APRIL 2021 VOLUME 33 | ISSUE 02

MONEY & LIFE

Fintech and a stronger future

SENATOR ANDREW BRAGG AND THE ROLE OF FINTECH

SELF-LICENSING SUPPORT

COMMUNITY NETWORKS AND AFSL TRANSITIONING

MAXIMISING RETIREMENT INCOME

BUILDING PORTFOLIOS THAT SAFEGUARD RETIREMENT INCOME

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MAKING THE MOST OF THESE STRATEGIES

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

APRIL 2021

CONTENTS

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

Paper+ Spark

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FPA ROADSHOW IN YOUR LOCAL AREA

> With 2020 behind us, we are thrilled to be meeting again with members (1.5 metres apart, of course), as we present your complimentary local FPA Roadshow event.

Heading to 31 venues around Australia from March-June, this is a fantastic opportunity to join your fellow members for a breakfast or lunch event, where you'll hear about the very latest policy and reform agenda, including Royal Commission, FASEA and APRA updates, so you'll know what the impacts are for your business and clients.

Our 2021 FPA National Roadshow partners, Zurich and OnePath, will be sharing insights about outperformance in the advice profession and how entrepreneurship is shaping the delivery of great advice.

Of course, we'll also bring you the latest policy and regulatory updates covering the Royal Commission and FASEA standards. Finally, we're launching a new best practice guide for members covering compliance with the FASEA, TPB and FPA Codes, and ASIC Regulatory guidance with a focus on life insurance advice.

This is your free member event and we hope to see you there. Register at fpa.com.au/roadshow

PATH TO AFFORDABLE AND ACCESSIBLE ADVICE

Operating a financial advice practice, on any scale, is becoming cost prohibitive. An overly complex compliance regime, duplication of regulation and the pressures of trying to provide advice to Australians in a hostile environment is taking a toll on FPA members and the businesses you work in. This is being recognised by the Government, with regulators focused on making advice more affordable.

To add to this, the recommendations of the Hayne Royal Commission continue to be implemented and require further changes to be embedded into your practices. The strain of this is real, but it also presents a unique opportunity to assess and even rebuild key processes and procedures – for example, redesigning your fee agreement and collection process, as well as how you capture information to be reported to regulators and in relation to the new target market determination reporting obligations.

Our goal is to help you find ways to create efficiencies in your business, so you can better manage your operations and client service. It is clear fintech and other tools can help provide inspiration and ways to improve the way you do business. This issue of your member magazine dives deeper into this.

There are also opportunities to do the extraordinary, and the FPA is also currently working on an exciting project around the digitalisation of a Statement of Advice (with ASIC no less), which we look forward to sharing more on soon.

Dante De Gori CFP®
Chief Executive Officer

Follow Dante on Twitter
@ddegori10


Equity linked returns with downside protection

FOCUS

NATIONAL ROADSHOW INTO ITS SECOND MONTH

The FPA National Roadshow is into its second month, having visited 17 regional FPA Chapters in NSW, Victoria and Queensland during March. This year's roadshow will visit 31 venues over March to June.

The two hour interactive session will focus on a range of topics that will assist practitioner members navigate the many changes that continue to impact the financial planning profession. Attend this year's FPA National Roadshow and learn about:

- The tough conversations the FPA is having with Government and the regulators on behalf of members;
- Hear about the latest updates on the Royal Commission and FASEA;
- Receive practical tips to help you deliver affordable financial advice; and
- Learn about a new best practice guide for members covering compliance with the FASEA, TPB and FPA Codes, and ASIC Regulatory guidance with a focus on life insurance advice.

"After a tough year in 2020, it is wonderful to have the opportunity to be able to be in a room at a physical event with your peers and for Dante De Gori CFP® and me to be able to hear from members on how they are and what they need," said FPA Chair, Marisa Broome CFP®.

"I believe we are at a tipping point where the value of advice is being recognised by the public. And while our practitioner members are busier than ever with a huge wave of enquiries, the FPA National Roadshow is an opportunity for them to take time out and connect with those in their communities and their member association."

The FPA has partnered with Zurich and OnePath for this year's event, where attendees will hear from both organisations on the key drivers advice leaders have put into play to transform their businesses from good to great.

Attendees will also gain insights from Zurich about outperformance in the advice profession and how entrepreneurship is shaping the delivery of great advice.

Practitioners will also receive the 'need to knows' around the upcoming APRA changes, which will be available on Zurich's education platform _ZONE.

The FPA National Roadshow, which includes either breakfast or lunch depending on location, is complimentary to FPA members and $55 for non-members.

CPD hours will be issued for this two hour event. However, places will be limited due to COVID-19 guidelines, and no 'walk-ins' will be accepted on the day, so please secure you place early.

Dates and venues are still being finalised, so for information on the latest FPA National Roadshow dates or to register your attendance, go to ***fpa.com.au/roadshow***

COMPLAINTS REPORT OCTOBER TO DECEMBER 2020

Ongoing complaints as at 1 October 2020	**8**
New complaints	**1**
Closed complaints	**2**
Complaints open as at 31 December	**7**

In the October to December quarter, the FPA received one new complaint, finalised two complaints, and has eight ongoing complaints.

Of those ongoing complaints, one is in the process of making preliminary enquiries, two are in the process of investigations where information has been requested from members and complainants, and four are in the process of finalising the report for the Conduct Review Commission (CRC).

AUTOMATIC TERMINATIONS

No members were terminated during the quarter.

ACADEMIC MISCONDUCT

No Academic Misconduct complaints were raised in the October to December quarter.

ASSISTANCE AND ENQUIRIES

If there is a specific area of compliance or ethics in financial planning that you would like explored, please contact the team by email at professional.standards@fpa.com.au or access the Ethi-Call service run by The Ethics Centre at ***ethi-call.com.***

HEALTHIER, LONGER, BETTER LIVES

GET MORE COVER GET MORE FLEXIBILITY

Get more with AIA Australia's Crisis Extension cover

At AIA Australia we're always looking for ways to add value to your client's protection, which is why we're excited to introduce our Crisis Extension cover.

Carefully designed to complement our highly-rated Crisis Recovery insurance, Crisis Extension cover gives your clients the opportunity to enjoy **flexible** sums insured that offer them and their loved ones **more** cover for **longer**.

By choosing the sum insureds for both these types of cover, your clients can access more protection for serious events at lower premium rates, customising cover that best suits their individual needs.

FIND OUT MORE

03/21 – ADV5889-digital

SECURING YOUR CFP® AND MASTER IN FINANCIAL PLANNING

In 2021, both Griffith and Swinburne Universities will be offering an integrated CFP® and Master of Financial Planning degree to students seeking to take their qualifications to the highest level in the profession.

Under both programs, students undertaking the Master of Financial Planning course of study can now receive recognised prior learning for CFP® units 1 - 4 and complete the CFP® C capstone as an elective as a part of the program. This study pathway enables financial planning professionals to combine all their study requirements into a single course, making a significant saving in time and cost.

With all financial planners now required to complete a tertiary degree, attaining both CFP® certification and a Master in Financial Planning can help individuals show their commitment to the very highest standards of education and professionalism.

"Thanks to the FASEA requirements, financial planning offerings have been standardised," says Dr Reza Tajaddini, Finance Discipline Leader and Course Director of Master of Financial Planning at Swinburne University of Technology.

"So, I suggest students look for other aspects of the educational programs that add value to their qualifications. The integrated CFP® and Master of Financial Planning program offers a very practical 'value-add' that benefits graduates to distinguish themselves in the job market and provide them with a unique educational experience."

Griffith and Swinburne join Deakin University, RMIT University and Kaplan Professional, which also offer the integrated program. Enrolments for the Masters are now open with both universities.

Learn more about the integrated CFP® Certification Program and Master of Financial Planning at ***fpa.com.au/cfp***

The FPA congratulates the following members who have been admitted as CERTIFIED FINANCIAL PLANNER® PROFESSIONALS

NSW

Onias Chilimanzi CFP®
Mercer Financial Advice

Noel Ching CFP®
Majestic Financial Services

Leanne Mclaughlin CFP®
Bridges Financial Services

Marsel Popov CFP®
TelstraSuper Financial Planning

Shylea Ulrick CFP®
Lifestyle Advisers

ACT

Katharine Whild CFP®
Parker Financial Services

VIC

Ashleigh Cattanach CFP®
Mercer Financial Advice

William Darmawan CFP®
Pitcher Partners Investment Services

Helen McMillan CFP®

Renato Manias CFP®
Money Lab

Andrew Nguyen CFP®
Annex Wealth

Matthew Rea CFP®
Tribeca Financial

Boris Rikalo CFP®
Navplan Financial

Marijana Subasic CFP®
Tribeca Financial

WA

Claudia Gould CFP®
Lifegro Financial Planning

Christine Ferguson CFP®
Fiducian Financial Services

Robert Tawil CFP®
Vantage Wealth Management

Joshua Hindle CFP®
Knight Group

Declan Thomas CFP®
Momentum Planning

QLD

Nathan Horne CFP®
Accounting & You Financial Services

Quinton Sosnowski CFP®

YOU SAY / THEY SAY

Over the past 12 months, we've all had to rely more on technology to help us live, work and manage our finances. Financial planners and consumers share their experiences about which apps have helped most during this time of transformation.

