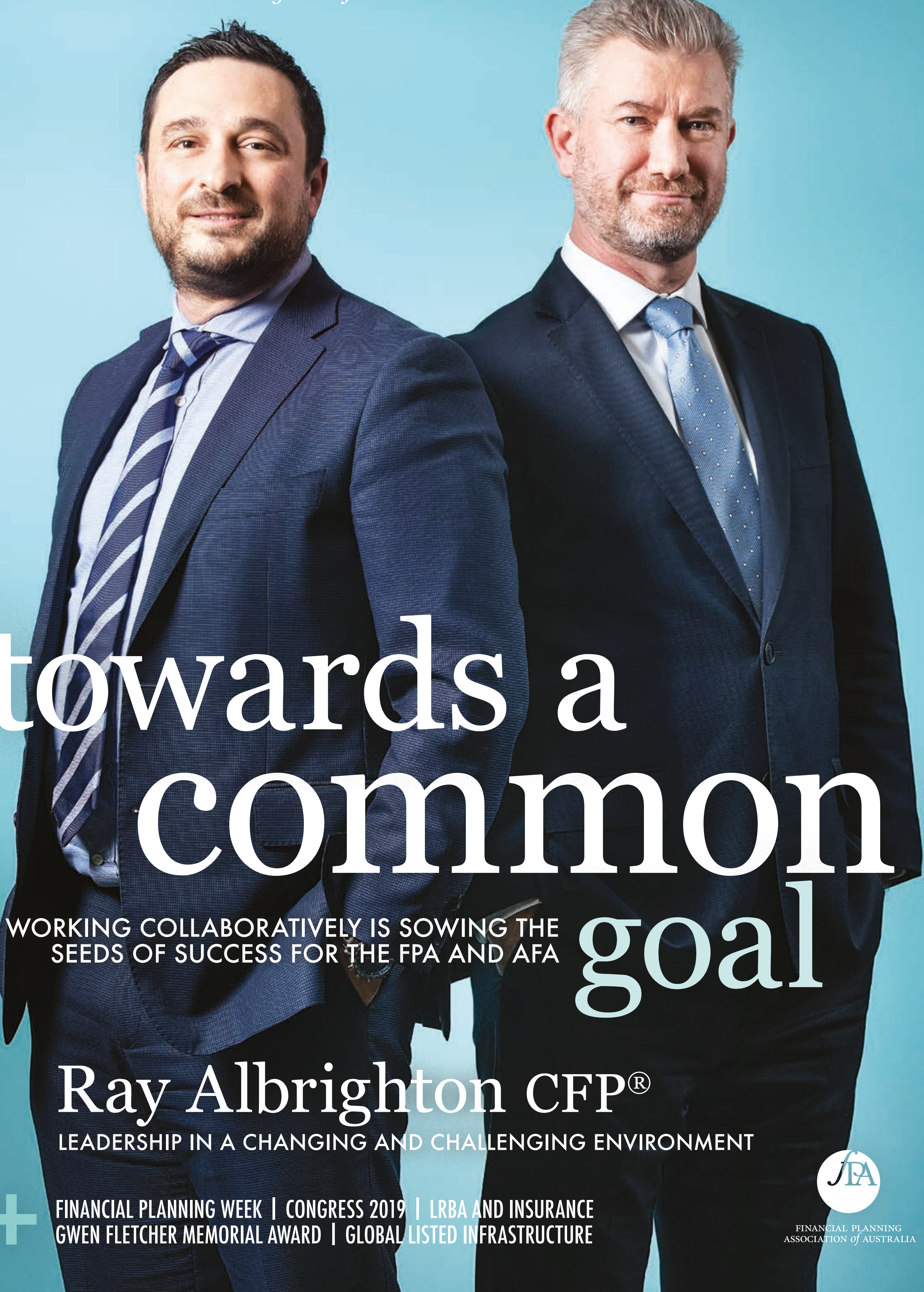
AUGUST 2019 VOLUME 31 | ISSUE 07

MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS



towards a common goal

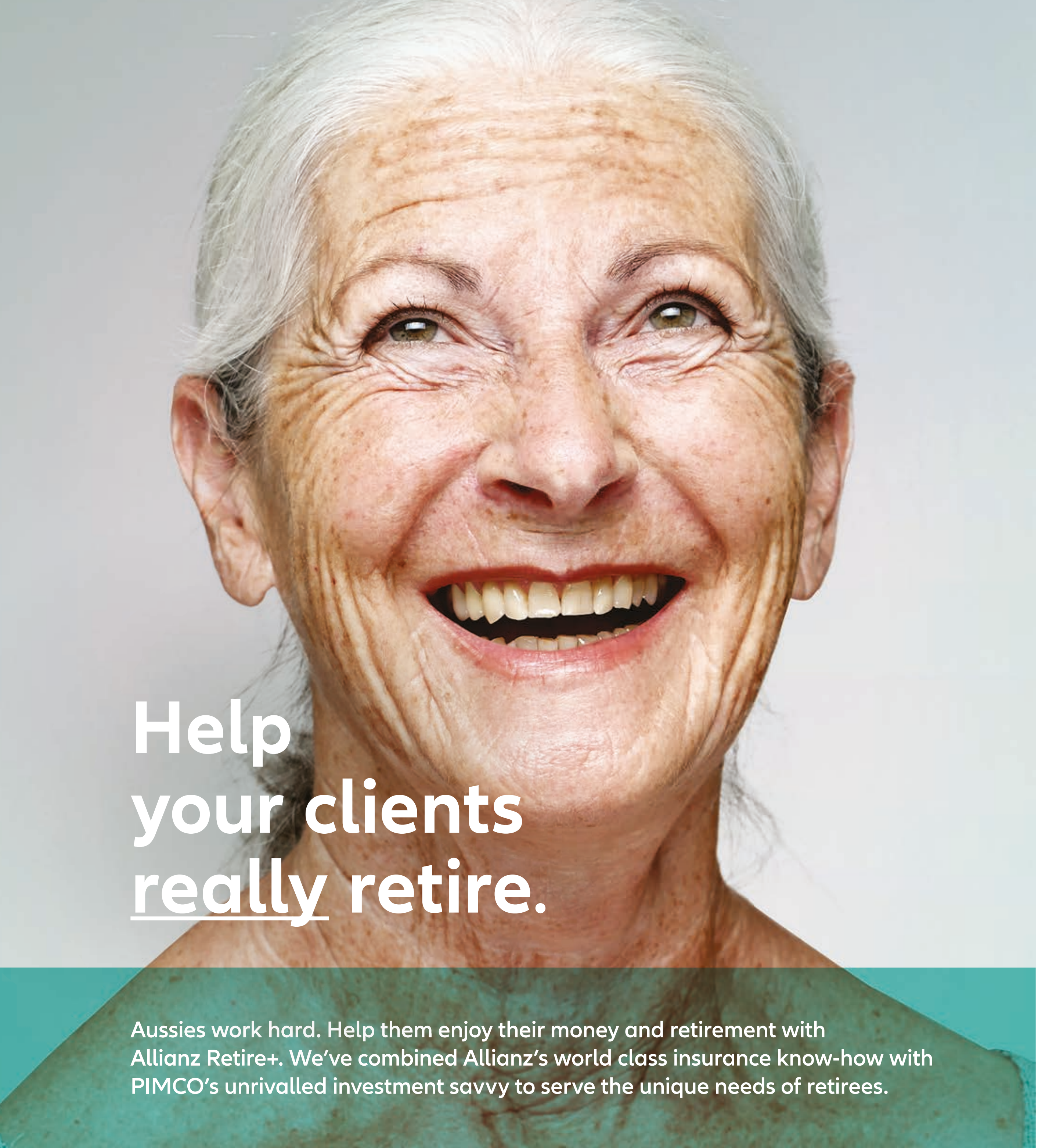
WORKING COLLABORATIVELY IS SOWING THE SEEDS OF SUCCESS FOR THE FPA AND AFA

Ray Albrighton CFP®

LEADERSHIP IN A CHANGING AND CHALLENGING ENVIRONMENT

\+ FINANCIAL PLANNING WEEK | CONGRESS 2019 | LRBA AND INSURANCE
GWEN FLETCHER MEMORIAL AWARD | GLOBAL LISTED INFRASTRUCTURE

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA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your clients
really retire.
Aussies work hard. Help them enjoy their money and retirement with Allianz Retire+. We've combined Allianz's world class insurance know-how with PIMCO's unrivalled investment savvy to serve the unique needs of retirees.

Contents.

AUGUST 2019

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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LEADING TOGETHER

Financial planning is on a challenging but ultimately worthwhile journey towards recognition as a true profession.

The raising of standards for financial planners is a must. But it's hard. There are a lot of changes to grapple with and it takes time, resources and commitment – right down to a personal level.

We each play a role as leaders in this process. Together, we are committing to the new education and standards framework, and we're looking forward to a strong future where we can continue to provide important value to the financial wellbeing of Australians.

This issue of our magazine is all about leadership. On page 22 you can read about how the key financial planning associations have been working collaboratively on some important advocacy issues affecting our profession.

I certainly enjoyed the opportunity to be interviewed alongside Phil Kewin, CEO of the Association of Financial Advisers (AFA), and I want to thank Phil for taking part.

GAME CHANGING CPD SOLUTION

I'm really excited about the launch of the FPA's *My CPD*, available online at FPA Learn. We have set out to build a solution for FPA members that gives the largest aggregation of FPA and FASEA accredited CPD options.

It's set to become a one-stop shop for accessing nearly 4,000 accredited CPD hours from a range of key partners and the FPA. No other platform will offer this diversity – it is a game changer.

For more, head to learn.fpa.com.au.

FINANCIAL PLANNING WEEK 2019

This month we celebrate Financial Planning Week 2019, which is aimed at helping more Australians understand the value of professional financial planning and build community trust. During 19-25 August, we're challenging Australians to think about how much they spend on gifts each year for birthdays, Christmas, weddings... you name it!

We'll be revealing new research that explores the gift spending habits and expenses of our nation. We will also invite Australians to consider a gift that lasts through the generations: the gift of a financial plan. You can read more about the Gifts that Give campaign on page 8.

ENTER THE FPA AWARDS

You're part of a 14,000 strong membership and it's a big deal to be recognised as one of our FPA Award winners. There are so many of you who go above and beyond every day for your clients, your team members, your business and the community. We're proud of this and would like to recognise you. Submissions in the six categories of the FPA Awards 2019 are now open. To find out more, go to fpa.com.au/awards.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10


In your clients' moment of need, we're here.
In 2018 alone, we paid $1.4 billion in claims.
Because we're here for your clients when they need it.

News

MY CPD: A GAME CHANGER

The FPA has launched *My CPD*, allowing planners to access a wide range of FPA and FASEA accredited CPD content and track their CPD hours, all in the one convenient place.

My CPD includes a number of benefits, including:

CPD FINDER
Members can search an extensive list of CPD options from suppliers and the FPA, including articles, webinars, courses, quizzes and workshops. Search by CPD area, number of hours and delivery format. The FPA aims to have 4,000 hours of CPD content available, from over 100 suppliers, by the end of the year.

CPD TRACKER
Track and measure your CPD in one place to ensure you fulfil all your personal CPD requirements, including FPA, TPB and FASEA. Members can access the starter version of the tracker now, with the full version available by the end of 2019, which will allow you to export a copy of your CPD records, search your training history and schedule your future CPD activities.

ACCESSING MY CPD
My CPD is available on the FPA's online learning hub – FPA Learn – which brings together all your FPA education and professional development needs, including FPA Return to Learn, with tools and resources to navigate the new education and professional standards for planners.

My CPD is free of charge to FPA members.

"We have set out to build a convenient and easy to use solution for our members that provides them with the largest aggregation of FPA and FASEA accredited CPD options," says FPA CEO Dante De Gori CFP®. "*My CPD* is set to become a one-stop shop for accessing nearly 4,000 accredited CPD hours from a range of key partners and the FPA. No other platform will offer this diversity – it's a game changer!"

HURRY… BOOK YOUR CONGRESS EARLY BIRD

St Kilda Sea Baths: Venue of the Future2 Celebration.

Early bird registrations close this month for this year's FPA Professionals Congress in Melbourne. To take advantage of the Early Bird rate and receive $245 off the standard registration fee, delegates need to register by 31 August.

New Horizons is the theme of Congress 2019, which is taking place at the Melbourne Convention Exhibition Centre from 27-29 November.

This year's agenda features powerful and relevant content and high calibre speakers, offering delegates access to the latest insights and developments in the profession.

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

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

Other social events include the highly anticipated Future2 Celebration at the St Kilda Sea Baths, where the FPA Award winners will be announced, and the Women in Wealth Breakfast.

For more information or to lock in your Early Bird registration, go to: fpacongress.com.au

NOMINATIONS *closing soon*

Entries close at the end of this month for this year's prestigious 2019 FPA Awards.

These annual awards recognise excellence for Australia's leading financial planners, practices, paraplanners and students of financial planning, in their respective categories, as well as acknowledging FPA members who have gone above and beyond for their local community.

