And while this shift in attitude towards health and wellbeing has been a positive development, Andrew concedes there still is a problem with planners actually being able to identify when they have issues with their body and mind – a condition, he says, that can creep up on even the strongest person.

The solution, he says, is to get your health and state-of-mind regularly assessed.

"The problem for many of us in middle age, is that we still think we're 25. We're floating in that river in

Egypt called 'denial'."

To address this denial, Andrew has developed an online tool – the MatchFit Calculator – which helps users to assess their body and brain. It is an evidence-based assessment tool that captures metrics for individual and organisational change.

"Businesses are increasingly aware of the critical importance of employee health and wellbeing. Creating a work environment that feels psychologically safe and is supportive of a healthy and balanced lifestyle is a major competitive advantage, not to mention essential for minimising the risk of claims, decreasing turnover and lifting engagement," Andrew says.

"The MatchFit Calculator provides organisations with a set of metrics to help understand how employees are operating in relation to their physical (body) and mental wellbeing (brain)."

According to Andrew, the 'body' aspect of the calculator deals with biological age, nutrition, sleep and recovery. Whereas the 'brain' side examines growth mindset, the ability to handle stress and adapt to change.

## IT'S TIME TO STRIVE

Whether it's regulation, technology or changing client expectations, adapting to change can be hugely challenging and stressful for planners. So, how can planners step out of their comfort zone and embrace this change?

"It's a great question," Andrew says, and one he intends to answer in his session, called 'Strive', at this year's

*Continued overleaf*



Congress in Melbourne. 'Strive' is based on a French word meaning to push through and come out the other side.

"Planners need to build in, what I call, 'micro doses' of change to their everyday lives," he says. "That's because so many people get stuck playing the 'same game'. They end up doing the same thing, at the same time, with the same people, everyday.

"So, when we talk about industry reform, digitalisation and technological disruption – things that are so different from the sameness of our

daily routines – then it's little wonder we don't cope well with change."

To avoid the 'same game', Andrew believes it's important we introduce 'little bits' of change every day to our lives.

"And that could mean taking a different route to work or introducing something different to your day, like having a 'walking meeting' or eating something different. It's about disrupting your routine and learning to cope with that 'micro dose' of change.

"By doing little things

to stimulate the brain, it makes us much more resistant to change. In fact, there is plenty of research to support the premise that when you start to introduce micro doses of change, people are better able to handle big doses of change."

He adds that underpinning this concept of introducing micro doses of change is developing a growth mindset.

According to Andrew, a fixed mindset is very one dimensional – it's either black or white, right or wrong. A fixed mindset doesn't give you much

capacity to change what you are doing. Whereas a growth mindset understands that mistakes are part of the learning process, and is better able to adapt and improve as a result of these mistakes.

"Introducing both micro doses of change and working on our growth mindset is imperative for planners in this rapidly changing environment. If you combine these two elements with getting your body moving, reducing your weight by cutting back on sugar and alcohol consumption, and getting your brain firing, then you're going to be in a much better position to perform at your optimum and successfully take on change," he says.

"So, when you talk about constructs like 'grit' (perseverance and passion) and 'hardiness' (finding meaning during tough and challenging times), they are both connected to 'strive'. When asked what people are most proud of, typically they say they are most proud of the struggles they have endured and pushed through.

"By being MatchFit – both physically and psychologically – and then working on those skills



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to 'strive', push through and come out the other side, we can overcome any obstacles. And by doing so, we can build new capabilities and create new opportunities."

## REMEMBER, BE AUTHENTIC

Andrew talks a lot about the need to step out of your comfort zone in order to embrace change. So, how can the profession take on a greater role when it comes to embracing change – both for themselves and their clients?

"It's another great

Andrew talks about the importance of practitioners being role models and leaders for their clients, by showing them how to better manage stress and change.

"It's all too easy to think that change is just happening to other people. So, the first thing I'd say to planners is deal with change as it comes into your life by embracing and adapting to it. And be authentic with your clients. Understand the difficulties and stresses they are experiencing, and share with them your own personal stories of how

have a positive impact on your clients by showing them that change and struggle is a part of life we all endure and push through with."

## KEY TAKEOUTS

For practitioners attending Andrew's presentation on 'Strive' at this year's Congress, he is confident they will take away some key insights that can be easily implemented within their businesses, as well as their own personal life.

"Strive is all about pushing through challenging times and coming out the other side. My presentation will be about getting to the

It's also important to remember that the inherent struggle in life is actually good for us."

But he emphasises that 'strive' is something that planners need to work at.

"The reality is that for a number of practitioners, they will have to make some big changes to the way they currently operate: in the way they look after their body; in the way they look after their brain; in the way they operate their business; and in the way they role model themselves to other people.

"But through 'strive', they can push through and come out the other side, and not only survive but thrive!"



*To embrace change in others, you first need to embrace change for yourself. By doing so, planners can play a significant role in their clients' lives – not just with their financial wellbeing, but also with their physical and psychological wellbeing.*

question," he says. "To embrace change in others, you first need to embrace change for yourself. By doing so, planners can play a significant role in their clients' lives – not just with their financial wellbeing, but also with their physical and psychological wellbeing."

you have dealt with change and struggle.

"For me, it's been battling cancer, surviving a marriage breakdown with two young children and enduring a former toxic work environment. These types of shared stories can

core of what 'change' and 'struggle' is. I will encourage planners to acknowledge they have gone through some tough times, they have scars, but they will get through by drawing on their resilience – both individually and collectively as a profession.

Andrew May is a speaker at the 2019 FPA Professionals Congress in Melbourne (27-29 November).

Andrew is recognised as one of the world's leading strategists on workplace performance and wellbeing.