YOU SAY

While some may be lower on the adoption curve, all financial planners are reporting an increase in technology use for their business since the pandemic began. They're also embracing the engagement and efficiency improvements many of these solutions deliver.

What fintech are you using and why?

AM "If you didn't embrace fintech during 2020, you never will! We use LifeXplorer during our initial conversations with prospective clients. It's a great tool to illustrate life events and have meaningful discussions with our clients around their goals. Another area for us is digital data collection, which is a must to speed up the fact-finding process. We use the My Prosperity tool, which is also great for communicating with our clients' other professionals, like accountants or property advisers. We also know that not everyone is tech-savvy, so we show our clients how to navigate the systems through Loom videos, an easy tool to use and saves significant time, too.

AI "I should preface my answers by saying I'm not an early adopter and from what I can tell, fintech is one of those buzzwords that everyone likes to say but actual traction or delivery is not what it should be in our industry. I can postulate on reasons but that's another discussion. Of course, I could be wrong and you may receive responses from other planners I can learn from.

Some of the technologies we use are not specifically fintech, but we have incorporated the following into our business:

- Xplan and some associated plugins to Office 365 apps for production of SoAs and as a CRM and saving emails directly to file.
- Commpay for business revenue reporting.
- Microsoft Teams for virtual meetings.
- Adobe Sign for digital signatures, as clients often do not come into the office or only visit once.
- Loom to record processes for staff to reduce training time.
- MYOB's online offering with bank feeds for semi-automated accounting.
- Ezidebit for clients wanting to pay fees directly from bank accounts or credit cards.
- Xeppo is also something I intend to adopt in the month ahead as a practice management tool.

FH "My curiosity about the future of advice led me down the path to successful online businesses that had automated their delivery systems in creating a seamless end-to-end client experience. To find a solution, I had to look outside our profession. What I discovered was everything from Thinkific, to Zapier to Calendly and much more. Overlay that with fintech, such as Money Brilliant, Pocketbook, My Prosperity and Plutosoft, and you have the ingredients to make a fully automated advice delivery piece. I've landed on a combination of fintech and digital providers, including Adviser Intelligence, Calendly, BT Panorama and Six Park, to name a few.

How does it help you improve your business efficiency?

AM "Before I embraced technology, I found that clients often found it hard to articulate their goals clearly. They especially found it hard to convert a lifestyle goal into a true financial goal. Using LifeXplorer in an online meeting means I can share my screen to show various life events, then add notes as clients talk. It is tricky to maintain eye contact, listen, type and build rapport, but it's totally worth it because of the valuable client connection that this creates. You can clearly link your advice back to each goal – something that's crucial in our post-FoFA world.

AI "Not all of our technologies necessarily result in business efficiency or productivity gains. I tend to think about these applications in two ways, i.e. which give me an actual productivity gain and which keep me up to speed with the inevitable digitisation of advice. The hope is that eventually even the digitisation piece alone, without any productivity gain, turns into a productivity gain, as applications mature and integrate with one another.

For example, something like Microsoft Teams has saved travel time in the instances where I would have gone to see a client. The same time saving can be said of MYOB and perhaps to a lesser extent some of Xplan's SoA/RoA production. However, something like Adobe Sign doesn't always

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Steps Financial

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Director
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Fran Hughes CFP®
Head of Financial Solutions
Nexia Perth

result in a productivity gain but rather, assists in the digitisation of a process. The hope being that someday all forms pre-populate and feed into Adobe Sign. Another point I'd make is that having too many different tech solutions in a business can lead to inefficiency in itself. The reason I'm looking at Xeppo is that it can pull data from Xplan, MYOB and Commpay, and provide a centralised point to access and interpret this data.

FH "By changing our business model from 'telling' to 'showing', with more of a coaching style approach, we can use fintech to interact with clients, allowing the clients to be in the driver's seat, whilst taking them on a journey from data collection through to online fact-find, to self-serve appointment bookings, and a digital SoA. The compliance obligations are also captured digitally and this allows us to spend more time building out educational programs for clients to improve their financial knowledge, whilst nurturing the relationship.

What are the most popular fintech apps your clients are using, and how are these apps improving their overall experience with financial planning?

AM "Anything that makes their life easier and helps them interact with their money, has gone down well. Several of the cash flow tools (those that are easy to use and intuitive) are popular. During 2020, I sent out short videos instead of long newsletters, as many financial planners are doing similar updates. This approach is much more interesting and interactive. Our lives are more digital than ever, so we shouldn't limit our services to written reports or SOAs. I believe by making it interactive, you'll capture, not only your clients' interest, but their imagination too, and that can be lacking when it comes to money matters.

AI "Given that a large number of my clients are pre-retirees or retirees, there is a limit on what is widely used. The most widely used are mobile phone apps offered by platform providers, where the client's wealth is managed on the platform. Some have embraced the virtual meeting via Teams or Zoom. I've noticed this to be a trend for newer clients I am meeting.

FH "Clients tell me they lean on their bank's app for budgeting, tracking their spending and overall money management. However, in a recent study, Canstar found there is a rising trend toward fintech apps, such as Money Brillant, Pocketbook, Frollo and the ATO app, as well as investor apps such as Raiz, etoro, Superhero and Selfwealth. I have found that clients come to me having used fintech apps to do-it-themselves, only to be disappointed at the outcome and now look to a qualified professional to enhance their overall outcome.

THEY SAY

Lockdown and social distancing restrictions, and a renewed interest in keeping track of their finances, are leading consumers towards digital interactions with financial services providers. This, is shaping client expectations for the tools financial planners should provide.

How have you changed your technology use in managing finances since the pandemic?

1. Detailed investment monitoring/ budget spreadsheets, more use of banking apps.
2. Nil changes. Already use many internet based or banking and investment apps. As a shift worker, face-to-face during business hours is extremely difficult.
3. I do my banking online, purchase shares online and have a budget app.
4. COVID hasn't changed the way I've used technology to manage finances.
5. Phone app for banking and keeping receipts.

Do you now have greater trust in digital technology for managing your money?

1. Yes, definitely. I have widespread use of technology.
2. No change in trust. I am aware there are risks but try to maintain good security.
3. No, I don't trust using my phone as a credit card.
4. Yes, and I take advantage of new features as they come.

What sort of digital tools would you expect a financial planning service to offer you?

1. Calculators for loans etc., projections of investment returns and budget planners.
2. App to manage all policies, and details of the policies and claims process.
3. Budget planner, income/ expenditure, investment performance or tracker.
4. Online budget calculator that I can update regularly (most have one-off budgets that you cannot update). A single view of my financial position at any given time that incorporates all my assets.
5. Net worth dashboard on a mobile app.

ENABLING, ENHANCING AND SECURING FINTECH

Developments in fintech are helping to drive down the cost of advice, making advice more accessible for a larger number of Australians, writes Marie-Anne Lampotang.

When Stone & Chalk was created in 2015 to be a centre of gravity for financial technology (fintech) in Australia, fintech originally had a narrow focus.

Back in the day it focused on lending, personal finance and asset management. But now it is much broader and includes payments, wealth, investment data, regulatory technology (regtech), Internet of Things (IOT) and property technology (proptech) – operating at the intersection of property and finance.

> *"As a user of financial advice, I also strongly agree that the cost of advice needs to reduce significantly and that financial planners need to start engaging digitally and in real time with their clients. But it needs to be done securely."*

In our definition of fintech, which is based on our experience helping hundreds of start-ups over the years, we include back-office and front-office technology to provide financial services or to streamline financial services. So, our definition of fintech is technology to enable, enhance and disrupt financial services.

The KPMG Fintech Landscape 2020[1] reports a total of 733 currently active fintechs, with an increase in fintechs within the lending category, Buy Now Pay Later (BNPL) providers and growth in blockchain and cryptocurrency fintechs. These findings are also replicated in the EY FinTech Australia Census 2020[2].

From my perspective, these findings are validated by the fintechs I see and speak to every day. There are currently more B2B fintechs than B2C fintechs at Stone & Chalk, but we have noticed a trend of greater adoption of B2C fintechs.

The concept of BNPL also applies to the small business space and we are already seeing variations of how this can apply in a range of funding situations. In addition, we have seen fintechs in what I call the 'before pay' market – interestingly, one of the fintechs rebranded to 'Beforepay' last year to provide better clarity of its purpose to the market. These companies are targeting users of the payday lending market to make it more sustainable for them to access cash in the short-term.

Open Banking went live on 1 July 2020 to allow consumers greater access to their own data. However, initial consumer uptake is predicted to be slow, as there is still plenty of work to do in this space to achieve the original intent of the legislation.

THREAT OR OPPORTUNITY?

I asked Paul Feeney, founder of Map My Plan and Stone & Chalk resident, what this proliferation of fintechs means for the wealth management industry. I wanted to know specifically if the industry saw it as a threat or as an opportunity. Paul said there are two things that are top-of-mind for financial planners at the moment - the cost of advice, along with ensuring that client onboarding and ongoing engagement is cost efficient.

Many of you may be aware that ASIC's CP 332[3] 'Promoting access to affordable advice for consumers' was released in November 2020, seeking information from financial advice industry participants on impediments to the delivery of good quality affordable personal advice.