The six categories open for submissions are:

- **FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award**
- **FPA Financial Planner AFP® of the Year Award**
- **FPA Professional Practice of the Year Award**
- **FPA Paraplanner of the Year Award**
- **Community Service Award (supported by Future2)**
- **FPA University Student of the Year Award**

The closing deadline for entries is 30 August 2019, with the winning award recipients announced in November at the FPA Professionals Congress in Melbourne.

Entries are online. To find out more, head to fpa.com.au/awards

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

ACT

Shi Chen CFP®
Clearstone Wealth

Glenn Williams CFP®
Commonwealth Superannuation Corporation

NSW

Mariana Leong CFP®
Moneyclip Private Wealth

Sian Chua CFP®
Newell Palmer Securities

Liam Cooper CFP®
Fuji Financial

Amruta Shah CFP®
NAB Financial Planning

Paul Ivachoff CFP®
NAB Financial Planning

Jordan Ryan CFP®
Stanford Brown

Michael Miller CFP®
Sentinel Wealth Management

Richard Pritchard CFP®
MON Financial Services

Kabilan Muruganathan CFP®
Perpetual Trustee Company

Alex Thong CFP®
CPR Australia Wealth Advisers

Kevin Kroeger CFP®
CPR Australia Wealth Advisers

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Peter Wheatland CFP®
AMP

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Findex Advice Services

Gladys Elias CFP®
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Jacob Locascio CFP®
AMP Advice

Steven Hastie CFP®
NAB Financial Planning

Sabena Samuel CFP®
CXC Financial Partners

Rachel Knaus CFP®
Dome Financial Group

George Wong CFP®
Dixon Advisory and Superannuation Services

Jackie Kewalram CFP®
AMP Advice

Paul Karagorgovski CFP®
Local Government Super

Rohan Varghese CFP®
Ernst & Young

NT

Alicia Langton CFP®
All Financial Services

QLD

John Spooner CFP®
HKS Financial Planning

Simon Hepson CFP®
Tupicoffs

Shannon Abbey CFP®
Findex Advice Services

Kurt Grainger CFP®
HKS Financial Planning

Jonathan Melloy CFP®
Tilea Wealth Financial Services

Phillip Passaris CFP®
Elston

Ian Lioubachevskii CFP®
My Super Future

Samuel Mackay CFP®
Macquarie Group

Hugh Wright CFP®
Byron Capital Private Investors

Edward Pullen CFP®
Byron Capital Private Investors

Jarryd Baxter CFP®
VISIS Private Wealth

Scott Gynther CFP®
VISIS Private Wealth

VIC

John Kostopoulos CFP®
Financial Foundations Australia

Vishal Gupta CFP®
CSC

George van Deventer CFP®
Pitcher Partners Investment Services

Louay Sleiman CFP®
Planning Partners

James Kennedy CFP®
Forbes Financial Planning

Ned Clonan CFP®
Grant Thornton Wealth Advisory Services

Kha Han Nguyen CFP®

Adisa Turbic CFP®
HESTA

Stephen Charalambous CFP®
Jordan Financial Solutions

Raquel Netto CFP®
The Wealth Mentoring Group

Daniel Anevski CFP®
My Life My Advice

Wade Spooner CFP®
NAB Financial Planning

Jacob O'Sullivan CFP®
Scholten Collins McKissock Wealth Management

Steven Craigie CFP®
UniSuper Management

Travis Schindler CFP®
Hewison and Associates

Timothy Burmeister CFP®
Tailored Lifetime Solutions

Brenton Marris CFP®
FMD Financial

Adrian D'Mello CFP®
BG Private Clients

WA

Carolyn Roper CFP®
Partners Wealth Group

Seng Kwa CFP®
Resolution Wealth Partners

Daniel Morcombe CFP®
Omnis Financial Planning

Vanja Zoric CFP®
Insight Financial Partners

Tyler Hurley CFP®
Perpetual Private

Nicholas Bordi CFP®
Redwood Wealth Alliance

Denis Risteski CFP®
Stewart Symonds and Partners

Christopher Pereira CFP®
Partners Wealth Group

FOCUS

FINANCIAL PLANNING WEEK

GIFTS THAT GIVE

The FPA celebrates its 19th consecutive Financial Planning Week.

FINANCIAL PLANNING Week 2019
19 – 25 August

This year's Financial Planning Week is encouraging Australians to explore their gift spending habits and expenses, and aims to raise awareness about the amount we spend on gifts.

Running from **19–25 August**, the campaign explores the types of gifts we give, how much we spend on gifts, the internal drivers and personality profiles at different life stages. The campaign also invites consumers to consider a gift that lasts through the generations: the gift of a financial plan. This year's integrated campaign will include the following:

RESEARCH

National research will be presented in a visualised digital report with a mix of fun facts and serious data about gift-giving, infographics on research findings, and gift-giving trends among different life stages.

EBOOK

Hosted on the *Money & Life* website and promoted via social media, the eBook includes practical and fun information on how much people spend, and what we like to give and receive, for weddings, Christmas and children's birthdays.

MEDIA OUTREACH

The campaign will be promoted across national media, with key research findings shared across radio, TV, print and online.

SOCIAL MEDIA

Social media will be used for sharing the research insights, eBook and *Money & Life* content by using the hashtags – **#GiftsthatGive** and **#FPWeek2019**.

GIFT VOUCHERS

Consumers can give their adult children or friends the gift of a financial plan, by pledging to contribute to pay for the services of a CFP® professional to an agreed value. A downloadable gift voucher will be available from the FPA website, and a co-branded option in the FPA Member toolkit for members to supply to their own clients.

COMPETITION

A consumer competition via FPA social media, will invite Australians to nominate themselves, or someone they love, to receive the gift of a financial plan from an FPA member as a gift from the FPA. The competition goes live on 21 August.

MEMBER TOOLKIT

The member toolkit will contain all the resources and links for Financial Planning Week, and will be available from the FPA Member Centre at **fpa.com.au** by 19 August.

For more information, go to: fpa.com.au/financialplanningweek

Share the message

Make the most out of Financial Planning Week by engaging in conversations with your clients about gift-giving and their spending habits. Here's how:

Send out a client communication: Financial Planning Week is a perfect reason to reach out and engage with your clients. Make use of the suggested newsletter copy available in the member toolkit.

Spread the word on social media: Share the eBook, infographics, competition and articles.

Sell or give away a gift voucher: Wedding season peaks in September, and Christmas is fast approaching. Give your clients a gift voucher for their adult children or friends to see you as a gift from your practice, or offer co-branded gift vouchers for sale.

Share the research report: Why not share the insights, trends and findings of the research report with clients? It could be a great conversation starter.

Make use of the logo: Pop the Financial Planning Week logo on your website, in your email signature and in your newsletters.

MAPLE-BROWN ABBOTT

INVESTMENT MANAGERS SINCE 1984

INVESTMENT INSIGHTS:

What role can infrastructure play in a portfolio?

THIS ARTICLE IS AN EXCERPT FROM A RECENTLY RELEASED RESEARCH PAPER "THE ROLE OF INFRASTRUCTURE IN A PORTFOLIO." PLEASE EMAIL INVEST@MAPLE-BROWNABBOTT IF YOU WOULD LIKE A COPY OF THE FULL PAPER.

Our view is that investors seek to benefit from the essential service nature and strong strategic positions of infrastructure assets. Such investors also look for inflation protection and more stable income relative to certain other asset classes such as global equities and global REITs. The growing global interest in infrastructure has been supported by a historically lower volatility and a less than perfect correlation with global equities. We have previously analysed the role of infrastructure in a portfolio including capital preservation, downside protection during market weakness, reduced correlations with other assets, and a long-term inflation-linked growth in income. In this latest report, we review whether these attributes still hold true.

What are investors looking for in an infrastructure investment?

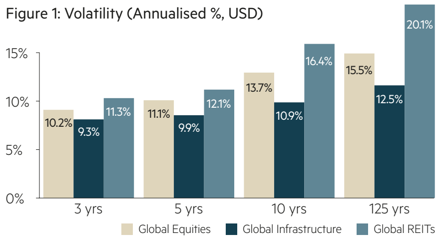
Generally, in our experience we have seen investors look to infrastructure assets to deliver lower cash flow volatility and higher earnings stability compared with broader global equities. We have also seen investors target the asset class for its historically higher income as well as the perceived inflation-linked growth of that income – both attributes with which we agree.

Infrastructure assets typically have strong strategic positions by being natural monopolies. These monopolies are the physical networks and structures that provide services essential to the basic functioning of society and its economic productivity. Ultimately, it is the commercial frameworks that underpin these assets that result in what we see as attractive investment characteristics.

What does the empirical evidence show?

To many asset allocators, infrastructure is often referred to as a "diversifier" in a portfolio. The cash flows being generated by infrastructure assets are supported by very different commercial frameworks than the typical company within a global equities basket. Most infrastructure assets have their earnings or revenues linked to contracts or concessions with built-in inflation escalators, or have returns set based on a regulated asset base with limited or no link to volumes or cyclical demand. Many regulated environments offer return formulae that allow the ability for an asset to earn a target return, regardless of market conditions and often detached from the economic cycle. This results in the cash flows and value of infrastructure behaving differently to general equities in both up and down markets, resulting in reduced correlations.

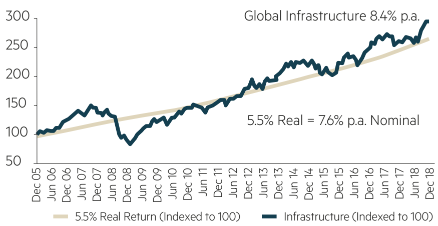
Figure 1: Volatility (Annualised %, USD)



Source: MBA GLI Internal research; Bloomberg. Data to 31 Mar 2019.
Past performance is not a reliable indicator of future performance

Whether an investor chooses to invest in global infrastructure for its downside protection, for its reduced correlations with global equities, or for its inflation-linked income, a thought should be given to return expectations. While past performance is never indicative of future returns, as seen in Figure 2, the absolute real return generated by the asset class over the long term shouldn't be ignored.

Figure 2: Longer term returns for global infrastructure

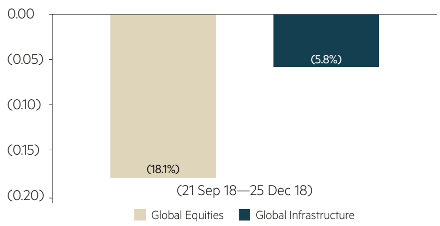


Source: MBA GLI Internal research; Bloomberg. Data to 31 Mar 2019.
Past performance is not a reliable indicator of future performance

Steep sell-offs are where the asset class shows its stripes

The large market correction in late 2018 is worth highlighting. During this period global equities were down 18% in USD terms, whilst global infrastructure was down only 6%. Whilst there is, and always will be, an element of equity market beta embedded in global infrastructure, as can be seen in Figure 3 the differential in drawdowns is not unique or isolated to this single event.

Figure 3: Infrastructure's defensiveness was a bright spot during the most recent market correction (2018)



Note: All returns are quoted in USD.
Source: MBA GLI Internal research; Bloomberg. Data to 31 Mar 2019.
Past performance is not a reliable indicator of future performance

Investment insights brought to you by Steven Kempler, Portfolio Manager Global Listed Infrastructure Maple-Brown Abbott

1. Unless specified otherwise, data referring to Global Infrastructure is based on the returns of the FTSE Global Core Infrastructure 50/50 Index, which was launched on 2 March 2015, although FTSE have back filled the history of the index back to 31 December 2005. We believe that the FTSE Global Core Infrastructure 50/50 Index is the most appropriate index to use in this context due to its constituents exhibiting infrastructure "purity" characteristics and strong inflation-linkage compared with other indices.

FOCUS

OUT AND ABOUT

The FPA recently acknowledged deserving individuals for their contribution to the work of the FPA or the Future2 Foundation, by presenting them with Distinguished Service Awards.

GRATEFUL *appreciation*

EXCEPTIONAL *contribution*

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

Award recipients: 1: Chris Manwaring CFP®; 2: Giles Gunesekera; 3: Angus Stevenson CFP®; 4: Steven O'Donoghue CFP® 5: James Wortley CFP®; 6: Mark O'Toole CFP®; 7: Cara Williams AFP®; 8: Andrew Donachie CFP®

2019 CONGRESS: *here we come*

Michelle Tate-Lovery CFP®

The Congress team enjoy bringing members together to participate in a quality professional development program, where we can share ideas around managing change and challenges and inspire each other to shape the future of financial advice.

The 2019 Congress program commences with two professional workshops on Wednesday 27 November – it will be worth arriving in Melbourne in time to attend these popular three-hour workshops.

The **Professional Practice Workshop** will be broken up into two parts:

- Addressing business planning (how to move forward, providing a focus of where to start turning obstacles into practical strategies and into actions to recalibrate your model of business); and
- HR (how to get it right in small to medium size businesses, including the importance of developing and retaining your top talent and grooming talent as your succession plan).

The **Paraplanning Workshop**, while primarily attracting paraplanners, often includes many planners who want to learn more about effective Statement of Advice construction and delivery. This will be a technical workshop around the problem areas of Statements of Advice and how to overcome them.