For more information on the Congress program or to register your attendance, go to: [fpacongress.com.au](http://fpacongress.com.au)

# Help your clients live their healthiest life with AIA Vitality.

# VISION WITHOUT EXECUTION IS A DAYDREAM

**Jason Andriessen CFP®** discusses the need for planners to overcome human biases and entrenched behaviours to enable clients to unlock the benefits of advice.

Research shows that financial planners can transform the lives of their clients, but only if advice is accessed in the first place, and then only if the advice is implemented. Financial planners need to do more than just inspire their clients. They need to overcome human biases and entrenched behaviours before clients can unlock the benefits of advice.

We know that Australians worry about money more than anything else in life. According to the Australian Psychology Society, financial issues are the leading cause of stress amongst Australians; higher, even, than worries about health. Financial stress is bad for our families and it's bad for our communities. Those who feel financially stressed drink more, sleep less, have worse mental and physical health, and have more conflict in their personal relationships.

But while many Australians worry about money and feel short-term financial stress, we know that advice can help.

In recent years, CoreData has undertaken research into the value of financial advice. We have found that consumers with an active relationship with a financial planner feel more organised, are more confident when making financial decisions, and they're less likely to suffer from financial stress.

When a financial planner successfully reduces a client's financial stress, they may also lessen the client's tendency to



Jason Andriessen

turn to alcohol or drugs, help them sleep better, and improve the quality of their family relationships.

And that's just the start. Consumers who have an active relationship with a financial planner are also demonstrably better off financially.

They are able to spend more, do more, and they enjoy more wealth with less risk exposure along the way.

For instance, in research recently undertaken for Sunsuper, CoreData found the value of ongoing advice first accessed by a single 58-year-old female amounted to more than \$200,000 over her lifetime.

## BUT ADVICE IS ONLY HELPFUL IF IT'S ACCESSED

There are lots of reasons people don't access the services of a financial planner. Concerns about trust, particularly following the Royal Commission, have been well-documented. Trust in advice has dropped by almost half since the start of that inquiry.

There's also a perception amongst Australians that their circumstances aren't complex enough and they don't have enough money to make seeking advice worthwhile. Sure, people are worried about the cost of advice as well, but what's often overlooked is fear.

People are fearful of looking silly, being embarrassed about their past decisions, and generally being told bad news that it's all too late for them. The technical term for





this is cognitive dissonance – the discomfort someone feels when their behaviour is disconnected from their values system. It feels bad, so people put their heads in the sand and avoid action.

In the past, super funds have engaged their members poorly. Over several years they have written to their members advising them that in order to have a comfortable retirement, members will require more than \$60,000 a year to live on. They would inform members that in order to fund that, they would require a balance of more than \$1 million.

And what would happen? Precisely nothing. Members would suffer cognitive dissonance. Everyone wants a comfortable retirement, but not many people have any chance of achieving a super balance of \$1 million. It all feels too hard, so they disengage.

But superannuation funds are now awake to this and financial planners should be too.

People don't make rational decisions, so we need to appeal to their emotions. This is commonly achieved through a process called 'nudging'. It demands only small, non-threatening changes in people's behaviour at any point in time. But the cumulative effect of repeated nudging produces a significant end result.

## TALK IS CHEAP

Most of us make financial planning more complex than it needs to be. Strip it back and it's about gaining an understanding of the client's current circumstances, what they want to achieve, sizing the gap, and setting a course for achieving the articulated goals.

It's understandable that clients feel an instant sense of relief when they're presented with their financial plan. They feel inspired, optimistic, and a sense of control. And these positive emotions feel great. But they don't actually change anything.

In fact, neuroscience tells us that they may make things worse. That's because the anticipation

of the reward in itself triggers the dopamine pathways in the brain, so that we feel a sense of joy. That sense of joy satisfies us, so we don't actually feel like we need to do the hard work.

We see the same phenomenon with our sporting heroes, where we can share some of the glory without sharing any of the pain.



*The technical term for this is cognitive dissonance – the discomfort someone feels when their behaviour is disconnected from their values system.*

Consider Eric Liddell, the extraordinary Scottish athlete who won the 400-metre race at the 1924 Paris Olympics. It's a particularly inspiring story because the 400-metre race wasn't even his event.

He was a natural sprinter but withdrew from his preferred 100-metre race because the trials were on a Sunday, the sabbath for Christians. That's just the start. Eric Liddell died in 1945 in a Japanese civilian internment camp in China – five months before liberation.

It's an uplifting and inspirational story. But inspiration alone simply doesn't get us there. If it did, then everyone who watched the 1981 film *Chariots of Fire* and learned about Eric Liddell, would be hard at it in training for the Olympics.

## IMPLEMENTATION IS A GRIND

So, just telling people what they should do in a Statement of Advice

isn't particularly helpful. It's not helpful because it doesn't actually change anything.

In order to effect meaningful change and bring about new outcomes, we need to change our clients' behaviour. According to Harvard positive psychology professor, Tal Ben-Shahar, the key to creating lasting change lies in three intentional behaviours: reminders, repetition and rituals.

This is a useful framework for a financial planner seeking to execute on advice and help the client actually achieve the goals in the plan.

Reminders are external cues that focus our attention on a particular commitment we made. The best reminders are simple, like a daily calendar note telling us to review our discretionary expenditure.

These regular reminders will pave the way to repetitive action, which is essential for lasting change. In time, a new ritual is formed. And that new ritual becomes a part of your daily life; a new way of operating. It becomes natural to you because, physiologically, a new neural pathway in your brain has been created, which leads you to act in a certain way, under certain conditions.

## UNLOCKING THE BENEFITS OF ADVICE

Telling people they should eat less and exercise more is good advice. But it's not really very helpful. In the same way a well-crafted financial plan is useless unless it's implemented.

The implementation is where the value of advice is really unlocked.

