NOVEMBER 2019

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MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS

new school mindset

STEVIE-JADE TURNER CFP®
AND THE FUTURE OF ADVICE

Jason Andriessen CFP®

FUTURE-PROOF PRACTICE MODELS

+ CHAIR'S UPDATE | THE CASE FOR AGED CARE | ASIAN EQUITIES
BUSINESS GROWTH 2020 | CENTRELINK AND GRANNY FLAT INTERESTS

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

Fluent

Learning Mandarin is one thing. **Mastering** it is quite another. It takes dedication, time and a deeper understanding. With the wrong inflection you might tell a waiter you would like "to sleep", (rather than order boiled dumplings). Or at a tourism office you might ask where you can see "chest hair" (instead of pandas).

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FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

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FOCUS

RETHINK AND REIGNITE

This month's issue of *Money & Life* coincides with the start of the 2019 FPA Professionals Congress.

It's fantastic to have a strong cohort of FPA members joining us in Melbourne for the premier event for financial planners in Australia.

I think we've all suffered a bit from 'reform fatigue' this year, and coming together at Congress is a chance to connect with your peers and reignite your passion and purpose.

The program has been created to help you adjust to the pace of change we're experiencing and embrace the opportunities before us.

ONE MESSAGE, MANY VOICES

This year, I'm proud there has been a coming together of the major professional associations representing our sector. I have personally committed to leading this charge.

Some examples of this collaboration include: working together as a united front in our advocacy efforts, particularly around life insurance; jointly representing our respective members at Government meetings; and supporting each other at our member events. There is so much to be gained from working together for the benefit of the profession.

SUPPORTING MEMBERS

With so much change and uncertainty this year, the FPA has worked hard to provide you with up-to-date information, tools and resources to help you navigate the new landscape for our profession.

We created **FPA Return to Learn**, an online hub to help you make sense of the FASEA standards.

FPA *My* CPD went live, offering a one-stop shop for accessing and tracking your CPD requirements. **FPA Wellbeing** offers free, confidential coaching and support options to help our practitioner members prioritise their health and wellbeing.

We launched **FPA Match My Planner**, a brand new way of meaningfully connecting clients with CFP® professionals.

Finally, our consistent advocacy work has helped to ensure fairer standards set by FASEA. But we didn't do this alone. I would like to acknowledge the FPA Chapter Chairs and Committee members, along with the individual FPA members who personally advocated with their local MP to amplify these messages.

THANK YOU

This is our final magazine edition for 2019. I would like to thank each and every one of you for the work you do each day with your clients and the support you provide your staff and peers. This was validated in a recent ASIC consumer report, which showed that advised clients are not only better off financially, but feel more motivated and empowered in their lives generally, and they appreciate you for it.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10

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News

FASEA CONFIRMS FEBRUARY AND APRIL **EXAM DATES**

The Financial Adviser Standards and Ethics Authority (FASEA) has confirmed that 1,697 planners sat the Financial Adviser Examination in September. This exam was held over 79 sessions in 15 centres across Australia from 19 to 23 September 2019. The results for the September exam will be released in mid-November 2019.

FASEA DECEMBER EXAM

The December exam will be held in 19 centres nationwide from the 5 to 9 December. In addition to metropolitan locations, regional centres for the December sitting are Townsville, Rockhampton, Mackay, Sunshine Coast, Toowoomba, Gosford, Orange, Wagga Wagga, Albury/Wodonga, Bendigo and Geelong.

Dante De Gori CFP®

Registrations for the December exam closed on 8 November 2019, with over 2,430 planners having registered for the December exam. Online practice questions are available for planners who have registered for the exam.

FASEA FEBRUARY AND APRIL 2020 EXAMS

FASEA has confirmed that dates and venues have been finalised for the February 2020 and April 2020 sittings of the FASEA exam. They are as follows in Table 1 below.

PREPARING FOR THE EXAM

To prepare for the FASEA exam, planners can access FASEA FG003 Preparation Guide, which includes the detailed curriculum and reading list, the candidate video and the FG004 Practice Questions. In addition, planners that have registered for the exam have access to an online version of the practice questions accessible via their FASEA Exam account.

The exam updates can be found on the FASEA website at fasea.gov.au/examination

As previously reported in *Money & Life*, the Government announced it will restore the full two-year period for financial planners to pass the FASEA exam by extending the deadline for 12 months to 1 January 2022, while also extending the deadline for meeting the FASEA education standard by 24 months to 1 January 2026.

“The Government has done the right thing by proposing to extend the deadlines for all existing planners to sit and pass the FASEA exam and meet the education standard,” said FPA CEO Dante De Gori CFP®.

“The proposed new deadlines will give existing planners more time to study, ensuring that these reforms are successful at raising the bar across the profession.”

Table 1: FASEA exams

Sitting	Sitting date	Registration period	Locations
2020 – Sitting 4	13 to 18 February 2020	1 November 2019 – 24 January 2020	Sydney, Canberra, Melbourne, Brisbane, Townsville, Adelaide, Perth, Hobart, Gold Coast, Wollongong, Cairns, Ballarat, Launceston, Port Macquarie, Traralgon, Tamworth, Townsville, Newcastle
2020 – Sitting 5	2 to 7 April 2020	2 January 2020 – 13 March 2020	Sydney, Canberra, Melbourne, Brisbane, Townsville, Adelaide, Perth, Darwin, Hobart, Gosford, Sunshine Coast, Geelong, Toowoomba, Bunbury, Mackay, Geraldton, Wagga Wagga, Coffs Harbour

News

FPA WITHDRAWS FROM CMA

The FPA has made the decision to withdraw the application for Code Monitoring Australia (CMA) – a joint initiative it has worked on with five other professional associations – to become an approved code monitoring scheme for the FASEA Code of Ethics.

According to FPA CEO, Dante De Gori CFP®, the driving force behind CMA was "our strong belief that it's in the best interests of the profession and consumers to have one compliance scheme run by financial planners for financial planners, rather than a commercial provider".

However, the Government has now confirmed that it will progress with a single disciplinary body, as recommended by Commissioner Hayne in the Financial Services Royal Commission, in place of code monitoring.

"Given this, we do not think that it is prudent to establish CMA as a new code monitoring scheme that will be superseded within a short period, resulting in a duplication of costs and compliance obligations for our members and the planning profession," De Gori said.

De Gori confirmed that due to the Government's changed policy position, it was necessary to withdraw CMA to avoid unnecessary disruption for both the profession and consumers.

As a result of the Government's decision, ASIC will provide an interim exemption, so that planners do not need to register with a code monitoring body, as currently required by the *Corporations Act 2001 (Cth)*, by 15 November 2019.

ASIC plans to make a legislative instrument that removes this obligation for three years, while the Government develops its disciplinary model. However, planners will still need to comply with the FASEA Code of Ethics from 1 January 2020

In the meantime, the FPA will continue to work closely with the Government, as it works towards establishing the new single disciplinary body in early 2021, subject to the passage of legislation.

"We will work with the Government to ensure the interests of FPA members are represented," said De Gori.

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

NSW

Marieka Perkovic CFP®
Fiducian Financial Services

Dean Horwitz CFP®
Newell Palmer Securities

Bowen Tang CFP®
Commonwealth Financial Planning

VIC

Frank Benjamin CFP®
Patron Financial Advice

Belinda Slinger CFP®
Commonwealth Financial Planning

Kael Plummer CFP®
Shadforth Financial Group

QLD

Andrew Morris CFP®
Southbridge Financial Services

Vincent Martin CFP® LRS®
Equiti Financial Services

WA

Kerrie Sargent CFP®
Mercer Financial Advice (Australia)

James Green CFP®
Core Wealth Financial Planning

Isabella Sala CFP®
Commonwealth Bank of Australia


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1 JULY 2019 TO 30 SEPTEMBER 2019

COMPLAINTS AND DISCIPLINE

In the July to September quarter, the FPA received 12 new complaints, finalised eight complaints and have 17 ongoing complaints.

Of those ongoing complaints, two are subject to preliminary enquiries, four are in the process of investigation where information has been requested from members and/or complainants, two are in the process of finalising the report by the investigating officer to the Conduct Review Commission (CRC), five are related to academic misconduct and four matters are currently with the CRC for determination.

13	**Complaints ongoing as at 1 July 2019**
12	New Complaints
8	Closed Complaints
17	**Complaints ongoing as at 30 September 2019**
0	Members Suspended
0	Members Expelled (CRC)
1	Members Terminated (Constitution)
0	Other Sanctions (CRC)
0	Referred to Professional Designations Committee for Sanction

AUTOMATIC TERMINATIONS

In early July, one member was automatically terminated under the FPA Constitution as a result of being banned by ASIC from providing financial services for a period of five years.

TPB REFERRALS

The FPA continued to experience an increase in referrals from the Tax Practitioners Board (TPB) in relation to FPA members not renewing their registrations with the TPB on time. During the September quarter, the FPA received over 150 notifications from the TPB relating to members not renewing their registration by the due date.

Members are reminded that under the Tax Agent Services Act (TASA), the TPB is required to inform the FPA when a member is subject to disciplinary action by the TPB Board.

ACADEMIC MISCONDUCT

In September, five students completing the CFP® Certification Program were referred to the Professional Accountability team for further investigation before findings are presented to the Professional Designations Committee in October for appropriate sanction.