These workshops will lead into our first keynote session on Wednesday afternoon.

All three keynotes will feature high calibre speakers and content. There are a range of speakers, inclusive of thought leaders, business leaders and a global panel of financial planners. We will have inspirational and motivational speakers who will take you to 'new horizons'. They will provide glimpses of what is going on in our fast changing world and how innovation, changing mindset and reimagining our agility and creativity, will lead us to a place where we can extend ourselves to reach our full potential.

Our last keynote concludes the Congress on Friday 29 November at 2pm, which provides delegates with plenty of time to make their afternoon flights or perhaps, meet family and friends for a weekend in Melbourne. However, please do your best to stay to the very end of Congress – and be part of a few surprises!

On Thursday and Friday, you will be able to choose six workshops (from 24) to attend, covering four work streams – technical, communication, practice management and wellbeing. Financial planners love hearing from each other, so in the technical streams, we are going to have a lot of sharing of ideas from practitioners.

On Thursday 28 November, we invite all delegates to come along to the **Women in Wealth** breakfast and to start the morning off hearing from one of our inspirational speakers.

At the end of the day on Thursday, delegates are invited to our **Future2 Celebration** at St Kilda Sea Baths, where this year's **FPA Award** winners will be announced. Don't forget to purchase your tickets when you register and bring your team along for a memorable night of networking opportunities, entertainment and fun at this fantastic venue.

There has never been a more important time for the profession to position itself in order to expand its horizons and to reimagine what the future holds.

Be sure to register for Congress before 31 August to access the early bird discount of $245.

For members who choose to attend FPA Congress 2019, there will be breakthrough moments that will transform your business.

There's strength and power that comes from assembling together as a profession. This is a not to be missed Congress.

We look forward to seeing you and your team in Melbourne over 27-29 November for the 2019 FPA Professionals Congress.

Michelle Tate-Lovery CFP® is Chair of the Congress Committee. For more information, go to fpacongress.com.au

Classic old trams in Melbourne.

OPINION CORNER

IT'S TIME TO STEP UP

Question: What does it mean to be a leader during these challenging times for the profession?

Julie Berry CFP® FFPA Life

Berry Financial Services

Licensee:
ClearView Financial Advice

Being a leader is looking for opportunity in change. Where there is some reticence to accept changes to the way we have always done things, there should be curiosity as to what our businesses, and the way we look after our clients, will look like in this new environment.

Leadership to me is being able to demonstrate to others there is a way through this turmoil, and listening to and providing support for those who are finding it difficult.

As a leader, we should remain committed to our cause. We need to remind each other why we decided to follow the path of providing financial advice and understand that this change might end up meaning we have to deliver this differently, but in the end, it is the quality of advice that our clients receive that matters.

We might have to take on education courses, which means looking at how we can work together to get this done. Sure, we have to take an exam, which some struggle to understand the value of. However, these are things we can't change, so we should embrace the challenge and see the opportunity to maybe even learn something along the way.

There is no doubt these are trying times, but you never know, you might end up with better business processes and you might learn something new. And remember, always go back to why you started in this profession in the first place.

We lead our clients to better outcomes for their lives. Sometimes this challenges them, but we step up, because we are leaders, and we help them see the opportunities that await.

Phillip Richards AFP®

Director and Wealth Adviser, Endorphin Wealth Management

Licensee:
Lifespan Financial Planning

During my studies, I had the opportunity to gain invaluable insight into a variety of leadership theories. As a result, I choose to lead by example with positivity and a consistent, solution-focused attitude – regardless of any challenges facing the industry.

In my opinion, the challenges faced by some members of the industry are largely related to compliance. Endorphin Wealth is confident in its compliance with best industry practice, and we pride ourselves on the regular and comprehensive strategic planning that we undertake.

As part of our solution-focused leadership, we have recently launched our Advice Process Improvement Project; an extensive review and overhaul of every step of the financial planning process within our business. This involves assessing each of our forms of communication to ensure they are compliant, and to also ensure we are delivering the most efficient and customer-focused solutions to our clients from their first interaction with us.

Productive use of technology and CRM software allows us to streamline our processes, so we spend less time on administration and more on enriching the financial lives of our clients.

While I am fully aware of and engaged with the outside noise and media attention recently focused on the financial planning industry, Endorphin Wealth is solely committed to our strategic plan and company vision.

Question: What does it mean to be a leader during these challenging times for the profession?

Andrew Dunbar
CFP®

Director and Senior Financial Planner, Apt Wealth Partners

Licensee: Apt Wealth Partners

We work in a fantastic industry that's all about building trust and helping people lead better lives, and, as leaders, we need to look beyond today's challenges to set a positive tone for the future.

It's critical that we deal in facts, making decisions based on what is, not what could be. And the facts are great for our industry; there is a growing need for professional advice in our society.

Firms that provide trusted advice without conflict have a huge opportunity to shape the financial future of more and more Australians, as the population grows and ages.

Leadership is also a huge responsibility, and for leaders, it is important to acknowledge that actions speak louder than words.

That means we need to lead our teams ethically and fairly, empowering them to do the same for their clients.

We also need to look at how we can be industry leaders, too. For example, at Apt, we transitioned to our own AFSL to remove advice conflicts and began removing grandfathered commissions some time ago.

It's also imperative for leaders to continue to have a client-focus, after all, clients are the heart of our businesses.

Our directors still take time to sit down with clients, setting a standard for our advice team. By cementing our relationships with our clients, we are creating future advocates for our business.

Peter White
CFP®

Financial Adviser, Abound Financial and Lifestyle Planning

Licensee:
Charter Financial Planning

In completing my CFP® Certification Program studies a couple of years ago, one area that stood out in the ethics subject was a discussion around the need to support each other as planners and as an industry.

In the past, perhaps in part due to the product selling origins of our industry, working with clients was a dog-eat-dog world, in which discrediting another planner was just another method of new business prospecting.

From our past and now the present, in the form of the major recommendations of the Royal Commission, I believe every planner in our industry by default becomes a leader on how our industry is viewed by the public – both now and into the future – through their everyday actions and client interactions.

Being a leader can come in various forms. However, in the context of the current changing landscape, transparency and trust are key leadership traits needed at this time for our industry, in order for it to move forward and prosper.

Individually, a simple undertaking of asking a client in their first appointment if they have met with another planner before and if not, encourage them to have a second introduction meeting with another planner for another perspective, starts a conversation around the overriding value of advice to them.

It also provides transparency in having the best interest of the client in place and encourages further trust in our industry as a whole.

Question: What does it mean to be a leader during these challenging times for the profession?

Glenn Calder CFP®

Chief Executive Officer, Viridian Advisory
Licensee: Viridian Advisory

The financial planning industry is in challenging times, which represents an opportunity for leaders to galvanise action.

In the past, our industry has not been great at looking at the long-term and supporting each other. But in times like these, we need to band together and reinvent ourselves and our businesses.

This requires leaders to have a flexible and progressive mindset and attitude to identify and take advantage of the opportunities that arise out of uncertainty.

For example, one of the things we have found is that culturally aligned people and firms are seeking each other out more proactively and effectively.

By connecting at this level, we can progress forward with combined efforts and identify potential solutions to problems that you can't necessarily solve on your own.

It's my role as one of the leaders in our business to clearly articulate where we are going as a company and industry, and create these connections, so that we can navigate a path forward together.

Peter Campbell CFP®

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

What does it mean to be a leader during these challenging times for the profession? Put simply: leading by example.

As a profession, we all need to lead the way forward and not rely on the few in traditional leadership positions to pave the way forward.

With FASEA's education and exam requirements, as well as an increased hurdle for new entrants to the profession, being a leader is increasingly important within the profession. It can be as simple as helping your team develop pathways to achieve what they need to, as well as doing it for yourself.

To do this well, you need to be well versed in the requirements and options available in meeting the FASEA requirements. Look to providers and your licensee to offer guidance here, as there may be some preferential pricing in place.

Most importantly, I'd suggest that in the current environment, being an agile thinker is critical for leaders. As a planner, there are constant changes we must deal with – from regulatory through to product – as well as different ways of doing business (such as digital solutions). If we are not agile, we risk being left behind.

For your clients, be aware of the landscape as they see it. With large organisations departing the advice scene and constant media scrutiny, clients are uncertain about how long we will be around for, as well as if we will do the right thing by them.

Every planner is a leader from their client's perspective, so own it and look to talk to these concerns wherever possible.

Be open in how you – as a planner – and your business is dealing with the challenges facing the profession–. It's a unique opportunity for deep engagement.

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

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

MEET THE BOARD

STRENGTH THROUGH ADVERSITY

FPA Board member, **Alison Henderson CFP®** sees opportunities through change, which will enable financial planning to emerge as a much stronger profession.

Alison Henderson is proud to be a 'girl from the Gong'. She relishes the beaches, outdoor activities and the natural beauty of Mt. Keira in the Illawarra mountains range that frames Wollongong – the coastal city she works and lives in – about 90km south of Sydney.

The mum of two – a daughter aged 14 and an 11 year-old son – first cut her teeth in financial planning back in 1994, but after a couple of years working in Wollongong, the lure of the 'big smoke' proved too irresistible. However, it didn't take long for this self-confessed country girl to realise the fast pace of city life was not for her.

"Luckily, I had kept in touch with Dianne Richardson, the managing director of the Wollongong firm I previously had worked for, who is now my long time mentor, colleague and friend. Dianne offered me to return to the business to become a planner, where I have stayed, eventually becoming an owner of SWA Financial Planning," Alison says.

FPA BOARD

So, how does a self-confessed country girl from 'the Gong', with a young family and growing business to manage, decide to put up her hand for FPA Board nomination?

She says it was quite an easy decision: "Having been in the profession for so long, I came to realise that complaining about the status quo, without stepping forward to make a contribution with ideas and solutions, is unhelpful. I wanted to be an active part of the solution to the problems that I see facing the profession and planners."

> *I wanted to be an active part of the solution to the problems that I see facing the profession and planners.*
>
> *– Alison Henderson CFP®*

Alison was inspired to join the Board by the contributions made by colleagues and friends, who had put themselves forward to shape positive change for both the profession and consumers. She cites former FPA Chair Neil Kendall CFP®, as well as current Board members, Marisa Broome CFP® and Delma Newton CFP®, as being particularly formative in her decision to join the FPA executive team.

Having been elected to the Board in November 2016, Alison also chairs the Policy and Regulations Committee, and she is also a Director of the Future2 Foundation as the FPA representative.

As an FPA Board member, a typical month for Alison includes travelling to Sydney at least every two months to attend a Board meeting, which runs for a full day. And twice a year, prior to the Board meeting, she also attends a full strategy day. And as Chair of the Policy and Regulations Committee, she organises and runs sub-committee meetings at least four times a year.

"Obviously, keeping up-to-date with all the ongoing legislative changes to our profession means that I need to actively spend many hours each week reading and keeping across all these changes," she says.

It's a busy commitment for the mum of two, who also has the added demands of juggling a growing business with looking after the needs of her clients.

"I'm not sure how I do it," she laughs. "I guess I don't sleep much."

WHAT'S ON YOUR MIND?

In fact, sleep is one thing she sometimes struggles with. As a practitioner and business owner, Alison concedes there are plenty of things that keep her awake at night, not least, finding the time to manage all the new changes facing planners.

"I am concerned about how I'm going to find the time to ensure I continue to provide the best ongoing advice to all my clients, whilst trying to juggle my Board duties, plus all of the new education, exam and CPD requirements under FASEA, as well as ensuring I get home in time each day to spend some quality time with my family," she says.

"With our lives busier than ever, it's going to be a challenge to ensure that my work/study/life balance is achievable and sustainable over the coming years."

She believes the FPA Return to Learn education hub is a great resource that will assist members to better understand the new FASEA education standards, while providing invaluable information around options on how to meet those standards.

Another issue that concerns Alison is the unnecessary duplication of legislation and red tape in financial services, which is making it challenging to keep financial advice affordable, particularly for those Australians who need it most.

"Over the longer term, it will be important for the FPA to ensure that this excessive duplication and red tape, which could potentially increase as a result of the Royal Commission, is brought to the attention of the Government and regulators to ensure advice can be accessed by more Australians going forward."

But despite these worries, Alison is also excited by the opportunities that new technology is having on the profession, including automating the repetitive, non-value adding work that needs to get done.

"At SWA, we've got several team members with coding skills – that were learnt in conjunction with their financial planning skills – which provides opportunities for us to automate repetitive manual work and to be more responsive to environmental changes that require us to provide targeted strategy and investment advice to our clients," she says.

Alison Henderson CFP®

Practice: SWA Financial Planning

Years as a planner: 22 years

Elected to the FPA Board: November 2016

And from a Board perspective, Alison says she is excited to see improvements in technology that is making the daily duties of planners more productive by reducing some of the manual drudgery around some compliance tasks, such as professional obligations.

One example she refers to is the FPA's new centralised CPD solution, which is saving members considerable time and effort in maintaining their CPD records.