Clients need support to make lasting changes to achieve their goals; that support is best achieved by a financial planner within the context of an active ongoing relationship.

*Jason Andriessen CFP® is managing director of CoreData Research.*

# MAKING THE TRANSITION

Transitioning a business from grandfathered commissions to fee-for-service is a big undertaking, but it's also an opportunity to re-examine your client value proposition.

In its final report, the Hayne Royal Commission recommended that **'Grandfathering provisions for conflicted remuneration should be repealed as soon as it's reasonably practicable'**.

In its response to **Recommendation 2.4 - Grandfathered Commissions**, the FPA says it supports the phasing-out of grandfathering provisions over three years, with all commissions on investment and superannuation products to be subject to the Future of Financial Advice reforms.

Noting the potential adverse consumer outcomes, which could occur through a phase-out of grandfathering provisions, the FPA says it will work to ensure the Government meets the following five principles:

1. **The change is in the client's best interest** – no client will be worse off;
2. **Commission payments are actually refunded to clients** and not retained by the product provider where the client has not authorised their payment to their adviser;

3. **Tax relief is provided** for any adverse tax consequences (including GST);

4. **Centrelink benefits are protected** from any adverse Centrelink consequences; and

5. **Exit fees be banned** in line with the Government's 2018/19 Budget proposal on both super and investment products.

With the Royal Commission's strong view on grandfathering provisions for conflicted remuneration and the FPA's support for the phasing out of these commissions, for those financial planning practices yet to do so, time is running out to transition to a fee-for-service model.

## BUT, WHERE DO YOU START?

**Anne Graham CFP® LRS®**, the CEO and Senior Financial Planner at Story Wealth Management, and **Brian May CFP®**, the Managing Director at Horizon Wealth Management, have both successfully transitioned their business models. They share their insights.

## 1 WHAT WAS THE PROCESS/STEPS YOU UNDERTOOK TO DEVELOP YOUR STRATEGY TO PHASE OUT GRANDFATHERED COMMISSIONS?

**Anne Graham:** Our practice has been predominantly fee-for-service since inception, back in 2001. The fee structure was initially a mix of asset based fees and flat dollar fees, and we have evolved to flat fees. We had a small number of grandfathered clients due to various acquisitions over the years.

Our starting point when converting the per cent based fees or commissions to flat fees, was to review the cost to serve and add a margin. We would then discuss the proposed fee change to clients at review meetings, with most clients accepting the change, even when fees increased.

We receive commissions from insurance products, however, we are also in the midst of phasing out commissions and introducing advice fees for risk.





**Brian May:** As a business, Horizon Wealth Management has been fee-for-service for our wealth clients since our inception in February 2006. Our grandfathered clients had emerged through some legacy products we took over or where fees could not be added at that time.

When it came to developing a strategy to phase-out the grandfathered commissions, we looked at the most suitable products for clients that were both commission-free and fee-for-service, and also where there may be CGT relief.

Fortunately, we only had some old MLC Masterkey Super clients and MLC had subsequently created a commission-free product called Fundamentals under the same trustee structure, which meant there were no CGT buy/sell costs for the client when they moved.

## 2 WHAT DOES YOUR BUSINESS REVENUE MODEL LOOK LIKE BY EXITING GRANDFATHERED COMMISSIONS?

**Anne Graham:** It took about 12 months for most of the existing asset based fee clients to move to the flat fee model, and as new clients came on board, we applied the new fee model.

There are a handful of clients on the old fee model, including risk clients, and we have the fee discussion with those clients as reviews come up.

Revenue from risk commissions is less than 10 per cent of our overall revenue and revenue from grandfathered payments would be less than 3 per cent of overall revenue.

**Brian May:** Our revenue is marginally higher but that wasn't the driver. The client is paying a bit more in total, although the overall increase has been immaterial, as the administration fee is a lot lower under the new style products but our fee is higher than the grandfathered commission we were previously earning.

All up, it took us about three months to move our grandfathered clients to the fee-for-service model, but we didn't have many to move. For other businesses with more commission-based clients, I'd expect the overall process to take longer.

## 3 WHAT HAS BEEN THE IMPACT TO YOUR BUSINESS AS A RESULT OF THIS CHANGE?

**Anne Graham:** As a business, we've always had to articulate the value added via advice (both initially and ongoing) and the fee payable. It has made the planners (and the team) more comfortable with those conversations. We can also articulate our service proposition more confidently because it's focused on advice.

New clients appreciate the transparency of this model, particularly that the recommendations are not based on the commission we might get.

Our revenue stream has changed slightly over the years but it's quite stable and consistent, and not held hostage to investment markets. During the GFC, when most of our fees were dollar based, our revenue was not impacted by the markets and the vast bulk of our clients remained.

**Brian May:** Our grandfathered clients were all 'smallish' with large insurance premiums that essentially we were trying to preserve an advice home for. The alternative was to hand them back to the provider or suggest to them that they should find a new planner. As such, the change hasn't impacted our client base or revenue stream.

## 4 HOW HAS THIS CHANGE AFFECTED YOUR CLIENTS?

**Anne Graham:** Clients find non-conflicted fee arrangements easy to understand, transparent and it gives them confidence that we are acting in their best interest. Clients understand a fee-for-service model – after all, other professionals operate under this model.

Clients don't like surprises and



Anne Graham CFP®



Brian May CFP®



Tony Sandercock CFP®

appreciate when you explain the service you are providing, and the cost of that service. We explain this before the service is provided and provide an Engagement Letter to confirm our understanding.

**Brian May:** This change hasn't impacted our client base or revenue stream. However, it did require a lot of modelling, research and time to explain to clients the reason,

*Continued overleaf*





rationale, options, costs and implications to change to a fee-for-service model, or the implications for them if they didn't want to.