Paul acknowledged that the cost of advice is high but expressed that the main cost for providing advice is not regulation or compliance, but rather a planner's time. While he agrees that planners should be paid appropriately for their time and for the advice they provide, he also argued that increasing the access to affordable advice cannot happen if the provision of advice is the traditional model of a face-to-face offering. It's simply too expensive for the vast majority of Australian households.

"The only way to cut costs is to provide a level of automation for the production of advice and alternatives for clients who can DIY or pay a one-off fee if they choose," he said.

The advice process includes a considerable amount of time spent on internal processes and regulation, including information gathering, managing compliance and generating SOAs. This is where a number of regtech solutions can help financial planners – solutions that focus on

know your client (KYC), ID verification, online approvals and so forth - and can help reduce the time spent at the outset, while still providing the level of compliance required.

At Stone & Chalk, we have a financial planner (I'll call him Glen) who is a regular contributor at our wealth management events. Glen's clients are all in their 30s and 40s and many of them work in technology enabled industries. So, it comes as no surprise that Glen's engagement with his clients is very much driven by technology.

His clients use mobile apps to do almost everything and as a result, he is also expected to provide the same level of service digitally. Glen concedes that it can be challenging. "The financial advice industry is archaic and regulated, with recommendations to meet annually for a review, however, our clients expect us to engage with them in real time," he said.

Before attending a meeting, Glen's clients expect him to know exactly what is going on directly in their world through data feeds from different platforms, such as investments, bank and mortgage accounts.

As Glen has real time access to their information, they also expect him to be proactive about certain events and to reach out to them for advice as and when these events occur. For example, if they received a pay rise, just bought a property or if their credit card blew out over Christmas.

Glen uses technology to drive his back-office, as well as modelling software and a platform with third-party integrations, which offers a white labelled mobile app, so his clients can access information on their bank, investment and super accounts on their phone.

STREAMLINING THE ADVICE PROCESS

As someone who spent over 10 years working in wealth management and now in the fintech and emerging tech space, I am absolutely an advocate for both financial advice and the use of technology to streamline the advice process, or make new financial markets directly accessible to consumers where a financial planner is not required.

As a user of financial advice, I also strongly agree that the cost of advice needs to reduce significantly and that financial planners need to start engaging digitally and in real time with their clients. But it needs to be done securely.

The COVID-19 pandemic has definitely accelerated digitisation trends and trust in digital infrastructures, and the imperative data they carry.

Stone & Chalk has recently merged with AustCyber because we realise that cybersecurity is a foundational enabler of digitisation - it builds digital trust and gives businesses and consumers the confidence to transact online, adopt new technologies, and create new markets and commercial opportunities.

Did you know a four-week digital interruption to Australia's economy, such as a widespread cyber attack, would cost the Australian economy up to A$30 billion or 1.5 per cent of Australia's GDP[4]? This starts to significantly increase when the loss of trust in digital infrastructure and data integrity is taken into consideration

Fortunately, the financial services industry has the second highest level of consumption of cybersecurity services in Australia[5]. The industry's appetite is driven by the high degree of criminal attention it collects, as well as stringent regulatory and compliance obligations.

This good news suggests that this industry, which also represents the ecosystems that include fintechs, regtechs and other emerging tech, is taking digital security very seriously. This can only empower more financial planners to use technology to streamline their operations and deliver quality advice in a cost-effective, but safe and secure way.

THERE'S NO GOING BACK

On a final note, Glen recounted that during the pandemic, when everyone was working from home, he had to print documents from his office to snail mail them to his clients who didn't have access to printers. This was so they could sign them and snail mail them back for submission to various large institutions that only accepted inked applications.

While I admire Glen's dedication, I would like to think that a year from now, say 1 July 2022, that this is no longer a requirement in Australia. Who's with me?

Marie-Anne Lampotang is the General Manager of Stone & Chalk in Sydney.

FOOTNOTES

1. *https://home.kpmg/au/en/home/insights/2017/08/australian-fintech-landscape.html*
2. *https://assets.ey.com/content/dam/ey-sites/ey-com/en_au/pdfs/ey-fintech-census-report2020.pdf*
3. *https://asic.gov.au/regulatory-resources/find-a-document/consultation-papers/cp-332-promoting-access-to-affordable-advice-for-consumers/*
4. *Australia's Digital Trust Report 2020: https://www.austcyber.com/resource/digitaltrustreport2020*
5. *Ibid*

A FINTECH SNAPSHOT IN 2021

How has fintech evolved to better meet the needs of financial advice professionals and clients? Ben Marshan CFP®, Head of Policy, Strategy and Innovation at the FPA, talks about the state of play with technology in financial planning.

Compared with the picture presented in the 2017 FPA report *Mapping FinTech to the Financial Advice Process: why FinTech is not a threat*, fintech products are increasing in quality and ease-of-use. There are also fewer gaps to fill in supporting the entire advice journey. But perhaps the most encouraging change is the interest shown by financial planners in adopting these solutions for their business and their clients' advice experience.

For many planners, fintech and robo-advice are thought of as confusing and something to fear. This was a clear message in the 2017 report narrative, which was created, in part, to educate financial planners about the extensive role fintech can play in delivering more efficient, compliant and cost-effective financial advice. In 2021, I'm happy to report a shift in perspective across the profession, as we see many more financial planners looking to integrate technology as part of their advice process.

TRANSFORMATION TRIGGERS

In some cases this has come from necessity with the social distancing restrictions of recent times. This has required financial planners to improve their interactive approach to video meetings and create digital content to better explain products or parts of the advice process. But they are also becoming much more educated and knowledgeable about what's available from advice-specific technologies. This means our professional community is better able to support each other in assessing and selecting solutions best suited to how they run their businesses.

In fact, the FPA Innovation in Advice award was introduced for 2020 because of the widespread implementation of new technology and digital advice delivery we've been seeing. In recognising the achievements of award winner Corey Wastle CFP®, CEO and Founder of Verse Wealth, we're also getting the word out about the mindset and habits that go hand-in-hand with a technology-enabled approach to advice. Corey takes time out on a weekly basis to give thought to what he and the Verse Wealth team can save time on and fintech will often be part of the solutions they're putting in place.

> *Many solutions have disappeared and the ones that have stayed are enabling financial planners to take advantage of digital in dealing with a broader set of issues.*

A MORE REFINED OFFER

Although the increase in demand from many financial planners may have been led by the circumstances of COVID-19, this widespread adoption is also due to the market doing a better job of meeting financial planners' fintech needs. Four years ago, we saw a lot of ideas on the table seeking to solve particular pain points or parts of the advice process. There were a great many products to support fact-finding and administering client data, for example. We're now seeing a product range that is narrower, yet more refined. Many solutions have disappeared and the ones that have stayed are enabling financial planners to take advantage of digital in dealing with a broader set of issues.

As well as product suites that are getting closer to a one-stop shop for the whole advice journey, there are now a better range of tools on offer for the constituent parts of the process. The quality and choice in customer relationship management (CRM) solutions has advanced and we now have more in the way of implementation tools giving financial planners and their clients a far better user experience (UX) in managing investments and reporting on results. The majority of these solutions are platform driven, but we've seen improvements across the board with UX design and functionality for fintech

GREATER TRUST IN TECHNOLOGY

Another benefit of this rationalisation and maturity in the fintech market is the acquisition of successful products by larger product providers. This, in turn, gives rise to better integration between products, which has gone some way to solving two major issues with fintech, one with adoption and another with implementation.

Privacy and cybersecurity are always there as risks associated with adoption of new technology. Financial planning businesses taking on many different niche technology solutions and stitching them together compounded the risk factors. This was a major and justified concern for licensees and played a part in their prescriptive approach to fintech. With better integration, these risks are more limited and licensees are now more inclined to

allow financial planners to choose their own solutions.

While trusting technology not to compromise their business or clients has always been important, implementation of so many different fintech solutions was perhaps a greater hurdle for financial planners. Having to move data manually from one system to the next was difficult, diluting much of the efficiency advantage of fintech, as well as introducing more margin for error.

THE IDEAL SCENARIO

While the overall fintech offer is now far more comprehensive and more easily integrated, there are still parts of the advice process yet to be mapped to solutions. We've come a long way since the days of a technology enhanced advice experience mostly consisting of calculators, but strategy development tools are still lacking.

More products to support planners and clients in defining goals and objectives, scoping their engagement and tracking goals and financial positions, would go a long way to streamlining financial advice business administration, as well as delivering a better customer experience.

Another win would be new technology to track how clients have been progressing over the entire relationship, giving financial planners an easy way to track and present a point-in-time assessment for annual reviews and other client engagements.

With the gradual introduction of the Consumer Data Right (CDR), we can glimpse the next phase of fintech for financial advice. This would bring together these strategic and reporting tools with instant access to critical client data from bank accounts, Centrelink, the ATO and more. This opens the door to a live-in-your-pocket financial plan, tracking progress on the basis of live data feeds for the benefit of planner and client. It's getting close but we're not there just yet.

SUPPORT FOR COMPLIANCE

There are also a number of areas where a fintech solution could better support financial planners with compliance, both directly and indirectly. Financial planners still need to use their product knowledge to make a recommendation around implementation of advice. This responsibility and process carries with it a significant risk in selecting the 'wrong' product when there are literally thousands to choose from. So far, there are no tools available to optimise that process. It's a challenging area for fintech to tackle with so much data to collect, map and maintain, but a company offering the 'Spotify' of product selection to financial planners could definitely expect strong demand.