GUIDANCE AND REASSURANCE

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

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

FOCUS

OUT AND ABOUT

Melbourne

Kicking goals

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

It was another packed event for the FPA Melbourne Chapter, which hosted the annual AFL Grand Final Lunch at Marvel Stadium, while the FPA Western Division conducted an estate planning masterclass in Orange.

Masterclass

Western Division

OPINION CORNER

2020 AND BEYOND

Question: What are the three key things you have done this year that will position your business for growth in 2020?

Damon Bensein CFP®

CEO, Elston Private Wealth

Licensee: **EP Financial Services**

This year we are re-investing in Elston Private Wealth in three very important ways that will position us well for growth in 2020.

1. Specialisation
Elston is now able to offer specialist advice in areas like philanthropy, family law and expat transitions. These additional capabilities are opening the door to valuable collaborations with other trusted partners.

2. Acquisition
The Royal Commission and FASEA requirements have brought some firms to a crossroads. Do they evolve or do they look at exiting the industry?

For us, it's about evolving and growing, and we are actively seeking acquisition opportunities, particularly in Sydney and Melbourne.

3. Marketing
We have redefined and articulated who we are as a brand through our new website.

Advertising and content is now aligned with our values, enabling us to better connect with prospective clients in a clear and engaging way through a variety of channels.

This is a definite solid foundation for the future, and I expect to see strong ROI over the coming years.

James McFall CFP®

Founding Director and Principal Adviser, Yield Financial Planning

Licensee: **Lifespan Financial Planning**

Over the past 12 months, we have been engaged in the following three initiatives that we believe will position our business for growth in 2020 and beyond.

1. Focus on networking and business partnerships
Over the past 18 months, we have been focused on partnering with professionals that have real synergy with us. We have found there are many businesses out there that have the need and motivation to form new relationships.

I have joined two business networking groups. It's been a great way to meet with other business owners who want to grow together. This initiative is proving to be a very successful growth driver for the business.

2. Relaunch our website
We have not been getting the level of enquiry we would expect from our website. We identified various reasons for this.

With the help of marketing support in relation to choice of platform, message and SEO, we are relaunching shortly with a goal of achieving 50 new appointments in 2020. We are focusing on Google ads and organic SEO for this.

3. Growing the team
We have been selectively growing our team over the past 12 months to set us up for 2020 and beyond.

We are focused on building a strong foundation of client support that will help us deliver on our goal of delivering the ultimate client experience.

We are focused on grooming the next generation of talent from the ground up, while also bringing in talented planners who can help us evolve with new ideas, networks and client relationships.

Question: What are the three key things you have done this year that will position your business for growth in 2020?

Charles Badenach CFP®

Principal and Private Client Adviser, Main Street Financial Solutions

Licensee: **Integrity Financial Planners**

As we are all aware, the financial services industry is undergoing significant disruption and going forward, only those who are able to adjust their business models will thrive in the new environment.

As part of this transition process to prepare for 2020 we have:

1. Ensured that all financial planners will have met the new education standards by the 31st December 2019.

   As all of our advisory staff at Main Street Financial Solutions have relevant degrees, this has meant completing the 'competency exam', which we did as part of the June intake, and the 'ethics' course through Kaplan.

2. Ensured that we now only have clients who are in our target market. To assist in this process, we have 10 factors which we use to identify an ideal client and usually a client must satisfy seven out of 10 in the criteria.

   What this has meant is we now have clients who we enjoy working with, who understand the value of financial advice, and who are prepared to pay a reasonable fee for that advice.

3. Partnered with third-party experts to help take our business to the next level, including a business coach, an asset consultant, an outsourced paraplanning business, and a number of fintech providers.

As we enter a new decade, it will be an exciting time for the profession and we are looking forward to it.

Adele Martin CFP®

Money Mentor and Founder, Firefly Wealth

Licensee: **RI Advice Group**

The following are three things I've done that will help position my business for further growth into next year and beyond.

1. I have launched my podcast, The Savings Squad. The guests I invite on help me to get in front of new audiences, and it has also attracted new clients to my business as well.

2. I have committed to daily Instagram stories, because stories are very different to just posting on the page. These stories have helped me build a relationship with new clients, and a good story results in lots of conversations offline.

   These stories have also helped to reinforce my relationship with current clients. I love seeing what my clients are doing, and sharing stories helps me to understand them better, while actively engaging with them..

3. All my new clients are now virtual, even if they live in my home town.

   This means my team can be virtual, allowing me to source the best talent in the country. It also means we can support clients all over Australia, regardless of where they live.

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.

Insight

FROM THE CHAIR

TWO STEPS FORWARD

Marisa Broome CFP® notches up 12 months as Chair of the FPA. She reflects on a year of challenges and opportunities.

Twelve months ago, Marisa Broome CFP® took over the helm as Chair of the FPA from Neil Kendall CFP® – and what a year it has been! The Royal Commission, the new FASEA education standards, exam and code of ethics, and more compliance.

You could say the last 12 months have been a real baptism of fire for Marisa, but one she looks back on as being a success.

"The first year in any role can be difficult but I have been unbelievably lucky in that I worked alongside Neil for around eight months prior to him ending his term," Marisa says. "His knowledge of the FPA and its history has greatly assisted me, but his unwavering personal support has been immeasurable. However, by far the most significant support I have received is from Dante De Gori CFP®. His commitment to our profession is unwavering."

Marisa also attributes her work as a practitioner and principal of Wealthadvice, as well as serving on the FPA Board prior to becoming Chair, with providing her with a much deeper understanding of the issues affecting the profession.

"When you look at the sheer amount of work the FPA has done this year, I feel we have achieved so much. With our member focus, we have rolled out an enormous range of tools and resources to support them with the challenges we are facing, plus we have a new Government, so we have undertaken a great deal of lobbying," she says.

"In terms of the final report from the Royal Commission, I don't think anything came out that was unexpected if you had listened to the hearings. This means that our priority has been about ensuring that the implementation of the Royal Commission's recommendations are done to a timeframe that is sensible, and the unintended consequences are identified and addressed, further supporting our quest to rebuild trust in the financial planning profession."

Marisa is confident that through the FPA's "quiet advocacy" with Government, a sensible outcome can be reached with implementing the Royal Commission's findings.

DIFFICULT CHALLENGES

But ask Marisa about some of the more difficult challenges she faced this year, and top of her list is the hardship faced by practitioners at the coalface. She admits is was a sobering experience speaking to financial planners at 21 of the 33 FPA National Roadshows she attended, in addition to her appearance at many Chapter events.

"On becoming Chair, I made a commitment to members that I would be accessible. So, the hardest issue for me was to hear just how difficult things were for them."

The strain of FASEA, the Royal Commission and changing remuneration models for some practitioners, prompted FPA director, Michelle Tate-Lovery CFP®, to suggest the launch of FPA Wellbeing – a free and confidential service available to all practitioner members to help them with their mental health and wellbeing during this time of transformation for the profession.

"Launching FPA Wellbeing was something that deeply upset me, as I didn't realise things were as hard as they were for our members. So, I'm glad we were able to launch a service that could support them."

OBSTACLES AHEAD

Not withstanding these challenges, in addition to the new FASEA standards and exam, Marisa is keenly aware that there are a number of other issues keeping members awake at night.

"It seems to me from a members' perspective that the compliance pendulum from licensees has swung too far. Many of our members are having trouble getting their licensees to sign-off on advice in an appropriate time period, meaning that planners cannot get SOAs out to their clients in a timely manner."

And then there's the uncertainty created with licensees leaving the advice space altogether.

"A number of our members have the added worry of not actually knowing what their home will look like, given that many licensees are leaving the advice space or cutting their numbers of planners."

Add to this the phasing out of grandfathered commissions in just over 12 months' time, and planners still have a number of obstacles to deal with.

"We know that grandfathered commissions account for, on average, 8 per cent of revenue for our members, based on last year's FPA member survey. And while this is a declining revenue stream, for other planners, it's still a much higher percentage of revenue. This in turn led us to focus on the other key source of revenue for many of our members – life insurance commissions. This is why it was essential to establish a working group with the AFA, so we can prepare for the 2021 LIF Review."

And while these issues also keep Marisa awake at night, as a practitioner, she knows she is also walking the same path that other FPA practitioners are walking. "That's why the FPA Board and the FPA team keep working to try and find the right solutions for our members," she says.

PROUD ACHIEVEMENTS

But challenges aside, Marisa says a definite highlight for her over the past 12 months has been actively engaging with the membership, many of whom she has never met before. And while she admits it hasn't always been complimentary when talking to members or receiving emails, Marisa has developed a thick skin this year, which she says "is okay".

"The FPA needs to be a sounding board, where members feel comfortable voicing their concerns and telling us when we need to 'up the ante'."

Nonetheless, the FPA has notched up some impressive achievements this year, including rolling out a range of tools are resources that have been designed to help members adapt to the changing advice landscape. These include the online education and study hub, FPA Return to Learn, FPA Wellbeing, the FASEA Code of Ethics toolkit, the Match My Planner tool, fintech evaluation tools and guides, as well as the National Roadshow.

Other achievements include the extension of the FASEA education and exam deadlines, where the Government will restore the full two-year period for planners to pass the FASEA exam by extending the deadline for 12 months to 1 January 2022, while also extending the deadline for meeting the FASEA education standard by 24 months to 1 January 2026. However, Marisa acknowledges these extensions still need to be legislated, which is unlikely to happen this calendar year.