In terms of our clients adjusting to a fee-for-service model, it hasn't really been a problem. Since the inception of the business, we have treated all our clients as if they were fee-for-service.

In fact, of all our clients, there are probably only two who will most likely leave, as they were already looking to become self-directed.

## 5 WOULD YOU HAVE DONE ANYTHING DIFFERENTLY?

**Anne Graham:** Our model suits our business and operating rhythm. Clients understand what they are paying and what service they receive.

To do it again, I would ensure fees remained in line with the service provided, which means more frequent adjustments. I think there's a risk of undercharging when

fee-for-service is involved, as we tend to underestimate the value we provide, so I would make sure fees are in line with services provided.

**Brian May:** No, we wouldn't have done things differently. In fact, we should have done it a few years ago but the amounts were immaterial, so it really wasn't a necessary focus for us. Our clients were fortuitously paying a little less in total, even though the administration fee was high, as it included the commission (as there was no fee-for-service).

## 6 WHAT ADVICE DO YOU HAVE FOR OTHER BUSINESSES TRANSITIONING FROM GRANDFATHERED COMMISSIONS TO FEE-FOR-SERVICE?

**Anne Graham:** Know the cost to serve and have a system for estimating fees. Make sure you are consistent across your practice.

Role play and practice the

conversation you will have with clients and be confident of your value proposition.

If you are proactively rolling out a change from commissions to fee-for-service, approach it as a project and do it in tranches to manage the workflow. Finally, don't be afraid.

**Brian May:** Don't underestimate how time-consuming and expensive this process is to undertake. A lot of thought needs to go into the overall transitioning process. Understand your cost to service each client. I suggest segmenting your clients into the ones you want to keep long-term and those who you may wish to terminate your relationship with.

Articulate your value proposition and focus on the clients you want to keep by upgrading them to fee-for-service and move on. Let the others go.

## What value do you offer?

**As Tony Sandercock CFP® writes, in a world where grandfathered commissions and fee-for-no-service will no longer subsidise the active client base, clients must pay their way. So, unless planners can justify that fee and deliver on it, clients will stop paying.**

In the interests of full disclosure, I did not make a transition to fee-for-service in the traditional sense. I started my business – wetalkmoney – from scratch about six years ago, and drew a line in the sand at that point. This business has only ever been fee-based, so I didn't have client transitional issues regarding commissions to fee-for-service.

However, having said that, in a previous business, I made a partial transition to flat fees in 1999, so I have been grappling with the concept for quite some time.

What I have discovered is that the transition to fees has very little to do with the mechanism of payment and everything to do with the value

provided, what is charged for that value, and how that equation is articulated and ultimately delivered. And this is a massive challenge for our industry.

In a world where grandfathered commissions and fee-for-no-service will no longer subsidise the active client base, clients must pay their way. That means advisers can't do plans for \$2,000 anymore, because the cost of quality advice is two or three times that.

So, unless the adviser can make a promise to justify that fee, and deliver on that promise, people will stop paying.

Moving forward, there are tough questions planners need to ask themselves. They include:

- **What is value?**
- **Am I really adding value?**
- **Where is the value in what I do?**
- **What will someone pay for that?**
- **Can I deliver that value efficiently and profitably?**
- **Do I really know what my clients need, or do I have a superficial understanding of their needs?**

Transitioning a business to fee-for-service is a substantial undertaking. By answering these questions, you will better know whether your client value proposition stacks up in a fee-for-service environment.

**Good luck!**



# THE LONG PADDOCK

As a planner to many rural, regional and remote families, **Susan Bryant** is acutely aware of the adversity faced by clients working the land, particularly for women living in rural and remote communities.

It was Dorothea Mackellar, who back in 1904, penned the quintessential Aussie poem - *My Country*. It's the second verse which is perhaps the best known stanza in Australian poetry.

*I love a sunburnt country,  
A land of sweeping plains,  
Of ragged mountain ranges,  
Of droughts and flooding rains.*

It's a poignant piece of prose, particularly considering that almost 60 per cent of Queensland is drought declared, while other parts of the sunshine state are only just beginning to recover from floods earlier in the year. It's a verse that resonates with many Queenslanders, particularly those living in remote, regional and rural (RRR) communities.

Just ask Susan Bryant – a practitioner and principal of Seeds of Advice – who routinely chalks up over 60,000km each year travelling to meet her rural clients.

"With one of the worst droughts in living memory, coupled with recent floods, many RRR communities are doing it really tough," says Susan.

Having worked in Toowoomba for many years, and with a client base consisting of RRR families, Susan regularly sees firsthand the difficulties that many of these communities face on a daily basis, and particularly for the women making up these communities.

To help these women better deal with their challenges and cope with

their isolation, Susan was motivated to join the Queensland Rural, Regional and Remote Women's Network – or Q-WRren for short – a not-for-profit organisation focused on looking after the needs of women living in RRR areas of Queensland.



*People living off the land are proud. They're not used to handouts or asking for help. They believe there's nothing you can't fix with a pair of pliers and a bit of number eight fencing wire.*

– Susan Bryant

"Over the years, I've worked with hundreds of farming families, which has enabled me to get to know these communities very well," Susan says. "I saw the unique challenges these women faced. The work Q-WRren was doing with women in RRR communities resonated with me, and so I joined the organisation."



Susan Bryant

It's a decision she does not regret, with her previous years of commitment to the organisation recognised with her appointment to the Q-WRren board as a director – a position she has held for the past two years.

"In Queensland, we've got this terrible dichotomy of flood damage in the north and severe drought in the south-west. This adversity is impacting businesses and personal lives – financially, physically and mentally. But in the face of this adversity, what has been remarkable to see is the number of women-based organisations, like Sisters of the North, springing up in response to these environmental disasters. These organisations have been a rallying point for people affected by these events."