> *We've come a long way since the days of a technology enhanced advice experience mostly consisting of calculators, but strategy development tools are still lacking.*

A more direct, but equally challenging compliance solution would be using technology to evidence and record that a client has understood advice and recommendations provided. This is required by Standard 5 in the FASEA code. With technology already available to help planners meet each other standard, it follows that fintech providers will soon be coming forward with a solution for this new requirement.

This missing piece of the standards puzzle will also support a wholly digital approach to delivering Statements of Advice (SoA). This has been a focus for the FPA for some time now and we are currently developing additional support and resources to follow on from the Future of the SoA interactive guide launched in 2020.

MAKING A START

Although fintech has become far more popular among FPA members and our wider community, many have yet to take advantage of the improvements to efficiency and engagement that technology offers. With financial planners swamped with regulatory burden and busy providing advice and doing exams, this is hardly surprising. Plus, there are the challenges of determining which pieces of fintech best fit with their way of delivering advice.

Focused thought is certainly needed to tackle technology selection and implementation. I would encourage any financial planner to spend time once a week on figuring out their advice process, what drives the best engagement and advice outcomes, and considering how technology could enable this to happen more efficiently. The tools available through the fintech hub at fpa.com.au/fintech can provide you with best-practice guidance and support for this process.

Leading fintech in Australia

How could a more competitive local fintech market benefit Australians and their finances? Senator Andrew Bragg speaks to Miriam DeLacy on the role of both fintech and financial planning in building a better future for Australians and the economy.

Since taking up his appointment as Chair of the Senate Select Committee on Financial Technology and Regulatory Technology in 2019, Senator Andrew Bragg and his fellow committee members have been investigating what it could take for the sector to deliver more product choice and more jobs to Australia. So far the Committee has received over 200 submissions and conducted public hearings in Melbourne, Sydney and Canberra.

The final Committee report is expected to be released in October. However, Senator Bragg has already put his name to two documents detailing recommendations for the future of Australian fintech and regtech. In addition to the Delivering for FinTech interim report issued by the Committee in September 2020, Senator Bragg has also formed the Australia as a Financial and Technology Centre Advisory Group (AFTCAG).

The group have recently released their 100+ page report on transforming Australia into a financial hub for the Asian-Pacific region. Known as the Low report after group Chairman Andrew Low, the content is focused on the tax and regulatory reforms that could potentially support Australia's path to a future as regional powerhouse for finance and business.

"The recent geopolitical events we've seen in our region are an important turning point for Hong Kong, both as a gateway to China and a tech and finance hub," says Senator Bragg. "With the threat to the country's national security, businesses and investors are understandably wary of continuing to operate there. This creates an opportunity for Australia to attract a significant share of this financial and commercial activity."

As Senator Bragg points out, we are in competition with Tokyo and Singapore for the companies, currency and assets that could be leaving Hong Kong and seeking a new location in the near future. "The competition is real," he says in his statement introducing the report. "The Low Report has made 15 recommendations, actionable right now. We can end the narrative that Australia is too expensive and complex."

Recommendation 13 in the report calls for a 'bias to yes' and 'bias to competition' response from regulators to allow Australia a better chance to perform in the contest to become a preferred location for fintech companies.

THE BENEFITS FOR EVERYDAY AUSTRALIANS

As Chair of the Senate Select Committee on Financial Technology and Regulatory Technology, Senator Bragg is convinced that a more competition-friendly environment for fintech business can only be a good thing for consumers, as well as the Australian economy. "Driving more choice for consumers is a key focus for our activities," he says. "We must recognise that we in Australia have always had quite a concentrated financial sector. Fintech is something that offers a good suite of solutions, particularly after the Hayne Royal Commission, which identified just how many problems the financial services sector had."

"Fintech allows people to have more choices and more opportunities to manage their own financial affairs.

> *I would encourage financial planners to think about whether they are doing everything in their business digitally. If they're not, what can they digitise?"*

The role of our committee is to recommend a framework that will harness competition to lock in those benefits for people now and for future generations. Younger people have already shown a great propensity to adopt the more flexible solutions for their finances that technology makes possible, such as Buy Now Pay Later."

Senator Bragg and the Committee also see potential for the fintech sector to become a major employer in years to come. Along with supporting a more customer-centric financial services experience, this is another important reason behind the work of the Committee.

"Wherever you can generate a scaleable sector like we have in Australia with fintech, you have opportunities emerging for exports and that can create new jobs," says Senator Bragg. "While we might import Uber from the U.S., we're exporting Afterpay and Zip Co to them. Whether it's Airwallex for foreign exchange or Canva for design, we want to foster an environment that can support technology companies like these to employ more Australians."

A TURNING POINT FOR TRANSFORMATION

Giving consumers more choice in the digital tools they use to access their finances has become an even greater priority – for businesses and policy makers – due to the pandemic. Consumers have turned to technology like never before, for their communication, entertainment, retail and healthcare needs.

Senator Bragg makes the point that any business, regardless of the sector they operate in, needs to embrace digital or risk having to close their doors.

"Technology has kept society going through the last 12 months," says Senator Bragg. "The central lesson all businesses have learned from the pandemic is that to be digital is to be durable and to be durable is to be alive. In a pandemic and in a recession the lower your rate of digitisation the lower your rate of growth is. Financial advice businesses and parts of the financial advice value chain that invest in technology will have an obvious advantage."

In its The Advisable Australian report from February 2021, Netwealth found the majority of 'Advisable Australians' expect to be educated on financial concepts digitally using online calculators, podcasts and videos. An even higher proportion also look to their financial planner to offer digital material and tools to demonstrate how their investment portfolio is performing.

As Senator Bragg points out, the writing is on the wall for financial planners when it comes to incorporating technology into their businesses. Post-COVID consumers are looking for more ways to engage digitally with their finances and this is an expectation financial planners need to consider as they evolve their offer to clients.

"The financial advice industry, like every other, should be documenting lessons learned from the pandemic," says Senator Bragg. "We're doing that across government and looking to roll out digital ID as a result. I would encourage financial planners to think about whether they are doing

everything in their business digitally. If they're not, what can they digitise? What are the things you need from government to be able to become digital. These are things I'd like to know, so I can sit down with Senator Jane Hume and work through that with the industry. I have an open door policy and would welcome financial advice businesses to come to me directly and share their issues and ideas, beyond the life of the current Committee."

ADVOCATING FOR FINANCIAL ADVICE

Senator Bragg is himself familiar with the benefits of bringing more digital tools into the financial advice journey. As a financial planning client, he also has first-hand experience of the benefits of professional advice. "I use financial advice myself and I have a financial adviser who I rate very highly," he says. "She's given me peace of mind about my finances that I wouldn't otherwise have.

"More recently, I've had access to one of the newer digital platforms for managing super and investments and it's very clean and clear. It's got all your information in one place, which is what we're now used to from a digital user experience. As one of the few senators under the age of 40 in federal parliament, I'm very passionate about these capabilities technology can offer to make money management easier for Australians, and that includes financial advice."

In the context of the pandemic and resulting recession, Senator Bragg is of the opinion that Australians need access to affordable advice to help them weather this challenging time for our economy.

"The pandemic reminded us all how important it is that people are prepared for the rainy day because that's what we've been having for the last 12 months," he says. "I'm of the view that Australia has performed well during the pandemic. But we have more work to do before we're going to come out of this recession and we need to make sure the micro economic settings are right.

"One of these key areas is to make sure financial advice is accessible and affordable. I believe in financial advice and I believe that it's important. But it's expensive. I'm personally interested in finding ways to reduce the cost of advice and improve accessibility without winding back any consumer protections."

> *"I'm personally interested in finding ways to reduce the cost of advice and improve accessibility without winding back any consumer protections."*

THE ACCESSIBLE ADVICE CHALLENGE

The issue of access to advice is complex and one that is increasingly being seen as a priority for the Government, regulators and the FPA's advocacy and policy team. To emphasise how far there is to go in reducing the compliance burden on financial planners, Senator Bragg suggests bringing the issues into the spotlight.

"We need to try and simplify as much of the financial advice laws as we can, so that advice is accessible," he says. "My sense is that too few people are sitting down each year to go through everything with a financial planner. Something I've put forward before is for a group of financial planners representing the profession to come down to Canberra, like the Heart Foundation do, and provide a financial health check. I think that would be illuminating for many to see how complex it is and how redundant some of the requirements appear to be.

"One of the important changes we're making as part of the Royal Commission implementation is that it will be possible to get one-off pieces of advice through a MySuper product. This is probably one of the main ways most people would viably pay for a piece of advice."

REGTECH TO THE RESCUE

With an extensive legislative review of financial advice regulation beginning in 2021, financial planners have some cause to be optimistic about reaching a point where legislation protects consumers, while supporting a simpler, more streamlined advice process. In the meantime, Senator Bragg suggests looking to digital technology as a way to reduce the regulatory burden.

"I'm sure there are opportunities for regtechs to navigate the complex and convoluted financial advice settings," he says.