"I'm just so excited about the future for the profession," Alison says. "Once we get through these changes, which are stressful and time-consuming, we're going to emerge as a much stronger profession."

CHANGE REQUIRES LEADERSHIP

However, Alison acknowledges that change requires leadership – as a business owner, practitioner and Board member. She believes that during these challenging times, it's important that the profession has people who are passionate about the long-term standing of financial planning and the financial wellbeing of all Australians.

"I am particularly excited about the next generation of planners who are coming through. I look at the passion and talent of all our young planners in our practice, and they're inspiring. They give me great optimism for the future of our profession."

Alison says leadership requires constantly reminding ourselves that the profession will only continue to exist if planners deliver value in the form of great advice and service to clients. She adds that part of great service is retaining our empathy for others and maintaining strong relationships with clients - something that many technology solutions are unable to deliver.

"I think one of the fantastic aspects of our work is that we get to know our clients very well. This leads to the growth of mutual trust and respect. All of the changes currently facing planners will ultimately lead to a greater level of trust in the profession, and that can only be a good thing."

RIGHT BALANCE

And while there's plenty happening in her life to keep the candle burning late at night, Alison is mindful that she balances her work with what's most important in life – her family.

Outside of SWA and her Board commitments, you will often find Alison either on the tennis court or spending time "just mucking around with the family".

"There's just so much to do in 'the Gong' on the weekends," she says. "We love bushwalking, and there are some absolutely magic bushwalks here in the Illawarra. And, of course, there are the sensational beaches for swimming and surfing in summer."

But come winter, you won't find Alison hibernating. Look closely and you might just find her and family schussing down the slopes in the Snowy Mountains... Board papers and all!

FPA PROFESSIONALS CONGRESS

TRANSFORMATION AND CHANGE

Are you ready for change? Dr Catriona Wallace is and at this year's FPA Professionals Congress, she will show planners how to adapt to changes that are going to transform the profession.

Whether you like it or not, innovation and automation is going to radically change the financial services landscape over the next decade, but don't hit the panic button just yet! These changes, whilst transformative, will also provide financial planners with new opportunities.

This will be one of the insights shared by Dr Catriona Wallace as part of a panel discussion at this year's FPA Professionals Congress in November, where she will join two other panelists who will talk about their personal experiences of how they have adapted to challenges and change as business leaders.

Facilitating the panel discussion will be business marketing specialist and podcaster, Tim Reid. Joining Catriona on the panel will be Simon Costa, who led the largest horticulture company (Costa Group) in the southern hemisphere, before becoming the Director of the United Nations World Food Programme. Taking up the third spot is former CEO of Swisse multi-vitamins, Radek Sali, who was instrumental in selling the brand for an impressive $1.67 billion.

When it comes to emerging and disruptive technologies, Catriona knows a thing or two. She is the founder and CEO of fintech company, Flamingo Ai, which provides cognitive virtual assistant (artificial intelligence) and knowledge management technologies.

Catriona has also founded three other businesses – a customer experience design firm, Fifth Quadrant; a market research firm, ACA Research; and a women's co-working space, The Ventura. And just as an aside, this serial entrepreneur has a PhD in Organisational Behaviour: Human Technology Interaction.

By anyone's reckoning, it's an impressive biography.

GET READY FOR CHANGE

However, it's the world of emerging technologies that Catriona thrives best. She confides to having a deep interest in sociology and human behaviour, which has given her an uncanny knack of predicting what type of technology is coming next, particularly in areas like artificial intelligence, that's likely to affect businesses.

But she admits that in order to adapt to change – like technology or innovation – can be hugely challenging and stressful, requiring individuals to step out of their comfort zones.

"We are in an unprecedented time of not actually knowing what the future will be like beyond the next five years. Will 40 per cent of financial services jobs actually be automated and will artificial intelligence really be as transformative as we think it will be?" she asks.

"Regardless of what you might think, new and emerging technologies are going to force change upon businesses. This change is going to come very quickly and it's likely to catch a lot of businesses by surprise."

In order to prepare for this change, Catriona advises business leaders to:

1. EDUCATE AND EXPLAIN
Clearly explain to staff about the core areas that the business is likely to experience change in. For example, in the area of technology, the greatest change is likely to come from artificial intelligence, blockchain, cyber security, the internet of things (IoT), and peer-to-peer economies.

2. AGILITY
Create agile workplaces and workforces that are able to adapt and pivot more easily to change.

3. PROGRAMS
Provide programs from the grassroots level and up that assist staff transition with the change. These programs need to comprise three elements: they educate staff about the change, they train staff in the area that is going to require the change, and they clearly articulate what this change will mean for them.

"If you properly consider and implement these three key areas, then you'll be in a good position to manage change more effectively," Catriona says.

CHANGE REQUIRES LEADERSHIP

Adapting to all these changes in innovation and technology will require leadership. So, what does leadership mean to Catriona?

"Leadership is the ability to influence a person or

I want to help planners better understand what is coming in terms of innovation and technology, in particular artificial intelligence, and how this is going to change the way they work and interact with their clients.

– Dr Catriona Wallace

a group of people to do something that they wouldn't ordinarily do on their own. It's about being a strong influencer towards a particular outcome."

The style of leadership that Catriona leans more towards is 'servant leadership' – a philosophy in which the main goal of the leader is to serve.

"This style of leadership is all about how I can be of service to my team, in order to help them successfully realise the company's vision. That means I like to be the last person to speak or to put forward ideas.

"By doing so, I am creating an opportunity for others in the team to voice their opinions and empowering them to make a difference. It's about creating a culture of diversity and inclusion."

Interestingly, for someone as successful as Catriona, who was recently recognised by the *Australian Financial Review* as Australia's Most Influential Woman in Business and Entrepreneurship and who has also been inducted into the Australian Business Woman's Hall of Fame, she assiduously believes that in order to succeed, you first need to be totally at ease with failure.

She says that to be a leader during uncertain times, like now, it's important that leaders are confident and visionary. And while confidence can come from learning and experience, Catriona adds that perhaps a better path for leaders to take is to test yourself out by trying things and failing at them.

"By doing so, you learn at a visceral level, rather than an intellectual level. By recovering from these failures, learning from them, and leading a team through them, a truly confident leader can emerge. So, don't be scared of failing. The lessons learnt will set you up for success."

ADAPTING TO CHANGE

Without giving too much away, Catriona is confident that planners attending her panel discussion at Congress will take away a number of key insights that will enable them and their businesses to better adapt to change as it happens.

"I want to help planners better understand what is coming in terms of innovation and technology, in particular artificial intelligence, and how this is going to change the way they work and interact with their clients," she says.

"I also want to help them understand how the landscape is going to change for consumers and clients as well, particularly in regards to the financial planning tools they will have access to and the automation of these."

At the heart of Catriona's message to the profession is the undeniable fact that the financial services industry is ripe for automation and change.

"It's already happening," she says. "But it's not all doom and gloom, in fact, it's quite the opposite. However, planners need to be right across these impending changes. They need to understand how they are going to work with artificial intelligence and predictive tools, and how they are going to transform as a profession.

"We already know there are some great planning tools that have been automated. So, it's important to work out how planners are going to evolve to that next level, where they are providing services and value above and beyond a basic financial plan.

"That's the next step in the profession's evolution and it's one to be excited about."

Dr Catriona Wallace will be part of a panel discussion at the 2019 FPA Professionals Congress in Melbourne (27-29 November). For more information on the program or to register your attendance, go to: fpacongress.com.au

GLOBAL LISTED INFRASTRUCTURE

BUILDING PORTFOLIOS: INFRASTRUCTURE

Allocating to global listed infrastructure requires practitioners to fully understand what they are investing in.

Steven Kempler

Simon Wotherspoon CFP®

Infrastructure assets have always played an important part in bringing a degree of resilience, liquidity and diversification to an investment portfolio. But given much of the current uncertainty in global markets, should planners be rethinking their approach to global listed infrastructure?

"Not at all," says Maple-Brown Abbott portfolio manager, Global Listed Infrastructure, Steven Kempler. He views global infrastructure as taking on the qualities of both debt and equity, sitting somewhere between the two in terms of volatility and returns.

"Our analysis has shown that a permanent allocation to infrastructure, in a diversified portfolio, could help to not only improve portfolio income, but the less than perfect correlations with other asset classes means that an allocation, however small, may have a positive impact on reducing overall portfolio volatility," he says.

It's a view supported by Simon Wotherspoon CFP® – a director and principal adviser of 2018 FPA Professional Practice of the Year, Wotherspoon Wealth.

"We think global infrastructure is a valuable portfolio diversifier, with low correlations to wider equity markets," Wotherspoon says. "Infrastructure involves assets with a stable and predictable demand for services, regardless of the market cycle. This results in consistent earnings when most industries face increased risk from competition and disruption."

Wotherspoon believes that amid the technological disruption faced by many industries, the fundamental drivers of infrastructure persist. These include increasing demand for airports and toll roads around the world, the continued explosion in the demand for wireless data – requiring more telecommunication infrastructure – and governments increasingly focused on improving grid reliability, congestion and the replacement of ageing infrastructure for water, gas and electricity networks.

According to AMP Capital head of Global Listed Infrastructure, Giuseppe Corona, the need for infrastructure investment is in a never-ending cycle, with investment in infrastructure helping to stimulate sustainable long-term economic growth, which then creates a need for further infrastructure.

"McKinsey forecasts that US$57 trillion investment is required in core infrastructure alone between 2012 and 2030. Heavily indebted governments can't afford to spend that money themselves. Listed infrastructure companies must be part of the solution to fund this shortfall and are well positioned to benefit from attractive investment opportunities," he says.

THE GOOD AND BAD

Like all asset classes, Wotherspoon says there are definite advantages and disadvantages of investing in global infrastructure that practitioners should be aware of. As for the pros, Wotherspoon points to the reliable long-term investment returns of listed infrastructure, with most infrastructure assets typically facing constant demand and limited competition.

He also likes the stability that this asset class can provide: "Listed infrastructure can provide downside protection, because assets with reliable earnings growth and stable income streams offer greater stability in declining markets.

"Listed infrastructure also adds diversification to a portfolio, with low correlations and typically low beta, while providing inflation protection, because infrastructure assets typically have long-term contracts with earnings linked to inflation."

However, Wotherspoon adds that practitioners need to be mindful that listed infrastructure is generally viewed as a bond proxy, due to the interest rate sensitivity of this asset class, which means it can be volatile at key turning points in interest-rate expectations.

"For now, inflation worldwide is mostly muted, rates have never been so low, yet the prospect of a jump in rates of inflation or interest seems unlikely," Wotherspoon says. "However, if rates rise in the short-term, a shock effect would cause infrastructure prices to be sold off in the short-term. But most infrastructure companies are locking in long-term debt at record low rates, so this may mute their cost of rising rates."

Kempler agrees, saying interest rate sensitivity is often discussed as both a pro and a con, with most investors viewing falling rates as a pro and rising rates as a con for this asset class. "However, over longer investment horizons, different infrastructure assets can behave very differently and provide quite varied return outcomes, depending on movements in rates – whether nominal or real – and what part of the curve is shifting, and whether or not companies pass-through these rate movements via regulatory frameworks or otherwise," he says.

Wotherspoon also cautions that as this asset class is global, listed infrastructure does create currency risk, which can either work for or against investors. But looking at the Aussie dollar, he adds that it is near its long-term average against the U.S. and other trading partners of Australia, so the risk might prove moderate, but is nonetheless something to be mindful of.

"Listed global infrastructure has already had a strong run. If rates stay relatively low, then listed infrastructure still seems good value," he says.

CONSIDERATIONS

Wotherspoon believes that any allocation to global listed infrastructure first requires planners to fully understand what they are investing in.

"Not all infrastructure is the same and it's important to invest in the infrastructure, rather than the commodity for which that infrastructure caters."

As an example, Wotherspoon says that when investing in pipelines, the returns for that investment should relate to the 'rent' for that pipeline and not the price of oil or gas at any point in time.

And what about hedged versus unhedged when it comes to investing in this asset class?

"In relation to hedged versus unhedged, it may be best to invest in global infrastructure without the issue of currency fluctuations. So, a hedged option is worth considering, though the Aussie dollar may yet track lower," Wotherspoon says.

It's a view supported by Kempler, who says when allocating to global listed infrastructure, planners should first consider what is lacking from their clients' portfolios and then only allocate once they fully understand what they are investing in.

"Global listed infrastructure is different from many other asset classes, as it can provide benefits in the form of 'inflation-linked' income, reduced correlations with global equities and general downside protection," he says.

"Whilst a target allocation is an individual decision for every investor, we believe an allocation to global listed infrastructure could provide positive risk-return levels to a portfolio compared to one without."

Getlink is a strategically positioned investment opportunity.

OPPORTUNITIES

So, where are the best investment opportunities for investors? For Maple-Brown Abbott, it invests in core infrastructure assets that possess high barriers to entry and which have strong strategic positions.

"We are optimistic around the long-term attractiveness of the infrastructure sector as an investment, including the ongoing increase in demand for long-dated, stable income streams, as well as the growing need for further infrastructure investment and the role that the private sector will play in this," Kempler says.