Susan is constantly inspired by the strength of women in the bush, who step-up during times of extreme crisis and react proactively to the issues confronting them.

"These women roll up their sleeves and get on with life every day,

*Continued overleaf*



despite the considerable adversity they face,” she says. “These women are already isolated and need to rely on their skills and strength of character just to get by. And when you add prolonged drought and floods on top of that, they respond by just getting on with it. Their fortitude and resilience to adversity is so inspiring!”

“People living off the land are proud. They’re not used to handouts or asking for help. They believe there’s nothing you can’t fix with a pair of pliers and a bit of number eight fencing wire.”

## CONNECT, DEVELOP AND INSPIRE

But resilience aside, living and working in RRR communities is isolating and comes with considerable challenges. And that’s where Q-WRren steps in.

Now in its 26th year of operation, Q-WRren’s vision is to ‘connect, develop and inspire’ women across Queensland by linking communities of women living in RRR areas. It does this by supporting and leading the empowerment of women through education, social connectedness, development tools, and programs that target both personal and professional growth.

“We partner with a range of organisations, including Government and universities, to develop short courses and education programs, ranging from personal development, health and wellbeing, to entrepreneurial and leadership skills. Q-WRren works to develop programs that can be accessed by women, regardless of where they live

in Queensland, to improve their skills, knowledge and leadership potential,” Susan says.

Q-WRren has a particular focus on upskilling women, born out of recognition that RRR communities are often run off the back of the work that women do in these communities. Yet, these women are often isolated and don’t have access to the same level of services, education, networking and inspiration that those living in urban areas have.

“If we can upskill these women to enable them to go back into their communities and take what they have learnt to inspire and develop other women, then everyone benefits from that,” Susan says.

## OVERCOMING ADVERSITY

As a planner of 32 years, Susan is acutely aware of the two biggest challenges facing women in the bush: isolation and communication.

“Isolation and communication are the two major obstacles these women face on a daily basis,” Susan says. “For a lot of women in RRR communities, and especially for those who are schooling their children at home by necessity, they still have very unreliable internet access. Some women even need to drive their kids up to a nearby ridge or elsewhere on the property, in order to get better internet coverage for school lessons.”

So, how is Q-WRren addressing the issues of isolation and communication for women?

With its vision of ‘connect, develop and inspire’, Q-WRren seeks to help women living in RRR communities overcome adversity and isolation through a range of initiatives and events that keep these women connected and inspires them to reach their full potential.

These initiatives include an active Facebook group, a monthly e-newsletter, a webinar program conducted throughout the year, mentoring and an annual conference.

“Through this range of deliveries, we are hoping to inspire women living

in RRR areas,” Susan says. “Our webinar program features all sorts of speakers who talk to our women about a wide range of topics. So, although they might not be able to sit face-to-face with the speakers, we can still inspire and motivate our women through these initiatives. By giving women access to role models, it becomes a case of: If you see it, you can be it.”

The annual conference is held in an RRR location. The 2019 Q-WRren conference will take place in Goondiwindi from 12-14 September. According to Susan, this year’s conference theme is: Thriving Women – Thriving Regions.

“The logistics of running these annual conferences in RRR areas can be challenging at times, but we nonetheless get a couple of hundred women attend this annual event.”

Susan adds that some of the support Q-WRren receives goes towards providing bursaries to women who normally wouldn’t be able to afford to attend an event like this.

The 2.5 day conference not only includes keynote speakers and workshops, ranging from personal development, to business and entrepreneurship, but the conference also features a dedicated youth program, where material is specifically tailored to young women aged 15-20 years.

“And the conference also includes plenty of light-hearted activities and pampering opportunities, for those ladies who use this event as an annual get-together and a break from the property or business in town.”

## FUTURE2 DROUGHT ASSISTANT GRANT

Given that Australia is currently battling through one of its worst droughts in living memory, the Future2 Foundation – the charitable arm of the FPA – extended its 2018 grant program to offer special grants to assist organisations during this drought crisis.

Q-WRren was one such recipient, receiving a 2018 Future2 Drought





Relief Grant for its Youth Program, which forms an important part of Q-WRren's annual conference. The Youth Program includes leadership and resilience training, communication skills, mentoring and financial literacy.

"Part of the Youth Program is to provide financial assistance to young women from drought affected areas to attend the program," Susan says. "This \$10,000 grant will help Q-WRren provide the assistance required by these young women to participate in the program."

According to Susan, endorsing Q-WRren's nomination for the grant "just made so much sense".

"I've been a financial planner for 32 years and for a great deal of that time, I have worked in RRR communities. However, sadly, for older women today, they represent the fastest growing demographic in homelessness. So, the key in reversing that situation is education. Through education, we make better decisions," Susan says.

"Education starts when you're young. It starts with equipping young people with the ability to make good decisions. And the ability to make good financial decisions is particularly potent for young women. If you can make smart decisions about money and if you understand your finances, then you're in a much better position to be in charge of your own life. That means being able to better manage the ups and downs in life."

Financial literacy is close to Susan's heart. She believes if people are equipped with the right education at an early age, then they are likely to make better decisions right through their life.

"That's the best way of attacking the root cause of poverty with older women," she says. "Through the generosity of my profession, the Future2 grant is allowing Q-WRren to do its great work with young women in RRR communities, and that's just wonderful."

In addition to Q-WRren's grant for its Youth Program, 2018 Future2



*Women need a safe place to talk about money, without being sold a product or service. Women want to ask questions and importantly, they want to be heard. – Susan Bryant*

Drought Relief Grants were also provided to Riding for the Disabled (Wagga Wagga, NSW) and Ouyen United Football and Netball Club (Ouyen, Vic).