"There is so much prescription in the way financial advice has to be provided, which concerns me greatly. The political difficulties of changing some of these laws is well known. That's why using regtech to address this complexity is the only solution that's really viable in the short-term. If we cannot simplify the existing laws, we need to look at how we can implement regtech in a more extensive manner.

"We've had legislation before parliament this year to alter advice arrangements and it's clear that these changes to the regulatory framework never end.

"There has been a concern that political positioning might undermine efforts to deliver worthwhile reforms. I'm not afraid of having that argument. I think that with the consumer front of mind, you can win any argument."

> *"The central lesson all businesses have learned from the pandemic is that to be digital is to be durable and to be durable is to be alive."*

DIGITAL DEMAND IN **FINANCIAL ADVICE**

What financial planning prospects expect from fintech.

ACROSS ALL LEVELS OF TECHNOLOGY ADOPTION, THE MAJORITY OF PROSPECTS SAY THEY WANT THEIR FINANCIAL PLANNER TO USE DIGITAL MATERIALS AND TOOLS IN THE ADVICE JOURNEY.

TECHNOLOGY ADOPTION	HIGH	MEDIUM	LOW
Would you expect your financial planner to use digital materials and tools (e.g. online calculators, podcasts and videos) to educate you on financial concepts?	91.4%	75.3%	50.9%
Would you expect your financial planner to use any digital materials and tools to demonstrate how your investment portfolio is performing?	92.1%	81.9%	61.2%
Would you expect your financial planner to use any digital materials and tools to demonstrate how you are tracking to your goals?	91.9%	81.8%	53.6%

SOURCE: *Netwealth Research Report The Advisable Australian 2021*

THE INNATE WAY

The team at Innate Wealth have always been curious about using technology to drive business efficiencies and client engagement. Shane Nicholas CFP® talks to Jayson Forrest about the practice's approach to fintech.

SHANE NICHOLAS CFP®

PRACTICE: INNATE WEALTH

ESTABLISHED: 1984

LICENSEE: INNATE WEALTH

NO. OF STAFF: 11

NO. OF CFP® PRACTITIONERS: 5

> *"We use technologies for what their core function is designed to do. Where possible, we also allow these technologies to plug into other applications, which provides us with a more holistic view across our client base."*

'Innate' is an appropriate word to describe the practitioners working in the Keilor and Kew offices of Melbourne-based planning business, Innate Wealth. All have been drawn to the financial planning profession from an intuitive need to help others.

Just take Shane Nicholas CFP® – a Director and financial adviser at Innate Wealth – who started his journey in financial advice straight out of secondary school, knowing that he wanted to spend his time helping people.

"After completing a Bachelor of Business in Financial Planning at RMIT, I explored different parts of the financial services industry, including a stint with one of the big banks," Shane says. "It was at this time that I realised that working in an institution was not for me. Thankfully, this realisation resulted in a chance meeting with Innate."

That was back in 2007, and after two years at Innate, Shane took the plunge and purchased equity in the business in 2009.

"I have enjoyed every step of the journey, and remain as passionate as ever about helping people realise their financial and lifestyle goals. It's a genuine privilege to be allowed into the lives of my clients and assist them navigate the complexities of wealth creation."

THE INNATE WAY

Today, Innate Wealth – an FPA Professional Practice – is an integrated financial services business, providing accounting, insurance and financial advice services, with other related services, like legal and mortgage broking, outsourced to one of its referral partners. The business's approach to financial planning is what it calls – the Innate Way.

Essentially, the Innate Way is the practice's full engagement process, which begins with identifying the client's circumstances, resolving their pain points, and then developing tailored strategies that put the client on the right financial and lifestyle path. Pivotal to this process, says Shane, is being the sounding board and trusted partner in helping clients identify and pursue the right financial opportunities suitable for them.

"The Innate Way is how we describe our process from end-to-end," says Shane. "A key part of this process is the time we spend getting to know our clients, including their needs and objectives. If we get the context of the conversation right with our clients from the outset, then that understanding flows through well with all our ongoing interactions with those clients."

However, you might be forgiven for thinking that the Innate Way is just marketing spin for a process that is fundamentally similar to most planning businesses, but you'd be wrong. Look a little closer and you will discover that the Innate Way also encompasses a range of initiatives that address the health and wellbeing of clients.

Take for example, Innate Wellness, which was created to assist clients navigate the uncertainty of COVID-19.

"Our focus is always on trying to do our very best for what's right for clients under all circumstances," says Shane. "Over the last 12 months, we've had people locked away in their houses for an extended period under COVID-19, so we created the Innate Wellness program to help people through the pandemic."

Innate Wellness is a resource of health and wellness articles, as well as virtual fitness streams, where clients could access pilates, yoga and general fitness

classes. The program also provided nutritious and healthy recipes, which assisted clients with their health and wellness throughout the challenging times of social isolation during the COVID-19 lockdowns.

"We believe that the Innate Wellness initiative has been absolutely essential to keep our clients connected and motivated during COVID-19. It's wonderful that we've been able to focus on their health and wellness, and not just their finances, during this difficult time," Shane says. "The program has been so successful that we have decided to maintain it as we emerge into a new post-COVID world."

CURIOUS ABOUT TECHNOLOGY

When it comes to technology, Shane admits that the business has always been "curious" about technology and how it can streamline processes, improve efficiencies and deliver a more tailored outcome for clients.

"We try just about everything that we can use in the business," he says. "Currently, we're looking at data warehousing technology. And for the client experience, we use video and audio (Innate Pod) a lot. So, instead of writing a long email, I actually record a video and send that to the client. And in Statements of Advice (SOA), we're starting to incorporate videos, which helps clients to better understand the SOA."

The business also runs a weekly webinar, where clients can dial-in and watch some of the Innate planners discuss topical issues. This also enables clients to ask questions and interact with the planners in real time.

"We like to use technology as a means of mixing up our delivery of content because clients like to consume information in different ways. And using video allows us to inject more of our personality in the way we deliver this content to clients."

Using technology to more closely engage with clients has enhanced the overall client experience at Innate Wealth and has been a progressive enabler in that respect. But has the business come across any specific technology that it thinks has been a 'game changer'?

"The short answer is no," says Shane. "We haven't come across any single technology that we think is the 'game changer'. Instead, we are using a mix of technology that is complementary to our business and services."

CHOOSING TECHNOLOGY

As a business that is curious about technology, what is Innate Wealth's approach to choosing and implementing technology within the business? Shane says the key is being early adopters of fintech.

"We try our best to be early adopters of technology because it gives you a chance to play and tinker with it. If there are areas of the technology that the developer or software company is seeking feedback on, you've got an opportunity to provide some insight into it and shape its development.

"As a small business, we haven't got the capacity to spend a lot of money on buying technology or developing our own tech. So, providing feedback is a way for us to be a participant in the development of how we would like to see technology rolled out in our business."

Shane also reveals that as a business, when it comes to technology, Innate Wealth is never afraid to fail.

"*As a small business, we haven't got the capacity to spend a lot of money on buying technology or developing our own tech. So, providing feedback is a way for us to be a participant in the development of how we would like to see technology rolled out in our business.*"

"If we try new technology and it doesn't work for us as a business, then that's okay. It's simply a matter of turning it off and trying something else. The important thing is, we've at least tried using the tech, so we'll never die wondering.

"So, when it comes to technology, we have a crack early, we make a quick decision on it, and if it's worth persisting with, we then put in the effort to implement it within the business."

Some of the current technology used at Innate Wealth includes Zepo for data warehousing and aggregation, Salesforce for client relationship management, Xero for tax returns and Class Super for SMSF tax returns.

"We use a range of tools and resources at Innate Wealth. For example, we don't view Xplan as a

> “There’s no denying that fintech enables efficiencies. These efficiencies ultimately reduce the costs of providing advice, which makes advice more affordable for consumers. So, as a profession, we have to embrace fintech.”

software solution that we can run our business through. Instead, we view it as software that produces financial advice documents, and we use it accordingly,” Shane says.

“We use technologies for what their core function is designed to do. Where possible, we also allow these technologies to plug into other applications, which provides us with a more holistic view across our client base.”

Other fintech Innate Wealth is currently exploring includes automation of advice document software, which Shane is particularly excited about, as it will help to streamline a time intensive process within the business, which will free up the team to spend more time with clients.

So, what’s his advice for other planning businesses choosing their own technology stack?

“My best advice is not to be afraid about trying out new technology,” Shane says. “Financial planners are conservative by nature and generally don’t want to be the first to try something new in case it fails. Instead, planners and advice businesses should break that cycle and try technology much earlier. The sooner you start, the faster you will learn about what works for you as a business.

“Remember, technology is an extension of what we do as financial planners, but with technology, there is no ‘one-size-fits-all’. So, unless you explore and experiment with technology within your own business on a frequent basis, you can be waiting a long time for a silver bullet that doesn’t exist.”

EVOLUTIONARY PROCESS

As an early adopter of technology, Innate Wealth is a strong advocate of the importance of fintech in the evolution of the financial planning profession.

“There’s no denying that fintech enables efficiencies. These efficiencies ultimately reduce the costs of providing advice, which makes advice more affordable for consumers. So, as a profession, we have to embrace fintech. As to how far businesses embrace technology, well, that’s a personal choice.