Specifically, he sees attractively priced investment opportunities in European infrastructure assets, particularly with the likes of toll roads and airports. He also continues to be attracted to some long-haul North American pipeline assets, particularly on the natural gas networks.

"There is long-term demand for U.S. natural gas, as a result of switching from coal to gas, increasing household penetration by regulated gas utilities, and from the growing position the U.S. market has for LNG exports."

And when it comes to his best high conviction position for this asset class, Kempler recommends *Getlink* – the owner and operator of the Channel tunnel connection between England and France.

"This continues to be our largest holding," he says. "This is an irreplaceable, strategically positioned asset with a concession to operate through to 2086, and with significant growth potential, which we do not believe to be reflected in the share price."

According to Kempler, this growth potential comes from new business opportunities, like Eurostar city connections, such as the newly launched London-Amsterdam service, or with more freight services switching to rail. Other growth opportunities for Getlink include using its existing infrastructure for other initiatives, such as connecting the U.K. and French power grids and selling that capacity to market participants.

"Getlink is a keenly sought after asset and despite the strong performance over the last 12 months, we still see the company as being attractively valued and well positioned," Kempler says.

TOWARDS A COMMON GOAL

When it comes to advocating change for the profession, there's strength in unity. **Dante De Gori CFP®** and **Phil Kewin** talk about the collaborative work the FPA and AFA are engaged in.

There's no hiding from the fact that the financial planning profession is currently beset with a number of pressing issues. Some of these include: dealing with the new FASEA standards, compliance, engaging with the next generation of planners, adapting to changing business models, and lifting consumer understanding and trust of the advice process.

They are significant issues which FPA CEO Dante De Gori CFP® and Association of Financial Advisers (AFA) CEO Phil Kewin agree will impact the profession as it looks ahead to the next 5-10 years.

"With the new FASEA education standards coming into play, we can expect to see a reduced pipeline of future planners, at least over the short-term," says Dante. "So, in terms of how the profession will resolve this impending reduction in planners is a significant issue that needs to be resolved."

It's a view supported by Phil, who adds that the FASEA standards and exam requirements have created considerable uncertainty within the profession, including how many planners will actually commit to the journey ahead.

Both CEOs also agree that the inevitable change of business models is also a considerable issue for the profession, as businesses and licensees adapt, evolve and change, as they move from the traditional remuneration models of the past.

"And with all the rapid developments in technology and the way in which consumers use technology today, this is another challenge for the profession to overcome. One of our biggest challenges has been getting consumers to understand what advice is and how to access it. But the way they are now using technology, means we need to adapt our service offering from how we have traditionally offered it," Dante says.

Phil agrees: "The majority of Australian consumers don't understand what financial planners do. But if they did better understand what planners do and the value of financial advice, then more people would seek advice. So, this is a challenge and an opportunity for the profession to address."

And then there is the issue around compliance, which continues to be a pain point for planners.

"If you talk to planners, the biggest challenge impacting them is compliance. It's a balance between planners making sure they are doing the right thing, but also being able to do it affordably - and so deliver compliant but cost-effective advice to consumers," Phil says.

"However, it's concerning that the cost of advice continues to increase, but the average punter who needs advice the most, is not able to afford it."

RESPONDING TOGETHER

There's no denying these are all significant issues currently confronting the profession - not just for planners but ultimately, for consumers as well.

But it's not all doom and gloom. While it may not be well-known, over recent times, the FPA and AFA have been working assiduously together on key policy positions to present a united and cohesive voice to Government to bring about change.

In fact, over the past 12-18 months, both members associations have worked effectively together on a number of important issues, not least, the advocacy work around the new FASEA standards, including the implementation timelines and exam.

One of our biggest challenges has been getting consumers to understand what advice is and how to access it. – Dante De Gori CFP®

FASEA

By working collaboratively, both member organisations were able to argue the case, resulting in a much improved outcome for the profession.

For example, prior to the FASEA legislation, there was a push by 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," says Dante.

However, after considerable work over a year presenting the case for recognition of much of the study already undertaken by planners, both the AFA and FPA were able to secure sensible outcomes.

"For FPA members, this meant approximately 50 per cent of practitioners needed 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 practitioner members having to complete eight units," Dante says.

CODE MONITORING

Another recent example of the FPA and AFA working closely together has been with code monitoring, including working out a code monitoring solution for members.

"It was a huge achievement to get six different organisations to come together in support of setting up a Code Monitoring Body for the industry. That definitely took the will and support of all associations to work together on this initiative for the benefit of all members," Dante says.

According to Dante, for six professional associations to support a code monitoring scheme was a defining moment for the profession in Australia, as it demonstrated a commitment and intention by the participating member associations to lift the ethical and professional standards within the sector.

LIFE INSURANCE

And then there is life insurance, where a joint AFA and FPA taskforce has been established to make a reasoned case against unnecessary changes to the life insurance sector that will ultimately lead to less people taking out insurance.

"That taskforce has kicked off, with the aim of ensuring we're in front of the review in 2021, and importantly, ensuring we present the Government with a united voice and message," Dante says.

For both CEOs, it's important that the profession presents itself with a united voice when talking to Government and the regulators.

"For all these policy and advocacy areas that the FPA and AFA are working collaboratively on, it's important that, where possible, we have a shared voice that represents the whole profession," Dante says. "I believe we are making much better strides in doing that than we have in the past, but there's a lot more we can do together.

"Getting the message out to stakeholders that we are working together has been an achievement in itself, because when it comes to some specific issues, people are now looking at us for a united voice, like the FASEA exam and life insurance."

According to Phil, both associations share the same objective, and that is: to ensure more people have access to affordable financial advice. He says the most powerful thing the AFA and FPA can collectively do is advocate together.

"We can have many voices but we need to have the same message," Phil says. "If we're delivering that same message, whether it's together or independently, it's going to be far more powerful and persuasive.

"Having the same message makes it easier for the Government and regulators to understand what the problems are and the solutions available."

ONE MESSAGE, MANY VOICES

With the FPA and AFA representing the majority of planners on the Financial Advisers Register, both chiefs don't understate

Continued overleaf

the importance of speaking to Government with a united message. Recently, both Dante and Phil met together with the Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator Jane Hume.

"There's no doubt that what Government wants to hear from the industry is consistency. The one thing we hear back from Government and politicians is that at times, they don't know what the view of the profession is because they are hearing different things from different people with different requests," Phil says.

"So, if the profession is going to be considered seriously in Canberra, and if we are to provide weight to any argument, then we need to be united in what we say."

And while the meeting with Senator Hume was productive for both associations, Dante adds that meeting and lobbying Ministers together, as member associations, is not new for the FPA and AFA. Both associations frequently collaborate on various policy issues, including working together on many policy submissions.

"For most of the time, our respective policy teams are talking together about the issues and solutions around these policies. However, there is a misconception, both within and outside the profession, that the FPA and AFA don't collaborate," Dante says. "So, we are conscious of making this collaboration very visible, because it sends a clear message to all stakeholders that we have a united message, which is advantageous for our respective memberships."

Phil adds that while there have been times when this collaboration has been more formalised, like meeting together with Senator Jane Hume, as well as the previous Minister, Stuart Robert and backbenchers, the key message both associations want to convey is that they do consistently work together on shared issues, although this might not be evident to the wider membership.

"Some people think the AFA and FPA are competitors and adversaries," Phil says. "But that's not the case. We complement each other. And while we have the same objectives, there are times when we need to collaborate, either formally or informally. By doing so, it gives us far more weight when we speak with the one voice with the same message."

GOOD POLICY, GOOD ADVOCACY

So, does this mean both associations work seamlessly together or are there difficulties?

"There are some areas where we haven't agreed, and that's to be expected," Phil says. "But there are other times when one party might realise it's more important to get passionate about something that the other may not have been previously worried about, like life insurance commissions. In this example, we realised the need to have a very strong and clear message. So, we've been able to influence each other in how we approach things."

However, he emphasises that for both associations, policy is

The elephant in the room

When talking to FPA CEO Dante De Gori CFP® and AFA CEO Phil Kewin, there seems to be a lot of synergy between the member associations and the work they are doing together. It therefore begs the question: Why not merge?

It's a question that takes neither chiefs by surprise.

"That old chestnut," laughs Dante. "Obviously, you never say never to something like this. But the concentration of the FPA board and leadership team is totally focused on the very significant issues that are currently impacting the profession.

"And our collaboration with the AFA is vitally important to ensure we can make a difference with these issues. Otherwise, we will lose that opportunity to make a beneficial difference to these changes. That's our main priority."

Both CEOs agree that ultimately, the way both associations are structured means that any idea of merger is up to the membership. It's the members who make the final decision concerning constitutional issues like mergers – not the leadership team.

"We have a job to do, and as Dante says, there are a number of pressing issues to deal with now, which is part of our remit. We both have the same objectives. And while each association may have different cultures and ways of doing things, having two member associations for the profession provides diversity in thought," Phil says.

"This allows us to challenge each other. In fact, in certain areas, we have actually strengthened our respective value propositions, as a result of the work we have done together.

"So, there are times where we need to work together to get the best outcome for our members, which means working co-operatively. This collaborative approach is working and I'm confident it will continue to work in the years ahead."

always set at a board level, with a clear focus on what's best for the profession in enabling more Australians to access advice from qualified financial planners.

"For me, that's fundamental," says Dante. "It makes a big difference when you have the support of the board to allow our associations to work collaboratively together. So, that's a testament to both sets of boards and their respective president and chair, who through their leadership, allow us to do this. Without their support, we wouldn't have been able to work on these initiatives collaboratively over the past 12-18 months."

And Dante also acknowledges the importance of both CEOs having a respectful working relationship with each other to enable this collaboration to continue and grow.

"There is a high degree of trust and transparency in how we approach advocacy and work with each other. And if that wasn't there, then it just wouldn't be possible to have this collaborative relationship."

ROOM FOR IMPROVEMENT

While both CEOs are justifiably proud of some of their recent collective achievements, is there room for improvement in how they work together?

"It's a good question," Dante says. "By working together, I have a greater appreciation and understanding of the level of work that the AFA has been doing. The fact that you do work on these shared initiatives does help you to identify where we complement each other and how we can use that to become more effective and efficient in how we do things."

Dante believes a key to working more effectively and efficiently together is to better harness the internal capabilities of both organisations – both staff and members.

Phil also identifies member engagement as an area the AFA and FPA can improve on.

"We've got members who are involved in the Life Insurance Taskforce. But it's also about broader member engagement, where we bring all our members along on the same journey. And while it's left to the board and the leadership team to develop and deliver the strategy for our members, our members still want to know what we are doing for them. In order to deliver on our shared objective of providing more Australians with affordable advice, we first have to look after our members," Phil says.

"So, we can probably improve in the way in which we engage with our members in explaining how we are working together, how this is benefiting them, and how the objective is the same. Members need to know and understand that what we are doing is in their best interest, which ultimately, is in the best interest of all Australians."

LOOKING AHEAD

With a heavy workload ahead for the FPA and AFA, including bedding down the new FASEA requirements, as well as working together on the life insurance taskforce, there always seems to be those additional spot fires that need to be attended to. Does that mean both CEOs are focused more on the now and not the tomorrow?

"I actually have a very clear vision for the profession over the next 5-10 years," says Phil. "Less than 20 per cent of the population has access to financial advice. So, my vision it to make financial advice more affordable and accessible to a greater number of Australians."

It sounds great in principle, but how do you achieve that?

The foundations, says Phil, begin with having a strong, vibrant and growing profession that is respected by politicians, regulators and the general public.

"Without that respect, we will continue to experience issues with regulation. So, if we can address the issues around trust and integrity, and improve the public's perception of financial planning, then we will finally see financial planning emerge as a true profession, with more consumers proactively seeking advice. That would be a great outcome for all Australians."

Fundamental to this happening, says Dante, is that in 5-10 years' time, there should be no question mark around the status of financial planners; they are true professionals.

"No longer will we have this question around the status of planners, because the framework the Government has legislated for the profession, would have been implemented. So, I think we have an obligation to hold both sides of Parliament, and the regulators, accountable for respecting and acknowledging financial planning as a true profession," he says.

Also high on Dante's wish list for the next 5-10 years is making the cost of advice more affordable for Australians, which includes a reduction in regulatory red tape and finally, making financial advice tax-deductible.