Another recent success was the announcement by FASEA to extend its recognition of CFP® course work prior to 2003. This means that planners who commenced the CFP® 1-4 program course work to attain the CFP® designation after 1 July 1999 and before 31 December 2003, are eligible to be awarded two credits recognition for prior learning in an approved Graduate Diploma.

So, considering these 'wins', how does Marisa score her first year on the job?

"I'd say it has been a success, not that I can take the credit for the incredible work undertaken by Dante and his team. However, I think a clearly demonstratable measure of success must be all the tools and resources we have developed and rolled out to members this year."

5-YEAR PLAN

As the profession heads into a new decade, Marisa sees more opportunities, rather than challenges, ahead for financial planners. And while she believes there are still hurdles to overcome, she is optimistic about the future.

"Without exaggerating, there are so many opportunities for the profession," she says. "Even recent ASIC research (Report 627) has uncovered a massive increase in demand for advice at a time when there may be fewer planners to meet that demand."

Marisa is referring to ASIC report, *Financial advice: What consumers really think*, which reveals that 41 per cent of Australians intend to get financial advice in the future.

She is also buoyed by the legislative and professional work done to position financial planning as a true profession. "Now that we have the terms 'financial planner/adviser' enshrined in legislation, as well as education standards and code of ethics, we have the cornerstones in place of being a true profession."

Marisa firmly believes these professional changes alone are an opportunity to rebuild trust and engagement with consumers.

And what of the FPA's strategic direction for the next five years?

Marisa confirms that the FPA Board and management team is in the process of developing both a new five-year strategy and a policy plan, which will be taken to the 2019 Congress for member feedback, before being rolled out to members at next year's National Roadshow.

"We're in the process of developing the new strategy and I'm excited by it, as it will endure beyond my term on the Board. I hope, in some ways, this strategy will be a lasting legacy as part of my giving back to the profession that I'm so proud to be part of."

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Insight

GUEST CONTRIBUTOR

PRACTICE MODELS OF THE FUTURE

CoreData has identified the characteristics of future-proof practice models. **Jason Andriessen CFP®** introduces three of them.

The financial planning industry is experiencing unprecedented upheaval as planners try to make meaning of chaos. Unfortunately, not every planner will survive and CoreData estimates that around 40 per cent of planners are currently in flux.

That said, the long-term outlook for those advice practices that survive is positive, as the wealthiest generation in history retires, grows old, and then passes on their money to the next generation.

And there's more good news. CoreData has undertaken a research program to help identify the characteristics of future-proof practice models. This article introduces three of them: **Specialists**, **Corporatised Firms** and **Platform-up Businesses**.

A LESSON FROM THE U.K.

According to CoreData research, just as the community was outraged by previous disasters, like the sinking of the RMS Titanic in 1912, today they're outraged by what was uncovered during the Hayne Royal Commission. And they want to see action.

Many Australians believe the Royal Commission's recommendations don't go far enough and three-in-four want to see changes implemented immediately. And unfortunately for every planner in the country, two-thirds of the community hold ASIC and APRA responsible for the failings. That's why the regulators are jostling to appear fierce, action-oriented and willing to go to battle in the courtroom.

In their rush to litigate, perhaps the regulators should take some time to learn from the U.K. experience. In December 2012 the Retail Distribution Review (RDR) regime was implemented. The RDR regime can be simplistically likened to a blend of Australia's Future of Financial Advice (FoFA) obligations and the upcoming FASEA requirements.

In the U.K., we saw planner numbers fall by around 20 per cent, and now almost seven years later, they still haven't returned to their pre-RDR levels. U.K. planners spend more time than ever on non-client facing compliance tasks (around 40 per cent of their day), which means that each planner serves a lower number of clients than they used to. An advice gap has emerged.

THE SIZE OF THE PRIZE

Australia can't afford to create a similar advice gap. Over the coming 25 years, the consumer demand for trusted financial advice will be higher than ever. During that time the super system will reach maturity, the remainder of the Baby Boomers will transition to retirement and the older Baby Boomers will require help with aged care. There will be the greatest generational wealth transition Australia has ever seen. An amount CoreData estimates at $3.9 trillion shifting between the generations.

Most of these people will want and need advice. But what can planners start doing today to position themselves to make the most of the opportunities of tomorrow? And how can they release capacity and safely scale their practices to serve more clients?

FUTURE-PROOF PRACTICE MODELS

We all know the economics of advice are changing. On the revenue side, we're seeing pressure from grandfathered investment commissions disappearing. While most planning practices don't receive any grandfathered commissions, a significant minority are heavily reliant on them for revenue and cashflow.

Most planners earn their revenue from fees for service, but these are also under pressure. On the expenses side, for the first time ever, the true costs of advice provision will be borne by financial planners. It means that the costs of licensee and other support services will continue to increase.

What's clear is that successful business models of the past will need to change or they'll disappear. Innovation has been slow in the advice space, and businesses that we call 'old schoolers' have been primarily focused on product recommendations and implementation services. These financial planners still have paper-based files, use paraplanners to produce advice documents and they don't use technology in their client appointments.

In order to position for the future, these 'old schoolers' will need to reposition themselves for higher value services. If they haven't already, they should make the shift from product execution services to focus on professional diagnoses. This is where the planner works with the client to get below the surface and understand the real, unstated issues for the client. They help the client understand what success looks like, identify the barriers, make trade-offs and then set a course and prioritise actions.

These planners can choose to continue to work in a highly customised, bespoke manner as **'specialists'**, or they can choose to embrace technology, and work in a highly structured, well-controlled manner within **'corporatised firms'**.

Specialists have emerged as a successful practice model in the U.K. following the RDR. They're characterised by high-touch, intimate client relationships, typically with just 50 active client relationships.

Specialists may work with wealthy families, or just have a specific area of expertise, like divorce advice or providing for the care of vulnerable clients. Because the advice is provided on a case-by-case basis and highly customised for the engagement, there is little benefit to building structure. Specialist practices don't scale.

Corporatised firms will successfully serve the middle market. They are communities made up of professionals who may organise inside or outside of an employment relationship. They are clear on their target market and their unique value proposition.

They are well-controlled, compliant businesses that work within frameworks to solve the unique needs of their clients. The investment in technology reduces costs to serve and means that advice processes are repeatable and the practices scalable.

Another successful business model of the future is the **'platform-up business'**. Typically dismissed as 'robo-advice', these technology-led businesses focus on portfolio construction and implementation services. Despite gaining plenty of media attention, these models have failed to get any real traction to date, either domestically or internationally.

But they shouldn't be underestimated. So far, robo-advice businesses have failed to engage new clients in any meaningful way. But what if they already have clients? The super funds are the obvious platform-up businesses.

Already a force to be reckoned with, CoreData research shows that the industry funds will overtake SMSFs as the biggest sector in super next year. They are already investing in data science capabilities to predictively 'nudge' their members into an engaged state. In this way, they're able to retain the funds into the retirement phase with a simple member journey.

CHANGE IS HARD

Human beings are complex. We can fool ourselves into thinking that our current predicament is safer than alternatives. It's called the status quo bias, and it can get you into trouble.

If you're working within an 'old schooler' practice, and you haven't started transforming, it's time to get moving. Everyday Australians are counting on it. And I can think of almost four trillion reasons why you should start now!

Jason Andriessen CFP® is managing director of CoreData.


Insight

NEW SCHOOL *mindset*

Stevie-Jade Turner CFP® views herself as a 'new school' planner. She talks to Jayson Forrest about her approach to planning and the future of advice.

There's nothing 'old school' about Stevie-Jade Turner CFP®, who definitely sees herself as one of the 'new school' of planners coming through the advice ranks.

"When I first joined the industry 10 years ago, everybody told me that financial planning was a sales role and I would be selling products. But I never agreed with that view. Instead, I saw myself as more of a consultant," she says. "And I'm meeting more and more planners who also feel the same way. They see themselves as consultants, working with their clients holistically, rather than selling them a product. So, it has been heartening to see such a significant shift in the cultural mindset of planners away from sales to advice."

Stevie-Jade has been involved in the financial services industry since August 2009, having spent three years prior to that completing a Bachelor of Commerce, majoring in Accounting and Financial Planning from Curtin University.

She served her apprenticeship as a paraplanner and Associate Adviser at Perth-based Wealth Management Partners, where she had the opportunity to take part in the MLC Adviser Scholarship Program, fast-tracking her path to providing advice, which culminated in October 2014, when she successfully completed the CFP® Certification Program.

Today, the 29-year-old works as a Senior Financial Planner in the Melbourne office of Specialist Financial Solutions – a boutique advisory business with offices in Perth, Sydney and Melbourne.

EMOTIONAL INTELLIGENCE

Reflecting back on her 10-year journey in the profession, Stevie-Jade doesn't shy away from it being a constant learning process, requiring her to evolve her approach to planning.

"Initially, I was very technical in my approach to financial planning," she says. "If I saw a solution to a client's problem, I instantly thought it was too obvious. You could say I was suffering from 'imposter syndrome', where I was doubting my own ability and technical competency because the solutions to client problems just seemed so obvious. But over time, I recognised I knew much more than I credited myself for and realised I was providing far more value to clients than I ever thought I did."

Stevie-Jade credits that realisation to her time spent working at Westpac, where she coached planners. Prior to joining Specialist Financial Solutions in 2015, Stevie-Jade spent time coaching planners at Westpac for two years, where she was responsible for coaching over 120 planners individually in Western Australia, South Australia and the Northern Territory, as well as inducting over 150 planners nationwide in Westpac's Sydney inductions.