### A SAFE ENVIRONMENT

While Susan is a strong advocate when it comes to championing financial literacy and the needs of women in the bush, she believes the financial planning profession can do more to help women realise their financial goals and objectives.

"I recently conducted a workshop in Mundubbera, which is a town in a low socio-economic area in the Wide Bay-Burnett region of Queensland. The workshop was aimed at women over the age of 50."

What Susan discovered from this workshop was the difficulty women experienced in finding a safe and supportive place to talk about money, particularly when men were around.

"Women don't want to appear foolish or intimidated when asking questions, which does happen in a room dominated by men," she says.

"But on the other hand, if they want to get good quality information by engaging with a planner, it's probably going to be too expensive for them. So, where do they go?"

Susan believes the solution is to offer women a safe environment, where they can openly talk about money, free of any recriminations or judgement. The success of the Mundubbera workshop is vindication that this type of format works, with Q-WRren committing to roll out similar programs for women in a safe and supportive environment.

"Women need a safe place to talk about money, without being sold a product or service," Susan says. "Women want to ask questions and importantly, they want to be heard."

"I believe that is the key to better engaging with women, regardless of whether they're from rural or urban communities. Being heard is the first step to empowerment, which leads to financial independence."

For more information about QRRRW, go to [qrrrwn.org.au](http://qrrrwn.org.au)

## TAXATION ISSUES SURROUNDING REDUNDANCY PAYMENTS

Upon termination of employment, individuals may be eligible to receive a variety of payments in connection with their termination. Eligibility for such payments will typically be determined by their employment agreement, award or employment contract – and typically based on the employee's age and/or years of service with the employer.

Whilst few financial planning strategies are available when dealing with termination payments, it's important to understand the associated tax implications – as this will determine how much money is available for meeting living expenses, subsequent investment, debt re-payment, super contributions or other personal goals.

In this article, we look at the tax consequences of receiving a redundancy package and what this may mean for clients.

### INTRODUCING RICHARD

Richard (age 54) had worked for his employer for 15 years, earning a salary of \$105,000 per annum.

Unfortunately, Richard was made redundant from his position effective 20 July 2018 (i.e. during the 2018/19 financial year). Richard's employer provided him with the following breakdown (outlined in Table 1 below) of his redundancy package:

### TAXATION OF LUMP SUM UNUSED ANNUAL LEAVE AND LONG SERVICE LEAVE PAYMENTS

Unused annual leave and long service leave payments received as a lump sum upon genuine redundancy are taxed at concessional rates depending on the accrual period as outlined in Table 2 (see opposite page).

Importantly, the rates do not apply if the employee is age 65 or over at the time their employment ceases. This is because the termination of employment of a person age 65 or over is not considered to be due to 'genuine redundancy'. (This is discussed later.)

Instead, unused annual leave and long service leave in this situation will be taxed in the same way as leave payments received following voluntary resignation/retirement, as outlined in Table 3 (see opposite page).

Richard's lump sum unused annual leave and long service leave payments

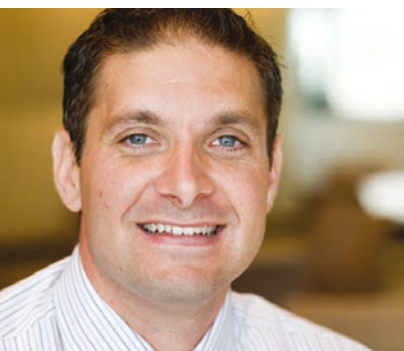
The tax on Richard's lump sum unused annual leave and long service leave payments is shown in Table 4 (see below opposite).

Richard will need to include the gross payments of \$6,500 as assessable income in his 2018/19 tax return. A tax offset will ensure that he pays no more than 32 per cent tax on these payments.

**Table 1**

Payment type	Gross payment (\$)
Unused annual leave	2,000
Unused long service leave	4,500
Severance pay	68,000
Unused sick leave	18,000
Payment in lieu of notice	8,000
<b>Total</b>	<b>\$100,500</b>

*Note: Richard's severance pay, unused sick leave and payment in lieu of notice would not have been paid out had he voluntarily resigned from employment.*



### Fabian Bussoletti

AMP

This article is worth  
0.5 CPD HOURS

**ASIC Knowledge Area**  
Financial Planning

**FASEA CPD Areas**  
Technical competence

#### INCLUDES:

- Genuine redundancy payment
- Taxation of lump sum unused annual leave and long service leave payments
- Employment termination payments
- Strategies to reduce tax upon redundancy



**Table 2**

Accrual period	Annual leave*	Long service leave*
Before 16 Aug 1978	Maximum rate of 30%	5% taxed at marginal tax rate
On or after 16 Aug 1978		Maximum rate of 30%

\*Plus Medicare levy of 2%.

**Table 3**

Accrual period	Annual leave*	Long service leave*
Before 16 August 1978		5% taxed at marginal tax rate
16 August 1978 to 17 August 1993	Maximum rate of 30%	Maximum of 30%
On or after 18 August 1993	100% taxed at marginal tax rate	100% taxed at marginal tax rate

\*Plus Medicare levy of 2%.

As these leave payments are included in Richard's assessable income, this may impact his entitlement to certain tax offsets and concessions, such as the government co-contribution, Low Income Tax Offset (LITO), Low and Middle Income Tax Offset (LMITO), and the Seniors and Pensioners Tax Offset (SAPTO). It is also included as income for the purposes of calculating Division 293 tax (i.e. the additional 15 per cent tax on concessional contributions for higher income earners).

#### **A note about Superannuation Guarantee (SG)**

Unused annual and long service leave payments received as a lump sum upon termination of employment are specifically excluded from the definition of an employee's 'ordinary time earnings' (OTE), so an employer is not required to pay SG on such payments.