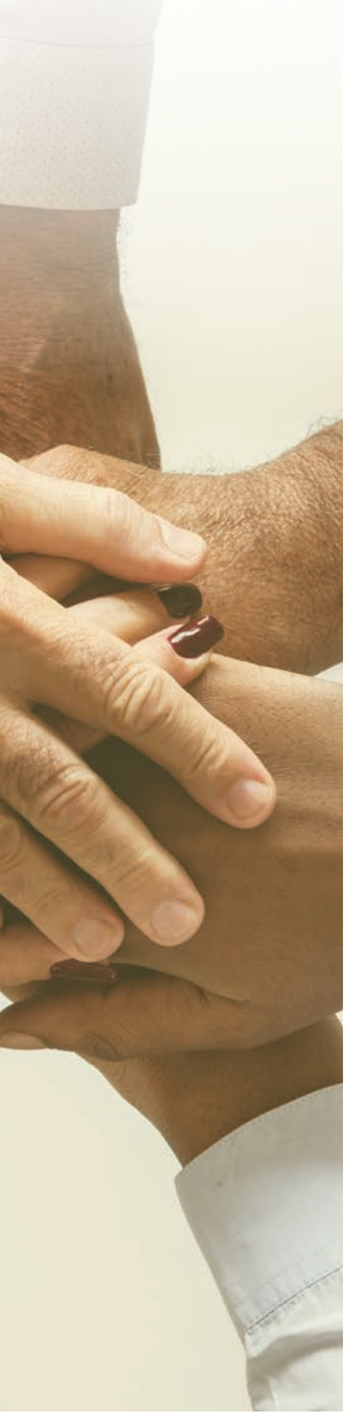
"It would be great to be in an environment within 10 years, where a planner is seen by the public, Government and regulators, as a professional – which they already are – and the industry as a recognised profession. And an environment where planners can provide affordable advice to more Australians, which is tax-deductible," Dante says.

"Even though we currently have a low percentage of people accessing advice, the demand for advice is huge. Most Australians will tell you they need financial advice but they're not really sure about the value of advice and how it's going to help them. So, it's just a question of converting that need into action.

"There are a few barriers we are currently knocking down, so over the next 5-10 years, we will see the number of consumers accessing advice increase. That will be a great outcome for the profession and for all Australians, due in a large part to the collaborative work the FPA and AFA are engaged in."

THE POWER OF UNITY

The leader of today is responsible for many diverse management tasks, as additional pressures continue to mount in a rapidly changing and challenging environment. Ray Albrighton CFP® talks about what leadership means to him.



The one constant in financial planning is 'change'. It's something you just can't hide from. But the consequences of change can be far-reaching, affecting individuals in different ways. While some revel in the opportunity that change can bring, for others, it can be particularly stressful – affecting their health and emotional wellbeing.

But that's where leadership can help, says the Head of Infocus Financial Planning, Ray Albrighton CFP®, who currently manages a team of 40.

"The profession is going through a period of significant transformation, as it deals with the new FASEA education standards, the Royal Commission recommendations and regaining the trust of Australians. However, we need to embrace these changes, if we are to emerge as a stronger and more valued profession," he says.

And that's where leadership kicks in, says Ray.

"For me, leadership is about putting yourself last because ultimately, it's your front-line staff who make the clients happy. So, my job is to empower our people who deal directly with our clients across the group. Whether that's providing the leadership, the guidance and

Ray Albrighton CFP®

the mentoring, or whether it's removing bottlenecks and interference, it's all about helping our team to better help their clients."

Yet, a day in the life of a leader comprises many management tasks. So, how does this CFP® professional deal with the challenges and changes facing the profession?

"It's an interesting question," he says. "I believe the best way to manage change is to unite. At Infocus, we don't operate in silos. We're all about uniting all our teams, whether it's the compliance team, the back-office team or the frontline team. Managing change means being open and honest about what's happening, and then uniting together to work towards a common purpose, which is delivering quality advice to clients."

It's an approach he says is working, even when it comes to dealing with the complexity of managing different generations who have different life/work balance expectations?

"If you look at clients, their lives aren't linear. They get sick, they get married, they have children, they receive inheritances. Things happen in a non-linear fashion. As planners, that means we have to be flexible and available for our clients when they need us – whether that's after-hours or on the weekend.

"So, we're creating a workplace that is more flexible and sensitive to the work/life balance needs of our staff. We're encouraging our staff to manage their time around the needs of their clients."

Ray says greater workplace flexibility has been a symbiotic fit for the business, allowing it to better adapt to the lives of both staff and clients.

CREATING A COMMUNITY

When working with staff and clients, particularly through these times of change, the ability to build trust, engagement and connection is a critical skill set required at the leadership level. It's a point not lost on Ray, who says open lines of communication are absolutely essential in

building trust, engagement and connection within the business.

"The sharing of knowledge is extremely powerful in our profession, regardless of where somebody is located. Just because you might have a senior planner based interstate, that doesn't mean they don't have good ideas or insights to share with the next generation of practitioners," he says.

"So, we're using technology, both in-house and external, to engage across geographical boundaries. It's about creating a community for our advice team and being able to share that in an open forum, where staff can debate, share ideas, share their wins and their learnings.

"Providing this flexibility to share knowledge is an important part of creating a community within the advice team."

HEALTH AND WELLBEING

However, Ray concedes that while change provides new opportunities for businesses, it can also increase the stress of those working within the business. He tackles this head on by ensuring Infocus takes the health and wellbeing of all its staff seriously.

Our team ethos is: healthy, wealthy and wise. We provide a range of team activities that staff can participate in, which is great for team bonding and staying engaged, while also keeping fit.

– Ray Albrighton CFP®

"When it comes to the wellbeing of our staff, the management team leads from the front," he says. "Our team ethos is: healthy, wealthy and wise. We provide a range of team activities that staff can participate in, which is great for team bonding and staying engaged, while also keeping fit."

These activities range from basketball, volleyball and soccer competitions, to distance running events, like the Sydney Half Marathon and the City2Surf fun run.

"We've even got a young team member who is currently in training to swim across the English Channel for charity. Supporting and encouraging these types of activities not only have a beneficial effect at work, but the benefits also ripple through into an individual's personal life."

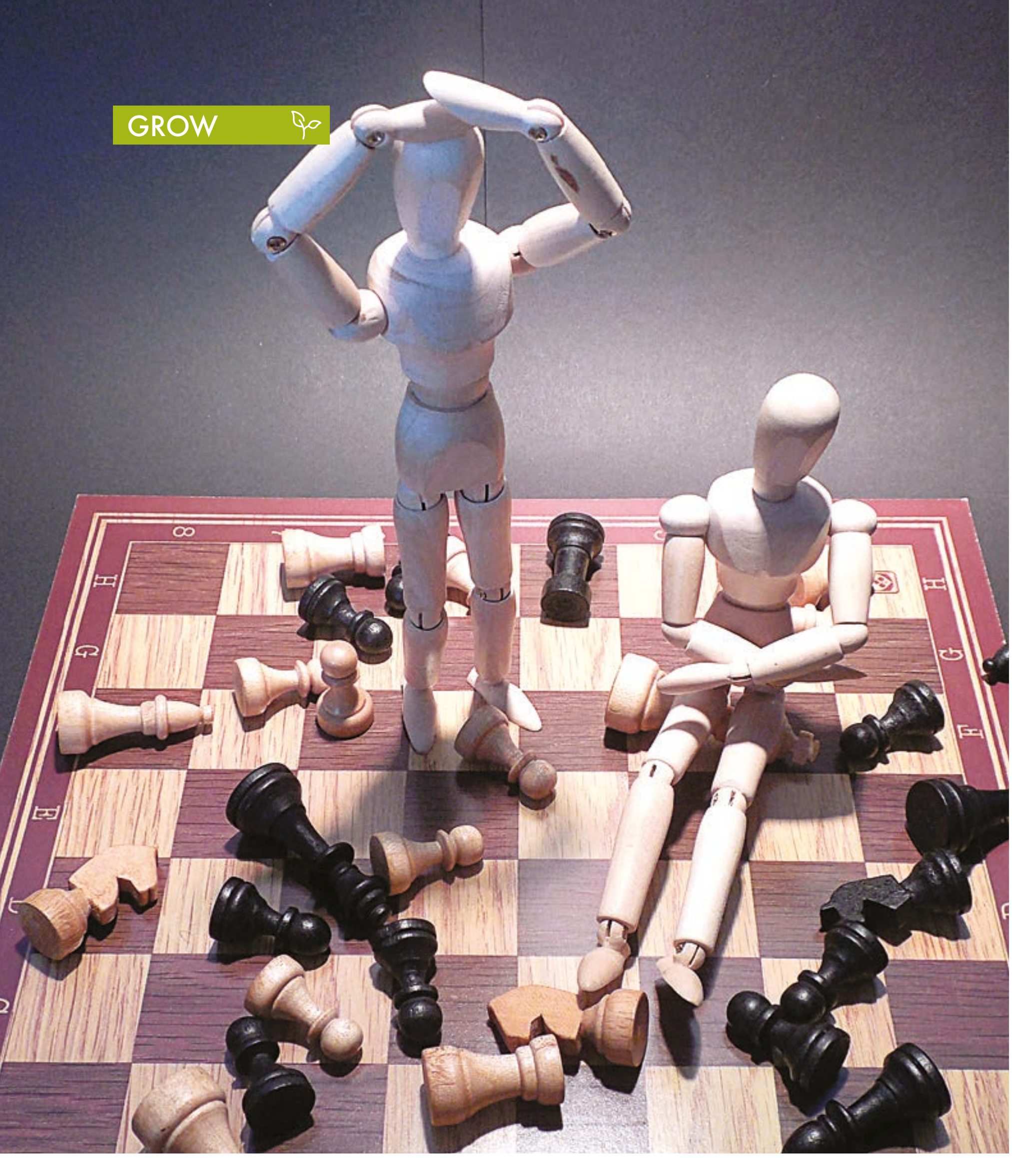
Ray believes that if you're mentally and physically healthy, then that feeling of wellness flows through to the home environment, as well as spilling through to the lives of clients.

"Our clients are very aspirational. When they see their planner working on their health and wellbeing, it also provides them with the motivation to work on their own personal wellbeing. So, our business ethos of leading by example is very important at Infocus."

Ray is also a convert to wellness programs, like the AIA Vitality program, for not only managing his own personal health and wellbeing, but that of his staff, too.

"We were one of the early adopters of the AIA Vitality program. It's been a great staff engagement

Continued overleaf



and awareness tool that I would recommend any business adopt," he says.

The AIA Vitality program provides participants with points for completing various health assessments to help them better understand their current health status, with advice on how to improve it.

This includes a range of activities that are designed to get users in better shape – both inside and out. By earning points for their participation, users can build up their AIA Vitality status and access a range of rewards, such as discounts on insurance premiums, through to discounted gym memberships, clothing and movie tickets.

According to Ray, the Infocus staff are actively involved in the program, enabling the business to conduct fun and non-intrusive in-house competitions, such as the highest number of steps gained in a week by a team member using their Fitbit.

"These competitions are a bit of fun but it also allows us to get together in a supportive environment to talk about any issues affecting us, while also enjoying the benefits of the program as a group, such as accruing points for travel, shopping or even movie tickets.

"The AIA Vitality program is a great way for the business to show it cares about our staff's health and wellness, which flows through to our clients," he says.

"It's been an important part of enabling us to create a culture of heath and wellbeing, which we are integrating across the group."

However, Ray is acutely mindful of the significant changes happening within the profession, with mental health being particularly critical at this time.

In order to deal with these changes, he says it's essential that financial planners are supported and heard. He applauds industry initiatives, like FPA Wellbeing, as being a good start to support planners with their mental health and wellbeing.

"Our leadership team, from the managing director Darren Steinhardt through to our regional managers, are taking our team's mental health very seriously. We're putting programs in place to assist team members and being openly available to our staff as we go through these changes," he says.

"As a profession, as we move ahead with all these changes, we can't neglect the mental health of practitioners."

TIME TO EMBRACE CHANGE

Whether at a management level or leading their clients to a better financial future, all planners are leaders. So, what advice does Ray have for the financial planning profession when it comes to taking on a greater role with embracing change - both for themselves and their clients?

The CFP® practitioner believes the best way is to create a community of like-minded professionals who openly share knowledge in a collegiate environment.

"When we get to share our experiences and knowledge, it's not only your networks and peers who benefit, but it's also the next generation of planners coming through who benefit," he says.

When we get to share our experiences and knowledge, it's not only your networks and peers who benefit, but it's also the next generation of planners coming through who benefit.

– Ray Albrighton CFP®

"We are all part of one of the most privileged professions in the country. We are the custodians of people's goals, dreams and aspirations. The more that we can share the successes of the great work we do – and not just amongst ourselves but also with the wider community – the better off we will be by restoring trust in financial planning and growing this great profession.

"So, as leaders, let's step up, take on this change and build a better future. Our clients wouldn't expect any less!"

BELIEVE IN YOURSELF

Raquel Netto CFP® is the seventh woman to win the Gwen Fletcher Memorial Award for being the highest achieving student in Semester 1 of the CFP® Certification Unit.

It's a little surprising to find a passionate supporter of the Sydney Swans footy team so firmly ensconced in the Melbourne heartland of AFL, but that's where you'll find Raquel Netto, working as a CFP® practitioner in the office of The Wealth Mentoring Group.

But footy aside, something less surprising about Raquel is her strong advocacy of women in the workplace.

She recently featured in a video – *Young Women in the Financial Planning Profession* – and continues to work on inspiring other women to join the profession.

And although the 34-year-old believes gender shouldn't matter in business, with individuals purely judged on their achievements and work, she concedes there still is a bias – unconscious or otherwise – towards women in the workplace.