She says this unique experience of educating her peers added an additional layer of "purpose" to her advice process, which centres on educating and empowering those seeking her advice.

"The greatest skill you can have as a planner is being able to convert and translate your technical knowledge and expertise into plain English. By doing so, you allow other people to benefit from what you know."

Continued overleaf

The CFP® practitioner's approach to planning is all about simplifying the process, which she does by putting herself in the client's shoes to help her better engage with them.

"The translation part of the planning process has to be there, otherwise, clients will just stare blankly back at you. So, I put myself in my client's position by trying to understand their financial objectives and aspirations, as well as their values and capacity to adapt to change."

Stevie-Jade believes this approach of stepping into her client's shoes enables her to better understand their situation and capacity for change.

"Clients are going through a process of change when they work with you. If you can recognise not just what someone wants but how they feel about what they want, and how they feel about anything new in their life, then you are able to better adapt your strategies for them and make the whole planning process more enjoyable for the client," she says.

"So, my approach to planning is all about: how can I make this as easy as possible for the client to benefit from working with me. By doing that, clients are able to feel more confident and in control of their financial futures."

However, Stevie-Jade concedes that to be a successful planner requires more than just technical aptitude. Success, she says, also requires emotional intelligence and empathy.

"You have to be able to read the signals your clients are giving you. This includes recognising when you've given them too much information to digest that they become overwhelmed by it. Or perhaps it's a perception a client has towards money or their financial goals. Financial planning is about emotion and good planners recognise that."

ADAPTING TO CHANGE

While Stevie-Jade is happy to step into her client's shoes to better understand them and their capacity for change, how is she adapting to her own change within the profession?

> *You could say I was suffering from 'imposter syndrome', where I was doubting my own ability and technical competency because the solutions to client problems just seemed so obvious. - Stevie-Jade Turner CFP®*

She concedes that the new FASEA standards, Royal Commission recommendations and changing business models are all particularly challenging for planners. But she deals with change in a measured and orderly manner.

"I'm all about listening, researching and not acting rashly. Only then, when I'm properly informed, do I make the necessary changes that are right for me and my clients."

As a 'new school' planner, Stevie-Jade understands that 'old school' business models that worked in the past will need to change or risk disappearing altogether. She believes the key to this is embracing technology and innovation to streamline processes and improve business efficiency.

As a Millennial, Stevie-Jade is well-versed with technology and social media, which she uses as a way of adapting to change. She is constantly looking for tools and ways to improve her efficiency and simplify her processes, using AstuteWheel and MyProsperity as examples of fintech helping with her client engagement.

"I also like the FPA's Match My Planner online service that helps to connect Australians looking for a financial planner. I jumped straight onto Match My Planner when it was launched earlier this year and had a number of people come back to me for a chat."

And while Stevie-Jade has yet to convert any of these leads to clients, she is confident this is only a matter of time. "While I haven't got them to the point of actually meeting with me face-to-face, I am engaging with them online through email. My feeling is that these consumers are dipping their toe in the water to see what financial planning is all about, but they're not quite ready to commit to the process yet. Hopefully, when they feel ready, they know I'll be there to help them begin their journey."

She also feels an important element of coping with change is taking the time to look after your health and wellness, which for her, means separating work from weekends.

"I try to leave work at work, but I admit this is super hard to do and I'm not very good at it. I really do try and keep work and weekends apart, otherwise, you fall into the trap of doing work all the time. So, finding that right balance is critical."

CLIENT ENGAGEMENT

In the wake of the Royal Commission, much has been said about the need for the profession to rebuild trust with clients and consumers that has eroded over recent years due to industry misconduct. But for Stevie-Jade, this hasn't been an issue with her client base.

"I have been very open with my clients about the Royal Commission and for those clients who I have an existing relationship with, they haven't been concerned by all the media noise," she says. "However, in contrast, when I meet with new clients, they are definitely aware of the Royal Commission and ask all the right questions, like whether I'm independent and how I am remunerated. They are quite savvy.

"I build trust with these new clients by acknowledging the Royal Commission's review and encouraging them to ask questions. It's about being openly transparent and respectful with all my clients."

Stevie-Jade also refers back to tools and resources, like Match My Planner, which she believes can be used by practitioners as a conduit for re-engaging with consumers who are seeking professional advice.

"If a consumer doesn't know someone who can refer them to a planner, then how do they go about finding the right type of planner for their circumstances? So, in that respect, Match My Planner is a great example of a tool that can be independently used by consumers to find a planner offering the type of advice and services they are after.

"It's a terrific tool that connects consumers with planners, which begins the whole conversation around financial planning."

2020 AND BEYOND

As the profession heads into a new decade, what type of future does Stevie-Jade see for financial planning over the next 5-10 years? The first thing she envisages is a growth in the different types of remuneration models for planners and practices to accommodate different client needs.

"This could be more contractual-based arrangements, hourly-based arrangements or pay-as-you-need-advice type arrangements. I definitely think we will see the rise of more adaptable models for clients to suit what they are wanting from an advice relationship."

And what about the actual planning process itself? How will planners future-proof their businesses?

"It's a good question," she says. "I think we'll see a growth in advice businesses moving into more specialist niches. Similar to law, where you have lawyers specialising in family law, commercial law or estate law, I think you'll see more planners and practices specialising in areas like estate planning, divorce, aged care and personal insurance. As advice specialists, that's all they'll do."

Stevie-Jade believes this rise in advice specialists will also be an opportunity for planners to work more closely together.

"Last year, I met a planner who was an investment specialist. She worked with high-net-worth clients and didn't have an interest in insurance. But she identified an opportunity where we could work together, with me helping her clients with their insurance needs.

"We ended up working together on one of her clients. I believe that's where the opportunity lies when you have that type of niche specialisation in the profession."

As a 'new school planner', Stevie-Jade might be onto something. And as the profession deals with unprecedented change, she encourages any 'old school planners' to embrace technology and the challenges ahead by repositioning themselves for higher client-centric advice. As she says: "Our clients are counting on it."

After 15 years applying the same exacting metrics to the global equity universe, Intermede CEO and Portfolio Manager Barry Dargan has experience in knowing what numbers stack up. He shares the company's formula for its success to date.

INTERMEDE'S UNBENDABLE INVESTMENT CRITERIA

Intermede scours the world for companies with very strong and unique market positions. These companies also have to dominate a growing, globally applicable niche with some form of competitive advantage. It's then a matter of crunching the numbers to see if they tell the same story.

"We look for best-in-class margins, high profitability, high ROE and low cash requirements to grow," says Dargan. "We're very specific about the minimum rates of growth and return we're prepared to accept. Annual average growth of five per cent for revenue, 10 per cent for EPS and 15 per cent for ROE. We reckon only about five to six per cent of the world's companies deliver those kinds of metrics; it's a very rarefied group."

That explains why the fund typically holds just 40 companies at any time.

Once found, there is the small matter of buying shares at a price Intermede thinks is good value. Unsurprisingly, Dargan says Intermede has a strict definition for that as well. "We look at all the different measures of PEs, EBITDAs and price to book. But one thing we hang our hat on is a free cash flow yield of four per cent or better on a prospective unlevered basis – that is, cash flow after meeting financial obligations, including capital spending."

As he points out: "If you're getting four per cent in terms of real cash returns like that, you're in a pretty good place because actually there aren't that many things in the world that are yielding four per cent right now."

Intermede models companies to uncover what the business is likely to make over the next few years. "Our average earnings growth rate is currently around 12 per cent, free cash flow yield is about four per cent," says Dargan. "So you're not only getting a good cash return, you're also getting compounding of 12 per cent annually. Assuming the portfolio holds its valuation, and we spend a great deal of time ensuring that we own stocks that we think are undervalued, then if you hold them for 10 years, they'd go up threefold".

Dargan cautions that, once discovered, these companies still have to be monitored as not every company that passes the test and gets in the portfolio is going to be a roaring success. "However, touch wood, we've had more successes than failures so far, and that's underpinned strong returns since inception."

GOING GLOBAL TO FIND THE CHOSEN FEW

When fishing for companies with this rare level of success, Dargan says it makes sense to scatter your net globally. "Often, we find companies that we're researching have a relationship with, or are owned by, another company that looks to be extremely interesting as well. One might be an American company, the other might be German. Why shouldn't we want to own both if they check out?"

Intermede doesn't look at companies under a billion dollars of market capitalisation. "When we screen to see how many have delivered, it turns out that only about 500 out of around 8,000 listed companies worldwide with a market capitalisation of $1 billion or more meet these benchmarks," Dargan says. "I've been running this screen for over 15 years, so we know exactly what the universe is that we're playing in and, by and large, there's enormous consistency among great companies."

Dargan admits that markets do move. "You get these kind of reflation rallies, where a stock that isn't quite so obvious has a big run," he explains. "But they tend to be very cash intensive and can't sustain growth over the long haul. Whereas the sort of companies we aim to own tend to win the race long term by delivering steady compounding growth in profits and cash flows, year in, year out."

PUTTING PROFESSIONAL LEARNING INTO PRACTICE

Dargan's professional background qualifies him to thrive in global equities. After graduating in economics and working as a chartered accountant in London, he took the opportunity to work in Japan before moving to Boston and finally returning to London, where he and a team of colleagues started Intermede in 2014.

Along the way, he noted what worked and didn't in the large firms in which he cut his teeth. "I learnt that what happens to senior investment professionals is they tend to become involved in managing people instead of investing. At Intermede, senior investors invest."