However, if practical and agreed to by their employer, some clients may choose to 'go on' annual and/or long service leave, terminating their employment once the leave is exhausted.

In this scenario, the leave payments will be ordinary assessable income and taxed at the individual's usual marginal tax rate. Further, as the

leave payments will now represent normal salary and wages, SG would be payable on the amounts received.

### **WHAT IS A GENUINE REDUNDANCY PAYMENT?**

Genuine redundancy occurs where an employee is dismissed from employment because their position is genuinely redundant. In other words, the employee's position is no longer required by the employer and effectively no longer exists.

For a genuine redundancy payment to exist, the following conditions must be met:

- the redundancy must be genuine;
- the termination of employment must typically occur before the day the employee turns 65;
- the payment cannot exceed the amount payable if dismissal was at arm's length;
- there must be no arrangement for the employer to employ the individual at a later date; and
- the payment must be more than the amount the employee would have received if they had voluntarily resigned or retired in other circumstances.

Genuine redundancy payments are tax-free up to a limit based on

the employee's completed years of service with the employer. For the 2018/19 financial year, this limit is \$10,399 plus \$5,200 for every completed year of service.

#### **Tax-free limit only applies to payments on genuine redundancy**

In order for part/all of a termination payment to qualify under the tax-free limit, the payment must be specifically attributable to the termination of employment as a result of redundancy. This means that any amount a person would have received upon simply resigning or retiring will not ordinarily form part of the tax-free limit, but will be an employment termination payment (ETP).

#### **Richard's tax-free amount**

To assess the tax consequences of the remaining components of Richard's redundancy package, we need to determine which of Richard's payments (other than his unused annual leave and long service leave) will be treated as genuine redundancy payments and thus be eligible to qualify under the tax-free portion.

As Richard would not have received any of these payments if he had voluntarily resigned, the entire \$94,000 amount (severance

*Continued overleaf*

**Table 4**

Payment type	Gross payment (\$)	Maximum tax rate	Minimum tax payable (\$)	Net proceeds (\$)
Annual leave	2,000	32%	640	1,360
Long service leave	4,500	32%	1,440	3,060
<b>Total</b>	<b>\$6,500</b>		<b>\$2,080</b>	<b>\$4,420</b>

**Table 5**

Taxable component		
Recipient is <b>under preservation age</b> at end of financial year	First \$205,000 <sup>^</sup>	Maximum rate of 30%*
	Balance over \$205,000 <sup>^</sup>	45%*
Recipient is <b>preservation age or older</b> at end of financial year	First \$205,000 <sup>^</sup>	Maximum rate of 15%*
	Balance over \$205,000 <sup>^</sup>	45%*

\* Plus Medicare levy of 2%. <sup>^</sup> ETP cap (refer to 'The ETP cap' section of the article).

**Table 6**

Payment type	Gross payment (\$)	Maximum tax rate	Maximum tax payable (\$)	Net proceeds (\$)
ETP – Excluded Payment	5,601	32%	1,792	3,809

Note: Richard's ETP of \$5,601 will need to be included as assessable income in his 2018/19 tax return and the ATO will ensure (via a tax offset) that no more than 30 per cent plus Medicare levy is payable on this amount.

payment + unused sick leave + payment in lieu of notice) is considered a genuine redundancy payment and eligible to qualify under the tax-free limit.

Therefore, the tax-free amount of Richard's redundancy payment is calculated as follows:

$$= \$10,399 + (\$5,200 \times 15 \text{ years})$$

$$= \$88,399$$

This amount will be received tax-free. Further, as it is considered non-assessable non-exempt income, this amount will not need to be included in Richard's tax return, meaning it will not have any indirect consequences on any other concessions or benefits.

The amount of Richard's genuine redundancy above his tax-free threshold (\$94,000 less \$88,399 = \$5,601) will be considered an ETP.

#### Employment termination payments

Broadly, an ETP is a lump sum payment made directly by an employer in consequence of the termination of an employee's employment.

However, as discussed previously, for tax purposes, ETPs do not include payments for unused annual leave and long service leave or the tax-free part of a genuine redundancy payment.

Importantly, ETPs must be paid in cash. That is, the payment cannot be rolled over to superannuation. However, once the payment is received, the recipient

may choose to contribute the after-tax amount into superannuation if they are eligible to do so (and potentially also claim a tax deduction for the contribution if they wish).

#### Excluded and not-excluded payments

An ETP can be classified as either an 'excluded' payment or a 'not-excluded' payment. This classification can have a significant impact on tax payable.

Fortunately, in most redundancy situations, the resulting ETP will be classified as an 'excluded' payment, as it relates to the individual's genuine redundancy, and the employee would not have normally received the payment(s) had they voluntarily resigned. The taxation of 'excluded' ETPs is outlined below.

'Not-excluded' payments are subject to different tax rules upon receipt and are beyond the scope of this article.

#### Tax on 'excluded' ETPs

The tax payable on an 'excluded' ETP will depend on the value of the payment, the employee's service period with the employer and their age.

With a genuine redundancy payment, an ETP will contain a tax-free component if the employee's service with the employer predates 1 July 1983. This component is received tax-free and is not included in assessable income.





The remainder of the ETP will be a taxable component. The taxation of this amount for the 2018/19 financial year depends on the amount of the payment and the employee's age as outlined in Table 5.

The taxable component of an ETP is included in assessable income. It is therefore important to remember that the receipt of such payments may affect an individual's entitlement to certain tax offsets and concessions, such as government co-contribution, LITO, LMITO and SAPTO. It is also included as income for the purposes of calculating Division 293 tax (i.e. the additional 15 per cent tax on concessional contributions for higher income earners).

### The ETP cap

The ETP cap is the maximum amount of employment termination payments a person can receive per annum at concessional tax rates.