"But things are changing and it's encouraging to see more women taking on leadership roles within our profession," she says.

"Women in business need to continue encouraging each other and celebrating our successes. We have many shared experiences and struggles, so by creating strong support networks and communities where we can share information, ideas and inspiration, this will enable us all to benefit from each other."

Raquel acknowledges the FPA Women in Wealth networking events as a great initiative to advance the progression of women in the profession. She also credits much of today's change coming from strong and inspiring leadership.

"A good leader leads by example

Raquel Netto CFP®

Age: 34

Educational qualifications: BCom and BA (Monash University), DFS (Fin. Planning)

Position: Financial Adviser

Practice: The Wealth Mentoring Group

Licensee: Sterling Private

Years as a financial planner: 6 years (joined industry in 2004)

and empowers the people around them to achieve their best. It's about trusting people to do their job and respecting their decisions.

"It's great to see more leaders today creating work environments that are supportive, nurturing and friendly, where common values and goals are shared," she says. "I'm fortunate to work in such an environment, with a supportive team who work collaboratively and who are willing to share a laugh."

AWARD RECOGNITION

For an individual who firmly believes that nothing is worth doing unless you give it your 100 per cent, it's not surprising that this highly motivated professional took out the prestigious Gwen Fletcher Memorial Award for being the highest achieving student in Semester 1 of the CFP® Certification Unit.

Winning the Gwen Fletcher Memorial Award is an undeniable "honour" for Raquel, who says it's recognition of the effort she has put into completing the CFP® Certification Program.

"Receiving the award in Gwen Fletcher's name was particularly special because she was a champion for education and the role of women in the profession. I'm hopeful that my work with clients and within the profession will honour Gwen's legacy and perhaps encourage more women to become financial planners."

HIGHER STANDARDS

However, the mum of two young boys – aged five and eight – is no late comer to financial planning, having first joined the industry back in 2004. She credits her decision to pursue a career in financial planning to her interest in finance, which began at an early age, and also to one of her university tutors.

"I was initially studying accounting at uni. One of my tutors was a financial planner and he introduced me to the idea of pursuing financial planning as a career. The thought of using my interest and knowledge of finance to help other people improve their own financial positions was very appealing."

Raquel's decision to become a CFP® professional kicked off in 2015, when she first began the CFP® Certification Program.

"The CFP® designation is clearly the highest designation in financial planning both in Australia and globally. I felt that by completing the program, it would allow me to demonstrate my commitment to ongoing education and upholding the high ethical standards that the profession strives for."

With the move to higher education standards for planners, Raquel believes completing the CFP® Certification Program was her way of embracing these higher standards, while developing her knowledge and skills to become a better planner – for herself, her practice and importantly, for her clients.

However, Raquel refuses to sugar-coat the fact that completing the CFP® Certification Program was undeniably "tough", particularly as she was juggling the demands of study, with caring for her two young sons, while working as an adviser at The Wealth Mentoring Group.

"The CFP® Certification Program is definitely challenging and it does require a big time commitment in order to undertake and complete all the study, research and assessments to the required standard."

Raquel credits the support of her husband Gavin and the patience of her two sons as being key factors in allowing her to finish on top of the CFP® Certification Program.

"And, of course, there's also my colleagues and extended family who were very encouraging and supportive throughout my studies. You really need that type of strong support network when tackling this type of study."

NO SHORT-CUTS

Raquel emphasises there are no short-cuts to doing the CFP® Certification Program. It requires time, effort and commitment.

"Fortunately, my personal value system means that for any project or challenge I take on, I give it 100 per cent, because if I'm not going to give something my very best effort, then I shouldn't be doing it," she says.

This meant that while at work, Raquel dedicated all her energy and focus to her work, but when at home, her family got her attention. Only when her boys were safely tucked up in bed did she turn to her studies.

"This meant I was studying almost every night but it allowed me to juggle these competing demands and still have a little bit of a life on the weekends," she laughs.

For Raquel, time management was essential for completing her studies. Each week, she would set mini goals and targets to achieve, which helped with her motivation to stay on top of her studies.

"I would advise all students to allocate sufficient time for their studies," she says. "You really need to give the CFP® Certification Program your very best effort, because the more effort you're able to put in, the more you will get out of the program."

TRUST YOUR JUDGEMENT

And what other advice does she have for students?

"I definitely encourage students to start their assignments as early as possible. The more time you can give yourself to complete it, the less pressure you'll feel and you'll end up doing a better job."

Raquel is also an advocate of the online chat rooms available through the FPA Learn facility, where students can not only ask questions, but also follow the discussions started by other students to gain valuable insights and tips.

FPA Learn offers students the necessary support throughout the program. This includes data and resources via an interactive student platform, live and recorded tutorials, access to self-supported study groups, dedicated subject matter experts to assist in the chat rooms, and a student help desk.

As for the exam, Raquel offers the following advice: "The exam is open book, but you don't have a lot of time to flick through multiple textbooks. So, I think it's really important to come up with your own set of notes that you can quickly access."

For each topic, Raquel suggests having a summary page containing key formulas, worked examples and important rules that can be quickly referred to.

The Gwen Fletcher Memorial Award

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

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

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

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

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

"It really helps to complete good notes throughout your studies. So, when doing the earlier units, like CFP2 or CFP3, if you've got good notes from these units, then you can tap into these same notes again to prepare for the CFPC exam."

And her final piece of advice?

"Believe in yourself," she says. "Through hard work and by having a positive attitude, you will be able to achieve anything you set your mind to. Always believe in yourself and trust your own judgement."

Life.

DREAM, HOPE, BELIEVE

Camp Kulin is positively turning the lives around for young people affected by trauma situations.

GRANT RECIPIENT:
Camp Kulin

GRANT AMOUNT:
$10,000

ENDORSED BY:
Michael Pyne CFP®

FPA CHAPTER:
Western Australia

Growing up on a farm as the youngest of four boys, Michael Pyne learnt quickly about the value of a small community pulling together in support of each other. The power of community is something he has never forgotten.

In fact, for the Director and CFP® practitioner of Perth-based HPH Financial Planning, Michael draws on his close community association with Camp Kulin's founder and manager, Tanya Dupagne, in endorsing the not-for-profit's application for a Future2 grant.

"Tanya works in my home town where I grew up prior to moving to the city for university and work," he says. "The local community is very supportive of the work that Camp Kulin does, which is a testament to its success. The organisation does great work supporting children who have been affected by childhood trauma. By providing camps for regional children, it provides them with opportunities they wouldn't otherwise have," Michael says.

"So, having previously participated in the Future2 Wheel Classic back in 2017, I knew the great work Camp Kulin was doing, making it ideal for a grant, which I was keen to support."

CAMP KULIN

Established in 2013 and located in the Western Australia wheat belt town of Kulin, approximately 283km south-east of Perth, Camp Kulin works with over 1,500 young people in Western Australia each year. These children have been affected by a range of trauma situations, including individuals bereaved by suicide, those who have suffered mistreatment in overseas refugee camps, and those affected by mental health issues, domestic violence, sexual assault and child abuse.

"We teach life skills, such as leadership, respect, trust, self-confidence, self-esteem, anger management, problem-solving and communication. This is done in a way that is fun, so the campers don't realise they are learning," says Tanya.

Camp Kulin teaches life skills, such as leadership, respect and trust.

"This results in a better outlook on life for our program participants, including increased confidence and ambition, improved self-esteem and better behaviour."

In its relatively short life, the Camp Kulin program has been recognised as one of the top in Australia, having won a number of prestigious awards, which was capped off with Tanya being named the Western Australia and Australian Rural Woman of the Year for her work done at Camp Kulin.

According to Michael, Tanya has an outstanding profile and is running a much needed program for children at risk.

"Tanya's Future2 application outlined the outstanding work she does with her team, which has been independently recognised by a number of different organisations," he says.

And the Future2 grants committee agreed, awarding Camp Kulin with a $10,000 grant.

CAMP KULIN TEEN LEADERSHIP PROGRAM

While Camp Kulin primarily works with children aged 8-12 years, over the past few years, the organisation has added a teen program for young people aged 12-15 years.

The Future2 grant will go towards the Camp Kulin Teen Leadership Program, which not only teaches the same set of life skills that children receive at the kids' camps, but also has a focus on the teens gaining extra leadership skills, so that once they turn 16, they can become volunteer camp counsellors themselves.

Camp Kulin is positively changing the lives of children affected by trauma.

future2 GRANT RECIPIENT

> *Having previously participated in the Future2 Wheel Classic back in 2017, I knew the great work Camp Kulin was doing, making it ideal for a grant, which I was keen to support.*
>
> *– Michael Pyne CFP®*

"Camp Kulin has now been running for six years and 90 per cent of our first group of 13-15 year olds on our first teen camp have now gone on to become camp counsellors when they are old enough," Tanya says.

She adds: "The teen program provides the link for us to build ongoing contact with the campers from the time they finish the kids' camps to the age they can become camp counsellors, and allows us to divert them from problem behaviour if necessary, while also reinforcing the skills they learnt through the kids' camp program. We provide positive mentoring and role models for them to work with whilst at camp."

The Future2 grant will provide the necessary funding to enable 25 teens affected by trauma to attend the Camp Kulin Teen Leadership Program.

Tanya says not only will the 25 teens attending the program benefit personally, but so will their families and schools. In fact, case workers of children attending Camp Kulin report their clients are easier to work with following their time at camp.

"But the long-term benefit will come when the young people become camp counsellors themselves, as they will positively impact the next generation of campers coming through the program," Tanya says.

"If 90 per cent of the campers go on to become camp counsellors, as we've experienced previously, and all do one camp each as a volunteer, at least 828 younger children affected by trauma will also directly benefit."

DREAM HOPE BELIEVE

Tanya is grateful for the support of Michael and Future2, saying that the objectives of Future2 align well with those of Camp Kulin.

"Future2 helps young people who have had a tough start to life reach their potential, and that's what Camp Kulin does, too," she says. "We work with young people one-on-one to identify their skills and improve their confidence, so they can go on to make a difference to other young people, as well as being able to better handle difficult situations for themselves later in life.

"Our slogan is – Dream Hope Believe – because that is what we teach the campers to do, and our camp saying is: 'One person may not be able to change the world, but they can change the world for one person.' So, our aim is to make a difference to every young person who comes through the door."

And to date, the results have been impressive, but do vary based on individual children. Essentially, according to Tanya, camp participants do not require as much support when they return home from Camp Kulin.

"We see children with low self-confidence being able to speak in front of people and joining groups; children with additional behavioural needs no longer getting suspended from school because they've learned how to cope with their anger; and many other changes," she says.

"We have over 40 current volunteer camp counsellors who came through the program as children/teens and who are now back as volunteers. They're back because the program had such a significant impact on them and they want to give back to the next group of kids coming through."

For Tanya and her volunteers, working in a rural setting three hours south-east of Perth does make life a little harder, but Michael says the demand for the services of Camp Kulin continues to grow.

"I believe this is the type of charitable organisation that Future2 was set up to assist, so I wholeheartedly supported Camp Kulin's application and was delighted it received a Future2 grant.

LRBA AND INSURANCE

Troy Smith

IOOF

This article is worth
0.5 CPD hours

ASIC Knowledge Area
Superannuation

FASEA CPD Areas
Technical competence

INCLUDES:

- SMSF owned and member-insured strategy
- Insurance outside super and then making a personal contribution to the SMSF
- Reserving strategy
- Cross insurance strategy

Limited recourse borrowing is a popular way for trustees of self-managed super funds (SMSFs) to borrow funds to purchase property inside super. To cover the repayment of the loan amount, in the event one of the SMSF members dies, most planners are likely to recommend life insurance for each of the SMSF members. However, the solution isn't always straightforward.

This article explains the insurance options available to SMSF trustees with a limited recourse borrowing arrangement (LRBA) and what options are no longer permitted by the Australian Taxation Office (ATO).

AVAILABLE LRBA INSURANCE OPTIONS

SMSF owned and member-insured strategy

This strategy involves the trustee of an SMSF taking out life insurance for a member. The insurance premium is funded from the member's super account and, if they die, the insurance proceeds are credited to the deceased member's super account.

As the insurance proceeds increase the deceased member's super account, this has the effect of increasing the death benefit payable, and doesn't automatically result in the loan being paid off. In some circumstances, such as members of a couple, this strategy may be appropriate.

CASE STUDY 1: MARRIED COUPLE

Jack and Jill are married, and are trustees of their own SMSF. The fund purchased a property for $1.5 million with an LRBA that has a loan amount of $1 million. The fund has a $1 million life insurance policy on each member's life to cover this debt.

Assuming the only asset of the fund is the property, the equity in the fund is $500,000. Let's assume that Jack has an accumulation interest of $300,000 and Jill has an accumulation interest of $200,000.

Upon Jack's death, life insurance of $1 million is paid to the fund, and the trustee allocates the proceeds to his interest, increasing his member interest to $1.3 million ($1 million + $300,000). Jill can elect to receive a death benefit pension and use the proceeds to pay off the debt.