Another big-firm mindset Intermede has knocked on the head is where analysts feel they must recommend buying stock to get noticed. "At Intermede, we can spend a lot of time working on a great company, but we won't buy it because it's too expensive. We can put it into our intellectual property bank and on the watch list. We know the price at which we'd like to buy it, and then we're just patient; our research isn't viewed as wasted time."

In hindsight, Dargan's trajectory may seem perfectly thought out for global assets. However, he believes it's more about following your genuine interests and taking the opportunities life gives you. As an example, he points out that his supposed three-year adventure in Tokyo ended up being 13. "Japan is very much a part of my life. My wife is Japanese and I got to take on pan-Asian responsibilities." A great lesson for any twenty-something starting out.

ASIAN EQUITIES

EYE ON THE TIGER

With Asia accounting for 60 per cent of the global population, **Geoff Bazzan** answers some commonly asked questions about why Asian equities should be part of any well-diversified portfolio.

1. WHY SHOULD INVESTORS DIVERSIFY THEIR EXPOSURE TO ASIAN EQUITIES?

Australians have always had a strong home bias. And even when we do invest offshore, the tendency is to stick with the familiarity afforded by the U.S. and Europe.

Investors and planners tend to stay with these regions based on the comfort and familiarity they derive from already knowing the brand. As a result, Australian investors are ignoring some of the most dynamic companies and economies in the world.

Asia makes up 60 per cent of the world's population, with the major equity markets comprising nine emerging market countries (China, Korea, Pakistan, India, Thailand, Taiwan, Philippines, Malaysia and Indonesia) and two developed market countries (Hong Kong and Singapore).

From a sector perspective, the Asian region offers a higher exposure to the technology, global industrials and vast domestic consumer sectors, and less exposure to energy and materials. From an Australian investor perspective, this is likely to be an attractive feature.

When you consider that resources are already well represented in most Australian equities portfolios, from a total portfolio allocation, these sectors bring the benefits of diversification to a portfolio.

2. WHAT ARE THE PROS AND CONS OF INVESTING IN ASIAN EQUITIES?

As a pro, investors are spoilt for choice among the very large number of Asian stocks that are exposed to powerful secular growth forces. Meanwhile, Asian markets have lagged U.S. equity indices and average equity valuations are notably amongst the most attractive globally.

The real opportunity is recognising that while the economic backdrop is a plus, we expect huge divergence in the range of returns over time from individual stock names. With over 1,500 companies having a capitalisation in excess of US$1 billion, it is a Herculean task, even for experienced Asian investors, to distinguish among the most suitable portfolio candidates.

However, Asian corporate investor relations and disclosure standards are in many cases not yet on par with that of developed markets, which many investors see as being a negative. But this is changing. We have witnessed continuous improvements since the early 2000's in the engagement of companies with minority investors.

3. WHAT ARE THE KEY THEMES LIKELY TO SHAPE ASIAN EQUITIES IN 2020?

The standout observation about this asset class is just how neglected it remains, with low participation by international investors. The narrative of U.S./China trade tensions and civil disobedience in Hong Kong is presently consuming the news headlines, which unreasonably displaces the otherwise healthy outlook for the region and its long-term potential.

Meanwhile, there is fear of fading growth prospects across the OECD (developed markets). The fact that Asia is the established growth engine of the world economy – when a lack of growth elsewhere is most feared by markets – yet it is populated by deeply discounted stocks, deserves logical re-evaluation by planners and investors.

4. WHAT ARE THE KEY CONSIDERATIONS IN ALLOCATING TO ASIAN EQUITIES?

A mindset change is long overdue in asset allocation tactics. Asia ex-Japan equity markets have a market capitalisation that exceeds that of either Europe or Japan and is equivalent to about half that of the United States.

In fact, Asia ex-Japan is around 10 times larger than the value of the Australian equity market.

No sensible and adequately diversified portfolio would choose to be absent from exposure to U.S. or European stocks. Yet, established investment behaviour dies hard, and many sophisticated equity portfolios are not directly invested in Asia.

Moreover, Asia is responsible for over 50 per cent of world GDP growth and will likely be so for decades to come. The size of this market and its growth prospects deserve recognition.

However, equity indices are partially responsible for the lack of interest by Australian investors in this market, by ignoring market capitalisation and focusing only on ‘free-float’, which accounts for the non-traded component of a firm’s capital base (usually controlling shareholders).

We believe exposure to Asia via foreign multinationals is a well-worn path. Instead, if you want better exposure to Asia, you get this through strong, dominant and localised companies that have been operating in their market for a long period.

Asia also presents big thematic opportunities for investors, with technology leaders, rising consumer spending and agriculture all well represented.

5. HOW DO YOU INCLUDE ASIAN EQUITIES AS PART OF A DIVERSIFIED PORTFOLIO?

MSCI’s decision to increase the weighting of China A-shares in its indices is a pivot towards Asia that many Australian investors have so far ignored. The MSCI is increasing the inclusion factor of all China A Large Cap shares in its indices from 5 per cent in May to a target inclusion factor of 15 per cent in November 2019.

This change will have an immediate impact on passive investments in the asset class, because as soon as the benchmark changes, passive allocations will move in line with the benchmark. This is why we believe investors, planners, asset consultants and superannuation funds should be more active when setting their allocation to Asian equities. Whilst a target allocation is an individual decision for every investor, which should be based on a long-term view of fundamentals, an allocation to Asian equities in the range of 5 per cent to 10 per cent could provide diversification benefits from a total portfolio perspective.

CONCLUSION

With China now Australia’s largest trading partner, Asia’s economic rise is a trend that remains in its infancy. As such, a re-evaluation in the allocation of Asian equities in investment portfolios should be considered.

Asian stocks have lagged the decade long bull-market in the U.S. and are demonstrably cheaper, making the timing right to take a deeper look at Asian equities.

Geoff Bazzan is Head of Asian Equities at Maple-Brown Abbott.

PRACTICE MANAGEMENT

HOW DOES YOUR BUSINESS FEEL?

The way a business feels is now just as important as what it does, says **Mykel Dixon**.

We are entering a new era of business. One that demands we question long held assumptions around the nature of work.

Against a backdrop of an eroding faith in capitalism, pervasive technology, big data and our insatiable desire to measure, automate and scale every inch of our experience, something meaningful yet unquantifiable has been lost.

Despite the accelerating uncertainty, there are tremendous opportunities emerging for the savvy, courageous few.

IT'S ALL ABOUT THE 'FEELS'

Like it or not, believe it or not, the new era of business is as much about feeling, as it is about thinking. As much about trusting, as it is about testing. As much about emotion, intuition and instinct, as it is about listening, learning and leveraging.

Maya Angelou famously said: "People will forget what you said, people will forget what you did, but people will never forget how you made them feel." And never has this been more relevant in the world of work.

How your employees feel about themselves, about each other, about the work they do and the organisation as a whole, greatly impacts the quality, quantity and consistency of their output.

The way your vendors, clients and competitors feel about your company or business, continues to define the value, length and profitability of those relationships.

The way the employer market feels about your workplace will influence the calibre of talent waiting and wanting to work for you. Heck, the way you feel about this article will determine whether you choose to gain any value from it.

Make no mistake, the way your business feels is now just as important as what it does. From engagement to talent acquisition, innovation to client experience, high performance to employer branding, it's all about the 'feels'. And the organisations brave enough to explore this with enthusiasm and vigour, will be leaders in tomorrow's economic climate.

A DANGEROUS CONVERSATION

But let's be honest, to speak earnestly about feeling in most company boardrooms would leave us open to ridicule and regret. Despite our intentions for a more human-centric workplace, one that allows, encourages and champions the entire spectrum of the human experience, we're not there yet.

One reason we dismiss a conversation about 'feeling' is we are yet to find a language that sufficiently contains it. We can so easily sound fluffy and esoteric, lightweight and inconsequential, when discussing the 'vibe' of our offering or the 'feel' of the leadership offsite.

Inevitably, we are asked for proof, required to find data, told that we need to see a clear ROI if the company is to direct funds into anything of this nature.

And those concerns are legitimate, because feeling is unpredictable. It's flakey, inconsistent and idiosyncratic. It won't fit within a formula, rarely submits to a system and is heavily influenced by factors outside our control. It sounds just like a… human.

Feeling is hard to work with, but work with it we must.

Because despite the perks, the pay packet or the positive rhetoric, our people stay, work harder and smarter when they feel good and when it feels good. Our clients stay, engage deeper and share louder when they feel good and it feels good together.

WHERE DO WE BEGIN?

But what does the feel of an organisation even mean? Where do we start if we want to accentuate it? And how on earth do we begin a conversation about the feel of our business without alarming or alienating our colleagues or clients?

Given the nature of this conversation, it feels cheap, ironic and hypocritical to distill the dynamic realm of emotion into a formulaic template for success. But I will say this...

1. BEGIN WITH HOW YOU FEEL

Allow yourself to lean in to your experience. Listen with your body and try to trust your gut. No one else has to know. It's between you and yourself. But give yourself permission to go there. To play with it in your heart and mind. To fully experience what is emerging within you, or the conversation or the atmosphere around it.

To be effective in the future of work, we must rebuild the dialogue between our thoughts and our feelings. Imagine the possibilities for business if we could draw on all facets of the human experience; dropping in and out of thinking and feeling when it serves.