“We look at fintech purely from the standpoint of whether it makes us better as a business, such as through gains in efficiency, enhanced processes or improved client engagement. That’s our approach to adopting fintech at Innate Wealth. It’s all about finding the right tech tools that complement the human aspect of financial planning.”

For other advice businesses thinking about rolling out their own fintech solution, the FPA provides a range of resources at fpa.com.au/fintech. These include tools, checklists, fintech providers, and technology assessment templates.

While Shane acknowledges these resources are beneficial for advice businesses, what he believes is vitally important is for practitioners to simply talk to other financial planners about their own experiences using fintech, and particularly those businesses that have either trialled or use the technology you’re interested in.

“It’s commonsense, but you really do need to talk to other practitioners about their experiences with fintech. That’s because there is often a disconnect between what the software sold to you claims to do, compared to what it can actually do,” he says.

“So, ask other practitioners plenty of questions about their fintech, like why they chose it, how they have integrated it within their business, what their experience has been with it, what other tech it can plug into, and what the service support is like. These are the types of conversations that can be very helpful before committing to a brand of technology.

“Remember, when it comes to fintech, there is no ‘one-size-fits-all’, so you need to explore and experiment with technology until you find the right solution for your business. And while it might sound time-consuming and a little overwhelming, the end benefits to your business can be enormous.”

For more information on the FPA Professional Practice program, go to: fpa.com.au/professional-practice or call 1300 337 301.

ASSESSMENT CHECKLIST

The following questions from the FPA Fintech Buyers Guide and Checklist can be used as a guide for software selection. For a more extensive checklist, go to: fpa.com.au/fintech

VENDOR ASSESSMENT	POINTS TO CONSIDER
How many years have you been offering the product to similar businesses to mine?	Just because the company has been registered for a long time doesn't mean it has been providing a similar product or even operating within a relevant industry.
What is our escalation path if issues arise?	After you sign-up, who will you call? In more mature firms you'll have a 'Customer Success Manager'. Who is beyond them? Are they accessible?
How well do you understand the Australian financial planning industry?	A common mistake is to seek out large global providers in the belief that they offer some type of protection. Whilst they offer financial strength, it is often countered by limited understanding of vertical industry needs.
How frequently is the product updated and are updates included at no additional cost?	Most contemporary systems are updated at least twice (many 3-4 times) per annum. Product updates should always be implemented by the vendor free of charge and without disruption.
How 'turn-key' is the implementation?	Look for systems that are easily configured at implementation. Implementation should be free of charge.
How configurable is the system?	Can you add/remove fields, configure reports/analytics and tailor workflows? This should be offered free as part of implementation and ongoing support services.
What data protections are in place?	Is the vendor aware of the requirements around data storage and do they adhere to ISO27001 or better?
How long is the contract and what are our options for termination?	Most contracts should be annual and automatically renewable. Be wary of vendors looking for longer terms, as these are typically hard to exit.
Is a free trial period available?	Free trials can be a useful way to see how much of the product exists as a turn-key solution and how much customisation will be required. Even a one-week trial is worth a look.
Is ongoing training available?	All good vendors should offer free training on implementation and also each time a new release is made. Additional training should be available at a reasonable fee.

SUPPORT AND THE SELF-LICENSING JOURNEY

The successful transition to an AFSL takes a significant commitment of time and resources, but self-licensed support networks can help streamline the process. Simone McMullin CFP® and Rodney DeGabriele AFP® share their experiences of belonging to an AFSL community. Jayson Forrest reports.

The financial advice profession has faced its challenges over recent years, with FASEA education standards, the fallout from the Royal Commission, increased regulation and the exit of many institutions from the advice space, irrevocably changing the advice landscape.

It's not surprising, therefore, that many of these changes have prompted a growing number of advice businesses to question the way they operate in today's challenging environment, with self-licensing continuing to gain pace among advice practices.

Data from the Investment Trends 2020 Planner Business Model Report shows that 30 per cent of planners now hold their own AFSL or operate in a boutique AFSL – a twofold increase since 2016. A further one in 10 is considering becoming self-licensed.

"More financial planners are heading down the self-licensing route, whether by choice or structural changes in the industry," says Investment Trends Research Director, Recep Peker. "As the dynamics of the advice market evolve, so do planners' support and service needs."

READY TO TAKE BACK CONTROL

Melbourne-based Annex Wealth is one such business that made the decision to become self-licensed, obtaining its AFSL in July 2020. It's a decision that Annex Wealth principal, Simone McMullin CFP® wished they had made earlier.

Simone says the key reason Annex Wealth obtained its own licence was centred on wanting to take control over the future of their business.

"We were previously licensed through a small boutique dealer group, but we felt we had loss of control over the future of our business through this arrangement. Instead, we wanted to control our own future and destiny."

> *"There is significant value in networking, sharing your collective experiences and building relationships with like-minded peers in an open forum. I'm benefiting greatly from these shared conversations, which include how others are executing their growth strategies and the type of technologies they are using."*
>
> RODNEY DEGABRIELE AFP®

It was a similar story for Rodney DeGabriele AFP® – the managing partner at Affinity Private Advisors. Previously, Rodney was connected to a national dealer group aligned to NAB. But as much as he enjoyed being a part of the group, he felt as though he was a square peg trying to fit into a round hole.

"As a business with a focus on wholesale clients, we were having to comply with the dealer group's regime under its retail licence, which wasn't really working for our clients or my business. And that just became too difficult," says Rodney.

Making the decision to become self-licensed in August 2020 was Rodney's opportunity to run Affinity Private Advisors precisely the way that was best suited for his clients and business model.

It's a recurring theme that the Head of BT Principals' Community, Kon Costas hears from other business owners, who view the key attraction of becoming self-licensed as the freedom and control they get over their own business. But he warns that with self-determination comes added obligations and increased responsibility, including adhering to additional legal, regulatory and compliance requirements.

"But for those principals who want to take control of their business's own destiny, and are prepared for the greater compliance and regulatory responsibilities that comes with that, then becoming self-licensed is ideal. But remember, the obligations of running a licence rests with you as the Responsible Manager," Kon says.

FLEXIBILITY AND CONTROL

With less than 12 months of being self-licensed, Simone says the experience of Annex Wealth running its own licence has been positive, which she attributes to careful planning in the lead-up to becoming self-licensed.

Kon Costa
BT

Rodney DeGabriele AFP®
AFFINITY PRIVATE ADVISORS

Simone McMullin CFP®
ANNEX WEALTH

"We spent 12 months planning our transition, which included a lot of pre-work. I believe what really helped us with our preparation was the delegation of responsibilities within the business, which helped to distribute the workload. However, it was a time-consuming process, so the length of time required to make the self-licensing process as smooth as possible, shouldn't be underestimated."

And while Simone acknowledges there are numerous advantages to being self-licensed, such as having control over the future of the business, she concedes there are also challenges, with one of the biggest being deciding on who is going to be the Responsible Manager.

"We have eight people within Annex Wealth – six financial planners and two associates – so, deciding who was going to become the Responsible Manager was quite challenging, because in terms of ASIC accountability, the buck stops with them," she says. "Finding the right person with the necessary skillset, expertise and time to take on this role was testing."

In the end, Simone became one of the practice's two Responsible Managers, as she was best placed to meet the stringent competency criteria required by ASIC.

And what about Rodney's experience running his own licence?

"So far, so good," he says. "It's given us the flexibility and oversight of exactly what we're doing, how we're doing it and importantly, why we're doing it. And that's what I really like about being self-licensed."

However, Rodney also concedes that becoming self-licensed wasn't without its challenges, marking out time, cost and capability as the three key areas that the business had to tackle.

Rodney admits to not having the time to focus on the process of transitioning from his dealer group to an AFSL. Instead, he hired an additional person to oversee and complete the self-licensing process, while also engaging a third-party who specialised in applying for licences. He also used the BT Principals' Community to help him move his business over to his own licence, which all added to the overall cost of the self-licensing process.

"Becoming self-licensed and running that licence is costly and not for the faint-hearted," Rodney says. "If you get away with operating your licence for under $150,000, well, I don't know how you're doing it!"

He confesses to previously paying about $9,000 for PI insurance when he was under the NAB umbrella, but now that he is self-licensed, that amount has quadrupled to $36,000. And while his licence with MLC was formerly about $70,000, it's now around $150,000. "So, you need to be aware of the costs involved in becoming self-licensed."

NETWORK SUPPORT FOR GOING IT ALONE

Having successfully gone it alone with her own licence, Simone admits that self-licensing is not suited for everyone and every business. She believes there are a number of key considerations principals need to make when considering applying for their own AFSL.

10 KEY QUESTIONS

Before tackling the self-licensing journey, make sure you are able to answer the following questions.

1. How much it is going to cost to establish my own licence?
2. Do I have the scale and resources to manage my own AFSL?
3. Do I have the necessary skillset and capabilities required to operate a licence?
4. How much additional time do I need to operate my licence, while also running a business?
5. Who is going to take on the role of the Responsible Manager and what are their obligations?
6. What are the additional risks I am going to be exposed to as a self-licensed business?
7. How will I get my ongoing education, professional development and training?
8. Who is going to guide me through the process of becoming self-licensed?
9. Who is going to help me with the governance and compliance?
10. How do I choose the right technology for my business?