Table 1 is a detailed breakdown of this case study. Please note that the net assets equal the sum of the member equity of the fund.

When Jack dies, insurance of $1 million is paid to the fund and allocated to Jack's account, forming part of his death benefit. *See Table 2.*

The sum of the member equity interest of $1,500,000 equals the sum of the equity of the fund of $1,500,000.

The trustees of the SMSF decide to pay a death benefit account-based pension to Jill. Proceeds from the cash account are used to pay off the loan. *See Table 3.*

This example shows how a death benefit of $1.3 million is generated, with which Jill could commence a death benefit pension that could pay off the loan. This example demonstrates how this strategy can be successful in covering the loan amount for members of a couple.

However, the strategy may not be an appropriate solution for everyone. Planners need to consider the beneficiary's transfer balance cap and how it may limit the commencement value of the death benefit pension. Likewise, planners need to consider the cash flow required by the SMSF to meet at least the minimum pension payments of the account-based pension. For others, a death benefit pension may not be an option.

Table 1

Assets and liabilities of the fund:	
Property	$1,500,000
Loan	$1,000,000
Total net assets	$500,000
Member equity interests:	
Jack (accumulation)	$300,000
Jill (accumulation)	$200,000
Total member equity	$500,000

Please note that the net assets equal the sum of the member equity of the fund.

Table 2

Assets and liabilities of the fund:	
Property	$1,500,000
Loan	$1,000,000
Cash account	$1,000,000 (proceeds from insurance)
Total net assets	$1,500,000

Member equity interests:	
Jack (Death benefit)	$1,300,000
Jill (accumulation)	$200,000
Total member equity	$1,500,000

CASE STUDY 2: BROTHERS

Bill and Ben are brothers who run a business together. They are also trustees of their SMSF. The fund purchased a property for $800,000 with an LRBA that has a loan amount of $500,000. The fund has a $500,000 life insurance policy on each member's life.

Assuming the sole asset of the fund is the property, the equity in the fund is $300,000. Bill has an accumulation interest of $200,000 and Ben has an accumulation interest of $100,000. Neither Bill nor Ben has a spouse, child or any other dependants.

Upon Bill's death, life insurance of $500,000 is paid to the fund, and the trustee allocates the proceeds to his accumulation interest, which increases the death benefit amount to $700,000 ($200,000 accumulation plus $500,000 life insurance). As Bill doesn't have any SIS dependants, the trustee can only make a death benefit lump sum payment to his estate.

This creates a liquidity problem, as the fund is required to pay out a death benefit lump sum of $700,000 but only has $500,000 in cash. The likely outcome is that the fund will be required to sell the property to provide liquidity to pay the death benefit lump sum.

Table 3

Assets and liabilities of the fund:	
Property	$1,500,000
Total net assets	$1,500,000

Member equity interests:	
Jill (Death benefit pension)	$1,300,000
Jill (accumulation)	$200,000
Total member equity	$1,500,000

Insurance outside super and then make a personal contribution to the SMSF

This strategy involves holding an amount of insurance outside the SMSF and, if a member dies, the other members use the life insurance proceeds to make a personal contribution to super. The benefit of this strategy is that the surviving member's account is increased and the proceeds can be used to reduce or pay off the debt.

The downside of this strategy is the cap that applies to non-concessional contributions. Based upon the current rules, the individual is limited to a maximum non-concessional contribution of $300,000 under the bring forward rule. However, not everyone is eligible to bring forward future non-concessional contributions. You need to consider a person's age and their total super balance to determine how much they can contribute.

CASE STUDY 3: BUSINESS PARTNERS

Mark and Matthew are business partners and are trustees of an SMSF. The SMSF owns a $500,000 property that is leased to their company. An LRBA was used to purchase the property inside the SMSF and has an outstanding loan amount of $200,000.

Their strategy is to hold a $200,000 life insurance policy on each other's life, outside of superannuation. Note that the insurance premiums are not tax deductible, likewise, the proceeds are not taxable.

When Mark dies, Matthew receives $200,000 from the life insurance policy. Matthew makes a non-concessional contribution to superannuation, which increases his member balance by $200,000 (assuming a total superannuation balance under $1.5 million as at 30 June of the previous financial year). The SMSF uses the proceeds to pay off the LRBA. *See Tables 4 and 5.*

If the SMSF pays a lump sum death benefit, it would be required to sell the managed funds and use the

Continued overleaf

Table 4: Position before Mark's death

Assets and liabilities of the fund:	
Bank account	$100,000
Managed funds	$100,000
Equity in property	$300,000 ($500,000 less loan of $200,000)
Total equity in SMSF	$500,000

Member equity interests:	
Mark's accumulation interest	$200,000
Matthew's accumulation interest	$300,000

*Table 5: Position after Mark's death**

Assets and liabilities of the fund:	
Bank account	$100,000
Managed funds	$100,000
Equity in property	$500,000 (loan has been extinguished)
Total equity in SMSF	$700,000

Member equity interests:	
Mark's death benefit interest	$200,000
Matthew's accumulation interest	$500,000

** Matthew receives the insurance proceeds and makes a $200,000 non-concessional contribution to the SMSF.*

proceeds in the bank account to pay Mark's death benefit of $200,000. While this case study has been structured to illustrate how this operates, in practice, the fund may continue to have liquidity problems and may incur capital gains tax on the disposal of the managed funds.

Re-financing the loan
This strategy involves the surviving individual using the proceeds of life insurance outside of super to re-finance the loan. One of the challenges of dealing with the death of a member where there is an LRBA is that the financial institution providing the loan may require a repayment of the loan. The solution to this problem is to use a related party loan.

The use of a related party loan became more difficult in 2016, as the loan would need to meet the safe harbour provisions or be subject to additional scrutiny by the ATO.

Please note that the fund may continue to have liquidity issues when dealing with the deceased member's death benefit, particularly where a death benefit lump sum is paid.

LRBA INSURANCE OPTIONS WHICH ARE NO LONGER PERMITTED

Reserving strategy
This strategy involves taking out insurance on each member's life and funding the premiums from a reserve account. In addition, it involves the payment of any insurance proceeds to the reserve account.

Up until recently, this strategy was used as a solution. In March 2018, however, the ATO issued a regulator bulletin (SMSFRB 2018/1), which explains the use of this strategy is inconsistent with the sole purpose test. Specifically, the ATO identified the problem with the strategy is that the insurance benefits are not being used for the benefit of the insured member.

Cross insurance strategy
A cross insurance strategy involves the fund taking out insurance on the other member's life, where the proceeds are paid into the surviving members account. The proceeds were then paid into the outstanding balance of the loan.

There was debate in the industry as to whether this strategy was or was not permitted. The ATO decided that this strategy is inconsistent with the regulations and is not permitted. On 17 November 2014, the ATO announced:

"Regulations that came into operation on 1 July 2014 do not permit cross-insurance on any new insurance products. These types of insurance arrangements are not permitted because the insured benefit will not be consistent with a condition of release in respect of the member receiving the benefit."

SUMMARY
Limited recourse borrowing inside an SMSF is popular, but it can be complicated, especially when it comes to considering insurance strategies to cover the loan.

A limited number of strategies are permitted and planners should make sure the strategy is viable and meets their clients' needs and objectives.

If you put a strategy in place several years ago, you should revisit it to check whether it continues to be a viable solution.

Troy Smith, Senior Technical Services Manager, IOOF.

QUESTIONS

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

1 Steve and Sarah are a married couple. They are trustees of an SMSF with a LRBA, with borrowing inside the SMSF of $500,000. Steve and Sarah intend to take out insurance on each others life of $500,000 to cover the debt.

Upon Steve's death, Sarah will receive an insurance payment of $500,000. Which following statement is correct?

a. Sarah can use the proceeds to make a non-concessional contribution to extinguish the debt of $500,000.
b. Sarah can use the proceeds to make a non-concessional contribution of $300,000 to partially extinguish the debt.
c. Sarah can use the proceeds to make a non-concessional contribution of $300,000 and make a member contribution into Steve's account of $200,000.
d. Sarah can use the proceeds to make a non-concessional contribution of $300,000 and make a spouse contribution into Steve's account of $200,000.

2 An insurance reserving strategy operates by taking out insurance on each member's life and funding the premiums from a reserve account. In addition, it involves the payment of any insurance proceeds to the reserve account. Presently, trustees of SMSFs can start an insurance reserving strategy. True or false?

a. True.
b. False.

3 On what date did regulations come into operation which do not permit cross-insurance on any new insurance products?

a. 1 July 2014.
b. 1 July 2015.
c. 1 July 2017.
d. 1 July 2019.

4 Kim and Kimba are a married couple and are trustees of their SMSF. The fund purchased a property for $2.5 million with an LRBA that has a loan amount of $2 million. The fund has a $2 million life insurance policy on each member's life. The only asset of the fund is the property. Kim has an accumulation interest of $300,000 and Kimba has an accumulation interest of $200,000.

Upon Kim's death, life insurance of $2 million is paid to the fund, and the trustee allocates the proceeds to his accumulation interest, which increases his member interest to $2.3 million ($2 million + $300,000). Kimba elects to receive a death benefit pension, and the proceeds are used to pay off the debt. Calculate the interests.

a. Kimba's accumulation interest is $2.5 million.
b. Death benefit pension is $2.5 million.
c. Death benefit pension is $2.3 million and Kimba's accumulation interest is $200,000.
d. Death benefit pension is $2.2 million and Kimba's accumulation interest is $300,000.

5 Stuart (52) and Jenny (49 are trustees of their SMSF. They have been married for 12 years and have two children, who are both at school. Their SMSF has an investment property valued at $800,000 with an outstanding LRBA of $500,000. They have decided to use insurance to cover the outstanding debt of $500,000 of the LRBA. Which of the following is the most appropriate strategy?

a. Reserving strategy.
b. SMSF owned and cross insurance strategy.
c. SMSF owned and member-insured strategy.
d. Hold insurance outside of the SMSF and make a personal contribution to the fund.

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SOFT SKILLS IN *more demand*

Tracey West, Di Johnson and **Anna Webb** seek to determine which personal characteristics, skills and attributes lead to successful employment after graduating from financial planning degrees.

A study – *Career outcomes of financial planning students* – reported in Volume 5, Issue 1 of the *Financial Planning Research Journal* found that education providers can do more to develop 'generic' skills and that there may be gender differences in role preferences and pathways into a financial planning career.

Both students and employers are seeking more professional awareness throughout financial planning degree programs, including learning outcomes regarding interpersonal communication, teamwork and leadership, analytical skills, presentation skills, negotiation skills, enterprising skills (such as developing business plans and marketing), as well as more mentoring programs and internships to develop more generic skills in graduates to help meet the high expectations of employers.

In general, educators are aware of this issue and many university policies place heavy emphasis on developing generic skills in their programs. However, many tertiary education providers are also juggling the competing demands of a crowded curriculum and the demands of accreditation bodies for skills and knowledge in technical areas.

Students were asked to comment on their perception of the standing of financial planners in the community. They expressed mixed views. On the one hand, they thought clients understood their value and had respect for their practice, while media coverage of poor planner behaviour caused public mistrust. There was frustration expressed over the focus of many planning organisations:

"Nearly all are fixated on high wealth clients with higher disposable income, leaving clients arguably most at need of financial planning services

Di Johnson, Griffith University.

(low disposable income) priced out of the market for truly independent financial advice." (Student)

However, most students felt the move towards educational requirements and becoming a recognised profession were positive developments, noting that 'the higher the requirement, the better'.

> *Of potential concern was that half (50 per cent) of all female respondents indicated they did not have a support network for their financial planning career...*

SUPPORT AND MENTORSHIP

Perhaps the importance of support and mentorship is underlined by the high rate of responses from those working in financial planning who indicated they have a mentor, whether it be family, friends, someone in the financial planning industry or another industry (77.8 per cent).

Those not yet working in financial planning had less opportunity to be mentored, with 36 per cent indicating they do not yet have a mentor but would like to have one. Of those not yet in the financial planning workforce, 20 per cent of respondents indicated they relied on family members, followed by someone in financial planning (16 per cent) and friends (12 per cent).

Regarding mentor gender, very few indicated that being the same gender (5.4 per cent) or the opposite gender (2.7 per cent) was important. Note that 30 per cent of females indicated having a mentor of the opposite sex but that gender was not important, and the remainder indicated they did not have a mentor.

Of potential concern was that half (50 per cent) of all female respondents indicated they did not have a support network for their financial planning career, with 25 per cent indicating they did not have support but 'would like to have a mentor' and 25 per cent indicating they did not have support but 'they will figure it out on their own'. In comparison, 70.2 per cent of male respondents indicated they did have support for their planning career from family, friends or mentors.

The study pointed to the need for a larger sample in future studies to continue to investigate the differences in expectations of pathways into and through a financial planning career.

Overall, the study suggests that students' work expectations and readiness could be more refined regarding generic skills and entry pathway options, but also presents an optimistic outlook for existing students preparing for a career in financial planning.

This study was published in the Financial Planning Research Journal (Vol 5, Issue 1, 2019). Visit: fpa.com.au/journal

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