2. CAPTURE HOW YOU FEEL

Take notes in a private moleskin. Draw pictures in the margin. Scribble on draft copies and leave hidden comments on word docs. Getting it out of your body makes it real. Playing with language, colour and shapes will help you form more concrete reasons as to why you or it feels a certain way.

This in turn will enable you to better articulate it for others. Widening the palette of language you can use to illuminate specific issues you might have with something, gives you a far better chance of having it be understood by your colleagues or clients.

3. FIND OUT HOW OTHERS FEEL

Listen to the language of those around you. Look for what articles your colleagues are liking on LinkedIn.

Read between the lines of client reviews. What are they not saying, what are they hinting at, what are they hoping you'll feel too but struggling to find the frame for it. Then ask them how they feel about it.

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Maya Angelou famously said: "People will forget what you said, people will forget what you did, but people will never forget how you made them feel."

Speaking up, acknowledging and celebrating how others feel, legitimises their experience. It gives them permission to trust their instinct, to follow their own flavour. It invites participation in the whole spectrum of our experience and cultivates a broader, more inclusive and diverse conversation.

THE WORLD WAS FLAT ONCE

People always laugh at those who dance with the unknown. We might not have an acceptable, manageable or effective way to measure, articulate or scale the 'feel' of an organisation just yet. But it doesn't mean it's not already impacting your business, your colleagues and your clients.

Now more than ever is the time to risk what they might think on how it feels.

So, how do you feel about that?

Mykel Dixon is a creativity expert. He is a speaker, author and recognised authority on 'creativity' and the 'human future of work'.

Mykel is a speaker at the 2019 FPA Professionals Congress, where he will be presenting a workshop session on Friday 29 November, titled - Think outside the box. In this workshop, he will aim to ignite the creativity of planners by providing them with the skills needed to solve complex business challenges.

AGED CARE: MAKING A BUSINESS CASE

Six practitioners answer some commonly asked questions about aged care advice.

What would you say to increased revenue and career satisfaction? You would think planners would jump at the chance in this environment of uncertainty.

But when it comes to aged care advice, myths and misconceptions abound, says Aged Care Steps (ACS) director, Assyat David. ACS is a provider of aged care support to advice professionals. To help address some of these misconceptions, ACS recently interviewed six ACS Aged Care Accredited™ planners about their reflections on starting out in aged care advice, including how they structured their service offering, what they charged and what were their mistakes. Here's what they had to say.

Q1 WHY DID YOU DECIDE TO OFFER AGED CARE ADVICE?

Kate Phillips: My father-in-law had an incident that required him to go to an aged care facility. Once you have experienced aged care advice personally, you realise how complicated it is, which planted the seed in me to offer aged care advice.

Dianne Chalk: We were getting phone calls from current and new clients about aged care. People are just desperate for help.

Geoff Whiddon: People don't talk about aged care. So much of aged care advice is a conversation in a hospital carpark. As such, we encourage our clients to think about aged care as part of the review process, so the decision isn't taken out of their hands when the time comes.

Q2 HOW DO YOU START THE AGED CARE CONVERSATION?

Geoff Whiddon: We talk about future expenses as part of retirement planning. Aged care – in some form or another – is something that everyone needs to consider, including how to fund it.

Kate Phillips: It's about education. Clients need someone to clearly explain how it all works, especially at the time when decisions need to be made, which is time critical and emotional.

Drew Potts: A lot of clients were starting the aged care conversation with us. For example, someone is unable to come home from hospital, and suddenly, there's all this complex paperwork to complete and so many decisions to make.

Q3 HOW DID YOU MARKET YOUR AGED CARE SERVICE?

John Walker: It's about creating a network that includes aged care providers, seniors' groups and other businesses that provide services to your market, like accountants and lawyers.

Sarah Hall: Social media gets the word out quickly and cheaply. I also approached retirement villages and facilities about marketing in their monthly newsletters, and I advertised in seniors' magazines and newspapers.

Q4 HAS AGED CARE ADVICE GROWN YOUR BUSINESS?

PARTICIPANTS

Dianne Chalk CFP®, Principal, Hillross Fairy Meadow

Sarah Hall AFP®, Principal Adviser, TBA Aged Care Financial Advisers

Kate Phillips AFP®, Principal Financial Adviser, Tend Financial Planning

Drew Potts CFP®, Managing Partner and Senior Financial Adviser, Potts Duhring Financial Advisors

John Walker CFP®, Financial Planner, RI Advice

Geoff Whiddon CFP®, Director and Senior Financial Adviser, Dome Financial Group

Sarah Hall: For us, aged care advice is just building and building. We're getting between two and five calls a week. So, in terms of revenue, it's become quite a big focus for us.

Dianne Chalk: We're getting a lot more business, purely from aged care work. It may start out quite transactional, but a couple of years later, those same clients are ringing back.

Drew Potts: I wish we had recognised the value sooner. It probably took around 18 months for us to get the commercial aspects right, but the growth is there.

Kate Phillips: There's a steady stream of new people coming through the door. It's about capturing that opportunity to work with the family on a more ongoing basis. That's where the profitability can be great.

Q5 WHAT DOES YOUR BUSINESS MODEL LOOK LIKE?

Sarah Hall: Our premium aged care service includes everything – from going out and visiting facilities, filling in forms, family meetings and preparing a strategy discussion paper. Or we can just charge an hourly rate. It's about letting the client decide what they want from us, which is generally everything.

Geoff Whiddon: Our 'Essentials' service is a simple cashflow summary for people who know what they want to do. Our 'Advantage' package may include up to five different strategies and the implications of each. Our 'Platinum' package incorporates advice and further assistance with completing forms, negotiating with facilities and related follow-up advice.

Q6 HOW DO YOU CHARGE FOR AGED CARE ADVICE?

Geoff Whiddon: Our strategic advice is up to $3,000, which depends on the number of strategies that are available. Our Platinum service is $5,720.

Sarah Hall: I've worked out an hourly rate that includes all my costs. I sit down with the client and discuss what they need. The lowest I've charged is $3,000 plus GST, all the way up to $5,000 plus GST – and beyond.

Dianne Chalk: Initially, we simply gave aged care advice away! Then we spoke to others in the aged care space. We now charge at least $2,750 for an individual and $3,300 for a couple.

Q7 WHAT WOULD YOU DO DIFFERENTLY IF YOU WERE JUST STARTING YOUR AGED CARE ADVICE BUSINESS?

Dianne Chalk: I'd charge more upfront. You've got to value what you do, because you absolutely make a difference.

Drew Potts: I would recognise the value much sooner and not give so much away. It wasn't that the clients wanted the advice for free – we just gave our knowledge away.

Geoff Whiddon: I would focus solely on aged care and get rid of every other part of my business. I'd offer a service where I am an expert in all fields of aged care.

Q8 CAN YOU SHARE A CLIENT STORY THAT ILLUSTRATES THE VALUE OF AGED CARE ADVICE?

John Walker: My client had thought it was best to pay the Daily Accommodation Payment, rather than the lump sum. We were able to identify some issues with the source of some of the income in their family trust, which reduced the level of assessable assets significantly. We had new tax returns done, and our client's annual income was reassessed at nil.

We advised the family to cash in shares and an account-based pension and use these funds to pay off the Refundable Accommodation Deposit, which is non-assessable for the Age Pension. The aged care costs fell dramatically, plus the client now receives the full Age Pension. So, we were able to improve the family's overall cashflow by $48,000 a year.

AGED CARE: SOMETHING TO THINK ABOUT

The emergence of aged care advice as a significant business income stream is no real surprise, says Assyat. The complexity of the sector, combined with the emotional burden, make it logical for consumers to seek out expert help. And with the population ageing, consumer demand will continue to grow.

"Whether planners address aged care proactively with existing clients as part of their retirement planning service, or prefer instead a more transactional approach to supporting new clients in crisis, the business case for providing aged care advice is compelling," says Assyat.

Life.

IN THE COMMUNITY

CAN DO ATTITUDE

Travis Adams AFP® is a long-term supporter of Can:Do 4Kids, which is breaking down the social isolation experienced by sensory impaired young people.

GRANT RECIPIENT:
Can:Do 4Kids

GRANT AMOUNT:
$10,000

ENDORSED BY:
Travis Adams AFP®

FPA CHAPTER:
South Australia

Established in 1874, Can:Do 4Kids (Townsend House) is South Australia's oldest charitable service provider, offering vital therapy and support to children and young people who are blind, vision impaired, deaf or hearing impaired.

With a history going back 145 years, Can:Do 4Kids (CD4Ks) continues to make a beneficial difference to the lives of sensory impaired children and young people by allowing them to achieve their full potential by providing them with specialised sensory services.

Today, CD4Ks sits under the umbrella of the Can:Do Group, which comprises two distinct and seperate charities – CD4Ks and Deaf Can:Do. Both charities work together to deliver services to newborns, toddlers, children, young people, adults and the elderly who are blind, vision impaired, deaf or hearing impaired.

However, with over 35,000 South Australian kids impacted with a vision or hearing impairment, CD4Ks' grants coordinator, Rosemary McDonald says the not-for-profit has its work cut out.

"CD4Ks provides therapy, information and support to over 1,500 children and young people in South Australia who are sensory-impaired. Increasingly, families with children with other disabilities – like Down syndrome, communication delays and autism spectrum disorder – are also turning to us for our support and expertise," she says.