INSIGHT

"Firstly, don't become self-licensed because you think that will reduce the costs of running your business, because we found the compliance requirements and costs of being self-licensed are greater than being licensed through a dealer group," she says.

"Ultimately, being self-licensed means the buck stops with you. When you're in a dealer group, you've always got someone up the chain to get direction from. Whereas, when you are self-licensed, there is no chain – you have to make the decision, and that can be a little daunting."

It's a view shared by Rodney, who also believes that self-licensing in not appropriate for sole operators. Why? Because he doesn't believe a sole practitioner can adhere to the stringent compliance and regulatory obligations satisfactorily.

However, for those businesses wanting to push ahead with their own AFSL, both practice principals recommend joining a support network to help with the process. And that's where AFSL support communities offering peer-to-peer interaction can help. Examples of such groups include the BT Principals' Community, Macquarie's Virtual Adviser Network (VAN) and IOOF Alliances.

Established in 2015, the BT Principals' Community is a support network for self-licensed financial planning businesses. It is one of the largest AFSL support networks, with current membership standing at 133 businesses, accounting for 1,335 authorised representatives.

According to Kon, the group was founded on three pillars - community, governance and scale - where like-minded professionals working within self-licensed businesses, can come together to share and learn from each other, while being fully supported with the governance and day-to-day running of their licence.

> *"Ultimately, being self-licensed means the buck stops with you. When you're in a dealer group, you've always got someone up the chain to get direction from. Whereas, when you are self-licensed, there is no chain – you have to make the decision, and that can be a little daunting."*
>
> SIMONE MCMULLIN CFP®

"The Community assists principals at the start of their self-licensing journey as they transition to an AFSL, while providing ongoing support, including governance and compliance, post licensing. We talk to principals about whether self-licensing is right for them and how they will be positioning their business in the future," Kon says.

"The Community supports self-licensed businesses by connecting them to a collective of like-minded practices, so they can engage with each other in a peer-to-peer support network. This includes sharing experiences of best practice, while they enjoy the leverage provided by scale that allows the Community to negotiate cheaper prices and arrangements from selected third-party service providers."

As part of her process of transitioning to an AFSL, Simone opted not to go it alone, instead, turning to an AFSL support network – the BT Principals' Community – to ensure the business had a strong network of professionals working with them on the transition. This, she says, essentially replicated all the good things about a dealer group environment.

"After doing our due diligence, we locked in a compliance partner, which we selected from a range of third-party service providers through the Community. And we partnered with legal firm, Holley Nethercote to help us with the regulatory and legal aspects of running our licence."

While Simone accepts that getting your AFSL is not as complex as many might think, she emphasises you need the right partners to support you as a self-licensed business. "Self-licensing requires the time to undertake the process, the time required to be the Responsible Manager and having the right partners to support you in your decision."

PEER-TO-PEER SUPPORT

Simone doesn't downplay the value of having a peer network to support you in your decision to become self-licensed. However, she admits to being initially reluctant to join an institutionally run support group, like the BT Principals' Community, because of the concern she had that products and services might be pushed onto their business.

"But we heard them out," she confides. "BT provided us with the governance we needed, help with our transition to the AFSL, and ongoing support, professional development, education and networking opportunities. However, when talking to other AFSL support groups, they didn't offer the same full solution, like ongoing governance, which we would have been required to do ourselves.

"For our business, BT provided and end-to-end solution with our AFSL and our ongoing needs as a self-licensed business. And, importantly, just like Macquarie VAN, there was absolutely no requirement for us to use any of the BT products, which, along with the end-to-end solution, was a significant factor in our decision to join this community group."

It's a decision she doesn't regret, adding that governance has been the biggest benefit to the business since joining the Community.

"We have a quarterly Responsible Manager's forum with a dedicated governance person to ensure we are on top of our obligations and checking off against them. These forums provide us with real structure around our regulatory obligations, which are documented, in the event we are ever audited by ASIC.

"The forum also allows us to look forward to what's on the horizon and what we need to be thinking about over the next 12 months as Responsible Managers. We get great value out of these forums because it's something we just can't do ourselves."

But it's not just about governance. Simone extracts value from the insights and shared experiences of other self-licensed businesses.

"Within this community group, we're networking with other high quality businesses that we admire," she says. "It's been invaluable to have our business benchmarked against those other practices, where we can assess what we are doing and what improvements need to be made."

It was a similar story for Rodney, who, when undertaking his due diligence of the BT Principals' Community, was impressed with the structure and organisation of it.

"This provided me with a lot of comfort," he says. "The compliance and licensee support teams were consummate professionals. They knew exactly what I needed to do, when I needed to do it, and were very clear in their advice to me."

Rodney says the group seamlessly helped his business navigate the 300 steps to getting its licence.

"Belonging to this group is like being part of a much larger licensee, but you've still got the end control and flexibility to choose what to do for your clients and business," he says. "As a support group for self-licensed businesses, it's a compelling offer that is quite affordable."

Whether it's with BT, Macquarie or any other service provider, Rodney doesn't downplay the advantages of belonging to an AFSL support network when transitioning to a licence and beyond as a licensee.

"There is significant value in networking, sharing your collective experiences and building relationships with like-minded peers in an open forum. I'm benefiting greatly from these shared conversations, which include how others are executing their growth strategies and the type of technologies they are using.

"And, of course, there are the updates on industry developments, regulation and corporate compliance that would be hard to access for an AFSL if you didn't belong to a support network."

Rodney concedes he would feel very uncomfortable running his licence today without the help of a support network, "because it provides me with the infrastructure and collaboration I need to successfully operate my business".

EMERGING TALENT

With the 'old guard' of financial planners either retiring or leaving the profession, the future of financial planning squarely rests with the new cohort of graduate planners.

According to Kon, the BT Principals' Community is working with universities and specialist groups, like Striver and Kaplan, to build pathways for new financial planners and connect graduates with financial advice businesses.

And while Annex Wealth is currently not looking to use the Community to recruit any new practitioners, Simone is using the group to provide her team with networking opportunities with other non-aligned practitioners.

"We've also subscribed to professional development content from the Community, which enables our financial planners to access training that is beyond what they can source elsewhere in the market," Simone says.

"As a business, we are all benefitting from this professional development and it means we are not missing out on the types of resources enjoyed by larger dealer groups, due to the leverage of belonging to a network that supports AFSLs. This level of support makes our small business attractive to any potential new recruit who wants to join a non-aligned advice business," says Simone.

"There's definitely strength in numbers when you're part of a broader movement, even when you're small and go it alone as a self-licensed business."

AFSL COMMUNITY SERVICES

A snapshot of some of the services AFSL community groups may offer.*

- Access to like-minded self-licensed businesses
- A dedicated support team to assist you with your licence
- Responsible Manager training
- Access to diagnostic and benchmarking tools
- Specialist forums, webinars, training and networking opportunities
- Negotiated arrangements with selected third-party providers
- Marketing tools
- Newsletters, toolkits and updates

** Not all AFSL community groups offer the same services. Check with the service provider.*

HOW INVESTING FOR RETIREMENT IS CHANGING

With market uncertainty and low interest rates continuing, how can financial planners build portfolios that maximise and safeguard clients' retirement income? Miriam DeLacy speaks to Lindsay Garnock CFP® and Caitriona Wortley.

Giving clients confidence in the future of their finances is a fundamental goal for the advice process. In the context of the pandemic and global recession that arrived in 2020, many clients have been struggling to feel secure about any plans for the future, including their financial plan.

Then there are the dual challenges financial planners face in changing portfolio allocations and product selection to continue generating risk-adjusted returns, while at the same time, having discussions with clients about adjusting their return expectations.

Conversations like these must be handled skilfully to ensure that overall confidence isn't undermined by the fact that portfolios aren't delivering the returns clients have come to expect. "Returns are down across all asset classes," says Lindsay Garnock CFP® – Managing Director of Boyce Financial Services.

"That means generating sufficient income for clients is a tough game now. Three or four years ago, a five per cent income return was not a difficult proposition. With a sufficient balance invested across a combination of Australian and international shares, property securities, bond funds, term deposits and hybrids, you could be confident in achieving that."

> *"We also need to deliver better advice modelling tools for retired clients. We need to forget about using average returns and deterministic modelling for this audience."*
>
> CAITRIONA WORTLEY, ALLIANZ RETIRE+

MANAGING EXPECTATIONS

This quest for returns has an added dimension for clients in retirement. In Lindsay's experience many will be determined to preserve capital and fund their lifestyle from returns only. Other clients have the opposite goal and plan to spend all their money within their lifetime, which makes the timeframe more challenging for financial planning purposes.

Regardless of where on this spectrum a client sits, Boyce Financial Services will follow an approach designed to secure enough of their capital for long enough to meet those goals.

"Our investment philosophy is to generate returns to meet investment objectives with a capital preservation mindset," says Lindsay. "We're always cognisant of what we're doing now and what that means for our clients, for now and in years to come.

"If a million dollar retirement portfolio was expected to generate $40,000 to $50,000 annually in income four years ago, you might be revising that estimate down to, say $30,000 to $40,000 in 2021," says Lindsay.

"So we'll be having conversations with clients to confirm their income needs and this can be a tough discussion sometimes, because the cost of living certainly hasn't gone down for any of our clients over the past five years.