Some important points about the ETP cap are:

- The cap for the 2018/19 financial year is \$205,000. This cap is indexed to Average Weekly Ordinary Time Earnings (AWOTE) in \$5,000 increments.
- This cap is applied on an annual basis. A client can receive more than one ETP in their lifetime at concessional tax rates, providing each payment is in respect of a separate termination.
- An individual's cap must be reduced by other ETPs received earlier in the same financial year (regardless of whether it



*There are very few strategies that can be used to minimise tax payable in respect of a redundancy package.*

applies to the same termination or different terminations) and in previous years if relating to the same termination.

This cap is a separate cap to the superannuation \$205,000 low rate cap (2018/19 financial year) that an individual can withdraw as a concessional tax lump sum from super once they reach preservation age.

### Richard's ETP

We previously determined that of Richard's total redundancy payout, only \$5,601 would be treated as an ETP – this amount will be an 'excluded payment' as it was received due to his redundancy. As Richard's service with his employer does not predate 1 July 1983, the entire ETP will comprise taxable component.

Richard's age at the end of the 2018/19 financial year is 54. Because he is under preservation age at that time, Richard's entire ETP will be taxed at a maximum of 30 per cent plus Medicare levy.

The tax on Richard's ETP is shown in Table 6.

A summary of the tax payable on Richard's redundancy package is contained in Table 7 (see below).

## STRATEGIES TO REDUCE TAX UPON REDUNDANCY

There are very few strategies that can be used to minimise tax payable in respect of a redundancy package.

### Deferring payment to a new financial year

If practical and permitted by the client's employer, deferring the receipt of the redundancy package until the following financial year may be beneficial because:

- the tax rates applying to unused annual leave/long service leave payments and the taxable component of employment termination payments are maximum rates. Therefore, if a client's marginal tax rate for the following financial year is lower than the maximum rate, a lower rate may apply to the payments;
- deferring payment to a new financial year will result in a larger tax-free portion of the genuine redundancy amount, as the tax-free amount is indexed on 1 July

*Continued overleaf*

**Table 7**

Payment type	Gross payment (\$)			Tax (\$)	Net proceeds (\$)
Unused annual leave	2,000			640	1,360
Unused long service leave	4,500			1,440	3,060
Severance payment	68,000	Tax-free portion	88,399	0	88,399
Unused sick leave	18,000	ETP (Excluded Payment)	5,601	1,792	3,809
Payment in lieu of notice	8,000				
<b>Total</b>	<b>\$100,500</b>			<b>\$3,872</b>	<b>\$96,628</b>



## QUESTIONS

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

**1** Fergus (age 67) was made redundant from his employment on 21 September 2018 where he had worked for 10.5 years. Upon his termination of employment, Fergus's employer provided him with a genuine redundancy payment of \$80,000. How much of this payment will be tax-free?

- a. \$25,000.
- b. Nil.
- c. \$62,399.
- d. \$67,599.

**2** As part of his redundancy package, Dennis (age 60) received an ETP ('Excluded Payment') of \$25,000 (all taxable component) on 1 August 2018.

What is the maximum amount of tax Dennis will pay on this ETP (including Medicare levy)?

- a. \$4,250.
- b. Nil.
- c. \$8,000.
- d. \$12,250.

**3** Lisa (age 32) was made redundant from her employment on 31 July 2018 and received the following payments upon termination of her employment:

- Unused annual leave = \$4,000.
- Tax-free genuine redundancy payment = \$19,030.
- Employment termination payment (above tax-free redundancy payment) = \$3,500.

Which of the following statements is correct in relation to Lisa's redundancy package?

- a. Lisa can roll-over her ETP into superannuation.
- b. Lisa's ETP payment will be taxed at a maximum rate of 30 per cent plus Medicare levy.
- c. The tax-free amount of Lisa's genuine redundancy payment will need to be included as assessable income in her tax return.
- d. Lisa will be able to enter into a salary sacrifice agreement just before the termination of her employment, allowing her to salary sacrifice her unused annual leave received as a lump sum into superannuation.

**4** Which of the following payments received in a redundancy situation would be considered a genuine redundancy payment and eligible to qualify under the tax-free amount?

- a. Unused annual leave.
- b. Unused long service leave.
- c. A payment of sick leave where that leave would have ordinarily been paid out had the employee just resigned or retired.
- d. A severance payment where the payment would not have ordinarily been paid out had the employee just resigned or retired.

**5** As part of her redundancy package, Angelina received a lump sum amount representing her accrued unused annual leave entitlements. Her employer is obliged to pay 9.5 per cent SG on this amount. True or false?

- a. True.
- b. False.



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each year; and

- where an ETP is received as part of a redundancy package, the ETP cap is indexed on 1 July each year, thus potentially reducing any tax payable on the ETP.

### Defer redundancy until after employment anniversary

If a client's redundancy date is close to their employment anniversary, consider deferring termination until after the next anniversary.

This will increase the tax-free amount of the redundancy payment which is based on completed years of employment.

To achieve this, it may be possible for a terminating employee to go on leave (paid or unpaid).

### Defer payment until recipient has reached preservation age at 30 June

A person who receives an ETP ('excluded payment') in the financial year where they will be preservation age as at 30 June, will pay a maximum of 15 per cent plus Medicare levy on the taxable component of the ETP.

In comparison, where they have not yet reached their preservation age as at 30 June, they will pay a maximum of 30 per cent plus Medicare levy on the taxable component of the ETP.

### Personal deductible contributions

Since 1 July 2017, the 'less than 10' rule to qualify for making a personal deductible contribution no longer applies.

Therefore, clients who terminate employment and receive taxable payments (even those subject to maximum rates) could benefit from making a personal deductible superannuation contribution to reduce their taxable income and tax payable.

*Fabian Bussoletti, Technical Strategy Manager, AMP.*



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