Rosemary concedes this demand for CD4Ks' programs and services – which includes early intervention, speech pathology, occupational therapy, child and youth development, assistive technology, and support services (audiology, feeding services, exercise, physiotherapy, and counselling) – places considerable demand on the charitable organisation's funding resources.

It was a concern shared by Travis Adams AFP®, a financial adviser at Baillieu Holst, and a long-term supporter of the organisation.

"Baillieu Holst has a long involvement with the Can:Do Group, including managing its investment portfolio since 2003, and supporting its numerous functions and fundraising efforts. In fact, we have four team members working at Baillieu Holst, who are also members of the FPA, who maintain a significant support, investment management and funding role with the Can:Do Group," Travis says.

"We passionately believe in the philosophy of the Can:Do Group. From our understanding and experience with this not-for-profit organisation, we see a strong alignment in its values and the values of the Future2 Foundation.

"We therefore believed a Future2 Make the Difference! Grant would provide much needed funding support to young people with ongoing life challenges."

And it was a view supported by the Future2 Grants Committee, which awarded CD4Ks a $10,000 grant for its Youth Activities Pilot Program.

THE PROGRAM

According to Rosemary, the Youth Activities program is a 12-month program aimed at enabling 30 young people (aged 12-18 years) – who are either blind, deaf or vision/hearing impaired – to experience a different activity each month in a safe, supported community environment.

The program has four aims:

1. To develop effective social and recreational skills, so participants feel more optimistic about their ability to engage with others.
2. Improve their networking and communication skills, thereby empowering them to participate more fully in everyday life experiences.
3. Improve their mental, physical and emotional wellbeing, and by doing so, reduce social isolation.
4. Participate in positive community-based activities, just like other young people their age.

"The program provides mainstream, supported opportunities for kids to practice, engage and learn social skills in mainstream settings, with peers of a similar age, background and disability," Rosemary says.

She adds that the program allows these young people to develop socially by interacting with others in different shared activities, such as sports and recreational activities, social events and outings, cookery classes, cyber safety and animation workshops, team building and leadership activities, mentor training, and employment readiness workshops.

"This program is 12 months of sensory loaded activities, in a safe and inclusive environment, surrounded by their peer group," Rosemary says.

Travis says the Youth Activities program supports vulnerable kids at a time that is crucial to their development.

"Youth development is key to self-confidence and social inclusion. Skills learnt by the program's participants during this critical time can be used for the rest of their lives."

Can:Do 4Kids is helping sensory impaired young people develop socially and emotionally.

> *Youth development is key to self-confidence and social inclusion. Skills learnt by the program's participants during this critical time can be used for the rest of their lives. – Travis Adams AFP®*

OVERCOMING SOCIAL ISOLATION

For young people with a sensory impairment, life can be tough and socially isolating. CD4Ks is aiming to change all this by taking these young people out into the community, to participate in a range of activities in a group, with support from trained staff and deaf translators, who can assist them experience activities and opportunities (like attending a footy match or going to the movies), that most young people take for granted.

Rosemary says young people participating in the program improve their wellbeing and reduce social isolation through:

- building social connections with others in the same age/sensory group;
- achieving their personal development goals;
- developing confidence and experiences with mainstream activities;
- building confidence in independent living skills;
- developing and maintaining meaningful relationships and friendships;
- developing a network of activities and supports; and
- developing capacity around workforce and independence transition.

"Our long-term goal is to roll this program out to more kids year-on-year," Rosemary says.

And it's a long-term goal that Travis supports. "At Baillieu Holst, we strongly believe that you should stand up and help where there is a need, which is why we support the Future2 Foundation and the fundraising efforts of the Can:Do Group," he says.

"The Can:Do Group continues to help those in need get the assistance they require, so I am delighted that the Future2 Foundation supported its application and my recommendation for a Future2 grant."

Travis Adams AFP® is a financial adviser at Baillieu Holst.

CENTRELINK AND GRANNY FLAT INTERESTS

Jason Hurst CFP®

AMP

This article is worth
0.5 CPD hours

ASIC Knowledge Area
Financial Planning

FASEA CPD Areas
Technical competence

INCLUDES:

- Creating a granny flat interest
- Reasonableness test
- Entry contribution
- Vacating the granny flat

As Australians age, it is becoming increasingly common for older clients to enter into private arrangements to live with their family. This type of arrangement can be mutually beneficial, with grandparents assisting their busy children with household tasks and looking after grandchildren, whilst also helping defer entry to residential aged care for as long as possible.

The rising costs of residential property in Australia in recent times has also led to a greater desire for older Australians to assist their children or grandchildren enter the property market, by transferring assets or entering into co-ownership arrangements. Despite these benefits, it is important that families considering these arrangements seek advice from appropriately qualified professionals.

One such arrangement that can potentially provide a Centrelink-friendly solution to the above goals is a 'granny flat interest'.

A granny flat interest can encompass different living arrangements and is not just limited to the physical real estate version of a granny flat that most people are accustomed to.

Financial planners can assist predominately in the Centrelink space, however, it is important to be aware of the potential tax and legal issues, so that clients can be referred to appropriate tax and legal professionals.

In this article, we will cover off on some common areas where issues often arise.

Note: *This article does not consider the Department of Veterans' Affairs (DVA) implications of granny flat arrangements. Whilst the DVA rules are similar to those applied by Centrelink, there are some slight differences that are outside the scope of this article.*

WHAT IS NOT A GRANNY FLAT INTEREST?

When a Centrelink income support recipient or their partner are the legal owner (or part legal owner) of property, they do not have a granny flat interest. They have the right to live in the property because of their ownership interest. For example, a person who owns a principal home jointly with their child does not have a granny flat interest, as they have a legal ownership in part of the home.

For Centrelink purposes, they will be considered a homeowner and the value of their ownership interest will be exempt under the assets test, regardless of the value of this ownership interest.

Example 1
Gary, aged 80, sells his $400,000 home and pools this money with another $800,000 from his daughter, Michelle, to buy a large home valued at $1,200,000. The title is structured as tenants in common, with Gary owning a one-third share. Gary and Michelle have privately agreed that Gary will always be able to live in this property unless sold or Gary moves into residential care.

As Gary is a part legal owner of the property that he lives in, this is not a granny flat interest and Gary remains a homeowner, with his $400,000 share of the home being exempt under the usual Centrelink homeowner rules.

WHAT IS A GRANNY FLAT INTEREST?

The Centrelink granny flat rules allow people to transfer assets to another person in exchange for a right of occupancy for life in a residential property, without potentially being subject to the usual deprivation rules.

A granny flat interest encompasses much more than just a self-contained flat in someone's house. It can include any life interest or right to accommodation for life in a private residence in which the individual does not have any legal ownership.

Although Centrelink may accept that a person has a granny flat interest even if it's not in writing, it is recommended that a legal document be drawn up by a solicitor to evidence the arrangement and protect the parties involved.

HOW IS A GRANNY FLAT INTEREST CREATED?

For Centrelink purposes, granny flat interests are created when a person enters into any of the following arrangements:

1. They transfer the title of a home they live in to someone else and retain a lifetime right to live in that home or in another home.
2. They pay for the construction and/or fit out of a home on another person's property and retain a right to occupancy for life.
3. They provide some or all of the purchase price of a property registered in another person's name and retain a right to occupancy for life.

In the above situations, deprivation will usually not apply unless the home transferred in 'point 1' was not fully exempt from the assets test (see point 4 below). And usually, the value of the granny flat interest for the purpose of calculating the entry contribution, is the value of the home transferred, construction costs paid or purchase price of the property.

There are some other circumstances where Centrelink will assess the granny flat interest against a 'reasonableness test' amount. This can apply in situations where an income support recipient:

1. Transfers the title of their home, or purchases a property in another person's name, and transfers additional cash/assets.
2. Pays for the construction of a dwelling and transfers additional cash/assets.
3. Transfers cash and/or assets to another person for the right to occupy an existing property for life.
4. Transfers the title of a home they live in, which is not fully exempt (e.g. is on more than two hectares and does not meet the extended land use test), to someone else and retains a lifetime right to live in that home or in another home.
5. Uses the granny flat rules to gain a social security advantage.

The reasonableness test is used by Centrelink for two reasons.

Firstly, to determine whether any gifting has taken place, and secondly, in some cases it may be used to determine the value of the granny flat interest for the purpose of homeownership status. This is discussed in more detail in the entry contribution section of this article.

Centrelink will require details and verification of the interest. For example, documents verifying the transfer of title of the property, copy of a formal agreement or details of the person's contributions, such as a copy of the building contract.

We suggest obtaining Centrelink's assessment of individual granny flat interests before implementing the arrangement.

REASONABLENESS TEST

When the reasonableness test applies, Centrelink applies the following formula to determine a reasonable value for the granny flat interest:

Combined partnered rate of annual pension
X
Conversion factor

The reasonableness test factors are available in the Guide to Social Security Law. These factors are broadly based on life expectancy; the older the person, the lower the amount available under the reasonableness test. When the calculation involves a couple, the age of the younger spouse is used to determine the conversion factor.

For the purposes of the formula, the combined partnered rate of annual pension, including supplements, is used. For the period 20 March 2019 to 19 September 2019, this rate is $36,301.20.

Importantly, the combined partnered rate of annual pension is used, even if the person is single.

Example 2
Gary, from example 1, decides not to enter into the co-ownership arrangement and instead, gives his

Continued overleaf

Table 1: Centrelink treatment of entry contribution for granny flats

Entry contribution	Centrelink treatment
Equal to or less than $210,500	Assessed as non-homeowner under the assets test. - EC counts as an asset (it does not count under the income test). - May be eligible for rent assistance.
More than $210,500	Assessed as a homeowner under the assets test. - EC is not counted under the asset or income tests. - No entitlement to rent assistance.

daughter $400,000 in exchange for a right to occupy a room in her property for life. Gary's reasonableness test amount is $341,594.29 ($36,301.20 x 9.41, which is the relevant factor based on his next birthday).

As a result, Gary will have a deprived asset of $48,405.71, which will be assessed by Centrelink/DVA as a financial asset for five years. That is, $400,000 less $341,594.29 less allowable gifting limit of $10,000 (assuming no other gifts have been made).

ENTRY CONTRIBUTION

The value of the granny flat interest is called the entry contribution (EC) and determines the home ownership status of the person.

Centrelink compares the EC against the extra allowable amount (EAA). The EAA is the difference between the non-homeowner and homeowner assets test thresholds at the time the entry contribution is paid.

The extra allowable amount for the 2019-20 financial year is $210,500 (see Table 1).

As discussed earlier, in situations where a fully exempt home is transferred, a property is purchased in another person's name, or an income support recipient pays the costs of constructing a dwelling on another person's property and no other cash or assets are transferred, the EC will be the value of the property transferred/purchased or the construction costs.

Example 3
Gwendoline, age 86, transfers her fully exempt home, valued at $1 million, to her daughter, Alyona, in exchange for a right to occupy for life.

The EC is $1 million, meaning Gwendoline remains a homeowner. As no other cash or assets have been gifted, and the property was fully exempt in Gwendoline's name, the reasonableness test does not apply, and no gifting/deprivation has occurred.

When cash and/or assets other than a home are used to pay for a right to occupy a dwelling, or additional cash/assets are transferred over and above the purchase/construction costs, determining the EC becomes a more complicated exercise. However, a detailed discussion of various permutations is beyond the scope of this article.

VACATING THE GRANNY FLAT

Centrelink will review a granny flat interest if the individual stops living in the home within five years of the interest being created. If the reason for leaving the home could have been anticipated at the time the interest was created, the deprivation rules will apply. That is, deprivation is to be assessed from the date they stopped living in the home to the fifth anniversary of the creation of the granny flat interest.

This is particularly important with respect to future entry into residential aged care. If the reason for vacating the granny flat interest was foreseeable and the vacation is within five years of the creation of the interest, deprivation rules may apply.

The client will not have access to the associated capital (because they used it to pay for the granny flat), yet a deprived amount is considered an asset and deemed (until the fifth anniversary of the creation of the interest) when calculating the means tested amount (MTA) for permanent residential aged care purposes.

The MTA is used to determine whether the person is a low means resident and to calculate their means tested care fee (MTCF). Inclusion of a deprived amount could prevent access to a supported (concessional) bed and result in the person being required to pay the advertised refundable accommodation deposit/daily accommodation contribution and a MTCF, despite the fact they may have limited available assets/income.

The Department of Human Services indicates that the deprivation rules would not apply where the reason for vacating the granny flat is unforeseen. This could include, but is not limited to:

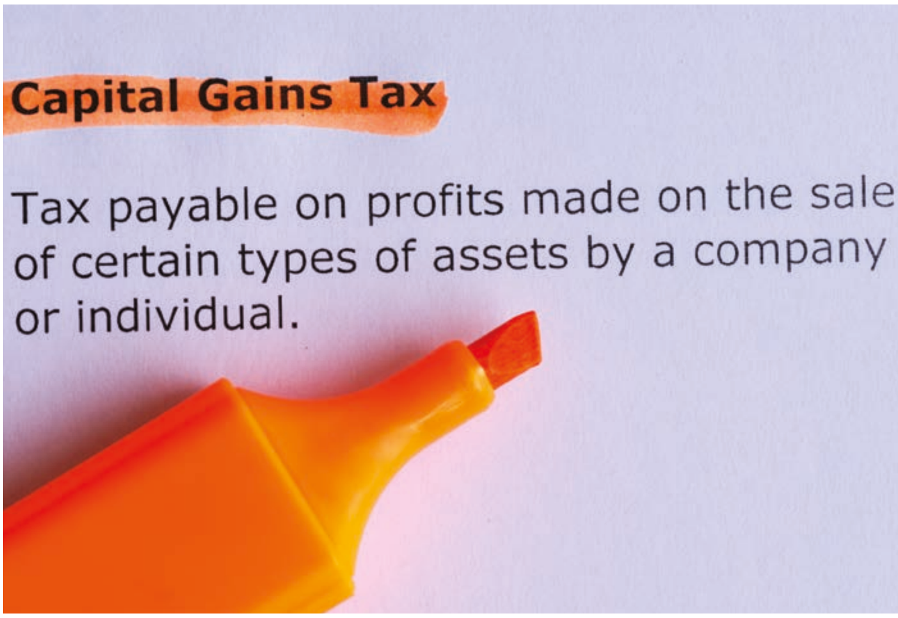
- sudden onset of illness;
- family relationship breakdown;
- elder abuse; or
- a natural disaster or damage to the property that leaves the property uninhabitable.

SUBSEQUENT ENTRY INTO RESIDENTIAL AGED CARE

The care requirements of a person who has established a granny flat interest may increase over time, resulting in the subsequent need to enter residential aged care.

Consideration will need to be given as to how a granny flat interest will impact residential aged care fees. Current advice from Centrelink indicates that the treatment depends on whether the granny flat interest ends when the person enters care.

If the interest does end (and no deprivation occurs), no value will be counted for residential aged care means testing purposes. Depending on the client's other assets, this may mean that the person is eligible to be a low means resident and either pay no accommodation payment or an accommodation contribution. However, given there are only limited places for such residents, the choice of facilities may be restricted due to this status.



COSTS

There are various costs that may be incurred when establishing a granny flat interest. These may include capital gains tax (CGT), land tax, stamp duty and legal fees for the drafting of agreements and transfer of property title.

Continued overleaf

QUESTIONS

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

1 Centrelink will only assess an arrangement as a 'granny flat interest' if a separate dwelling is built.

a. True.
b. False.

2 In which of the following circumstances would Centrelink apply the reasonableness test?

a. Don transfers his fully exempt home worth $500,000 to his daughter in exchange for a lifetime right to live in the home with his daughter.
b. Billy purchases a home worth $800,000 in the name of his nephew in exchange for a lifetime right to live in the property with his nephew.
c. Basil pays $210,000 to construct a separate dwelling at the back of his son's house in exchange for a lifetime right to live in the constructed dwelling.
d. Colin gives his son $500,000 in cash in exchange for a lifetime right to live in his son's existing property.

3 Which of the following statements is incorrect?

a. The entry contribution of Tom's granny flat interest created in August 2019 is $250,000. He will be considered a homeowner and the EC will be assessed as an asset.
b. The entry contribution of Lisa's granny flat created in September 2019 is $150,000. She will be considered a non-homeowner and the EC will be assessed as an asset.
c. In July 2019, Denise paid her son $300,000 to construct a dwelling on his land in exchange for a lifetime right to live in the dwelling. Denise's EC is $300,000, she is assessed as a homeowner and the EC is exempt from the assets test.
d. In August 2019, Barry provided the funds to purchase a property for $800,000 in his son's name in exchange for a lifetime right to live in the property. No deprivation applies and Barry will be a homeowner.

4 Basil, aged 74, transfers his $1 million home to his son in exchange for a right to reside in the property. Which of the following statements is correct?

a. Centrelink will calculate a reasonableness test amount based on Basil's age to see if any part of the $1 million will be captured as a gift.
b. The reasonableness test will not apply, and no deprivation has taken place.
c. This will always be seen as a gift, due to the fact that Basil has transferred ownership of his home.
d. Basil will be classed as a non-homeowner by Centrelink.

5 Which of the following statements is incorrect?

a. By creating a granny flat interest, a person will lose control (i.e. legal title) of the asset.
b. Creating a granny flay interest will not have any impact on a person's subsequent entry into residential aged care.
c. CGT may be payable when a granny flat interest is created.
d. None of the above.

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Where the property is transferred to another party and that property had been used to produce income at some stage during ownership (e.g. rented out or used partly as a place of business), there may be CGT consequences, notwithstanding that the property was the person's main residence at the time of transfer.

Further, *Taxation Ruling TR 2006/14* discusses the possible CGT implications of granting a lifetime right to reside in a property.

ESTATE PLANNING

The client's overall estate planning wishes should also be revisited when establishing such an arrangement, given that one party will generally benefit from the amount/asset given to them to establish the granny flat arrangement. This may need to be addressed in the client's will using estate equalisation methods.

Further, by creating a granny flat interest, the person will generally lose control of the asset (i.e. the home transferred or funds used for construction of the granny flat).

Remember, the legal title of the dwelling will not be in the client's name – they only have a lifetime right to reside in the dwelling.

OTHER CONSIDERATIONS

Apart from the above considerations, other matters that should be considered before establishing a

granny flat interest include:

- What happens if the family member wishes to go on holidays? How will care be provided in their absence?
- Who will be responsible for the costs associated with the upkeep of the property?
- What will happen when a family member can no longer provide the required care?
- What happens if the family member wants to sell the property?
- Are the family aware of their options if care needs increase? For example, Commonwealth Home Support Programme (CHSP) and/or a home care package.

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