"To make this less alarming, we often talk about what we should consider defining as 'income' from their overall portfolio. If an investment is performing well, we should be comfortable to take a portion of that capital off the table and park it in cash to be meet income requirements.

"Then the next part is a discussion around their appetite to making changes to their agreed asset allocation to growth assets in order to increase the likelihood of capturing that capital return. We might take growth assets up to 65 per cent, from 60 per cent – knowing that the remaining allocation in fixed income won't be returning much more than 2 per cent."

PUTTING NEW TOOLS TO WORK

Whether it's to make the most of a modest increase in growth allocation or improve fixed income performance, Lindsay is casting the net much wider for the tools needed to sustain portfolio returns. "We're using every tool in the kitbag," he says. "To drive income returns from growth assets we're looking at things we wouldn't have necessarily been as interested in when income was easy to generate. Options like retirement specific products or specialised income equity funds with a focus on targeting

sustainable income around six or seven per cent and sacrificing some capital gains to achieve that. A few years ago these investments would not have been as firmly on our radar."

"In the defensive part of the portfolio we're exploring more of the options around corporate debt, credit and the short and long end of the yield curve and blending it all together with input from our asset consultant with the goal of producing a 2 or 3 per cent return without taking on unnecessary risk.

"Even returns from something as 'safe' as an Australian Government bond portfolio can deliver unwelcome surprises. In February, the Australian bond market had one of its worst ever monthly returns, being just under minus 4 per cent. If you were expecting 1.5 per cent in income from a 10-year Australian Government bond in your portfolio, you've just wiped out nearly three years of income."

Some of Lindsay's clients have been very aware of the potential shortcomings of long-dated fixed income assets in contributing to returns should interest rates begin to rise. This can make for a more positive start to conversations about taking on a somewhat greater degree of risk by switching some capital to other fixed income options.

"Most clients already know how poorly term deposits are performing," he says. "They're more open to moving up the risk curve slightly to make that part of their defensive allocation work harder.

"Of course, we must ensure clients understand what the risk trade-off is. With a diversified exposure to corporate debt or hybrids, we would expect a return of roughly 2 to 3 per cent as an alternative to less than 0.5 per cent in a term deposit. So, we need to have our clients understand and be accepting of that as a reasonable risk before making a change."

> *"Most clients already know how poorly term deposits are performing. They're more open to moving up the risk curve slightly to make that part of their defensive allocation work harder."*
>
> *LINDSAY GARNOCK CFP®, BOYCE FINANCIAL SERVICES*

PERCEPTIONS CHANGE IN RETIREMENT

These conversations that Lindsay, like so many financial planners, are having with clients very much reflect the nature of the risks retirees face.

"There is a broader range of risks specific to retirement that are not faced by accumulation investors," says Caitriona Wortley, Head of Distribution at Allianz Retire+. "There is sequencing risk that can arise from a sudden and significant loss from their portfolio. Then we have longevity risk. Retirees need to maintain exposure to growth assets like equities if they are to avoid running out of money, which is what scares them most. Research shows 61 per cent[1] of Australian retirees fear running out of money more than they fear death.

"On the flip side of this, we see the behavioural risk that is also part of the retirement investing challenge. Retired clients need sufficient allocation to growth assets for an income that lasts a lifetime. And yet they have hyper loss aversion compared with accumulation investors. They feel the pain of a loss in their portfolio 10 times as much as the joy of a gain.[2] For accumulators, it's twice as painful.

"This means a large drawdown will have a far more significant impact on retirees' emotions and behaviour. We saw how this can play out after the Global Financial Crisis, with retirees experiencing a crippling fear of further financial losses and checking their balances five times a day or more. In 2020, we were reminded that we never know when these volatility spikes are going to come. Not only can they substantially erode retirement income over time, they can result in severe impacts on quality of life for retirees."

Caitriona takes the view that this convergence of risks for retirees gives rise to the need for a new approach to retirement portfolios.

"It's really important to evaluate retirement portfolios in the context of these risks. The real question becomes how can we create portfolios that generate adequate levels of return while still mitigating these many risks? In addition to fixed income, retirement-specific products can play an important role in delivering both the financial outcomes and the peace of mind retired clients need."

A SHIFT IN APPROACH

During more than a decade delivering services and support to planners, Caitriona has seen a fairly uniform approach to retirement investing. In that time, she has become very passionate about the importance of finding solutions that better serve the changing needs of retirees. In her view, an advice approach that might have been effective in decades past needs to take account of both longer life expectancies among retirees, as well as the increased risk associated with a decent portfolio return, as seen in the modelling and figures from Callan Associates.

"For some time, investing for retirement has been following a very similar framework to the one used for accumulation," says Caitriona. "It's taken time for the financial advice ecosystem to evolve and offer strategies that look beyond the 60/40 solution. When you had fixed income delivering much better returns this was a good option. But the old way is not going to cut it anymore.

"As well as retirement specific products, we also need to deliver better advice modelling tools for retired clients. We need to forget about using average returns and deterministic modelling for this audience. These calculations give them a flip of a coin, 50/50 chance of whether their money will last or not. Again, it's well suited to accumulation, but it's not giving retirees the certainty they need to feel confident in meeting their objectives.

"Instead, we need to be having conversations where we can say to a 65 year old client, based on modelling, that they have a 90 per cent chance of having $x in annual income and their money will last until age 95. The good news is these tools for financial planners exist. Last year, Allianz Retire+ partnered with InvestFit to give financial planners access to a planning tool with a stochastic modelling engine."

In review meetings with his clients, Lindsay is always careful to show them what the journey could look like from this point for their projected income and assets. The Allianz Retire+ Future Safe offer of protection and income is one of several tools outside of traditional defensive and growth options he will definitely consider when they become more easily available to his clients and business model.

> *"We're using every tool in the kitbag. To drive income returns from growth assets we're looking at things we wouldn't have necessarily been as interested in when income was easy to generate."*
>
> *LINDSAY GARNOCK CFP®, BOYCE FINANCIAL SERVICES*

"We've been looking at Allianz Retire+ and what they're doing for some time," he says. "It's just a matter of getting the product integrated into platforms, so we have the client's total financial picture in the one place. We are also potentially interested in deferred annuities, when available, as another option for some clients who are drawing down their asset base just a little too fast for their capital to last past their life expectancy. Holding some of their assets back in a deferred annuity would give them that safety net to at least keep them comfortable until they reach 95 or even 100."

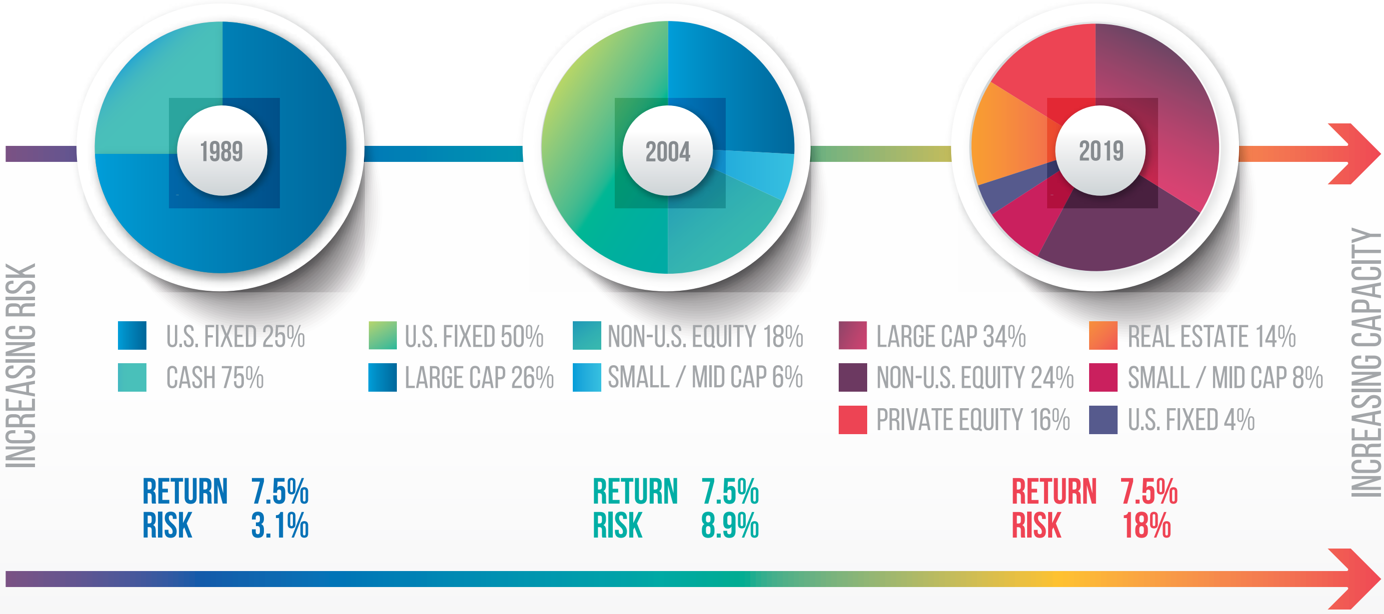
Caitriona adds that the whole advice value chain, including platforms, has a responsibility to smooth the process for financial planners. "We need to see a stronger focus on the retirement framework," she says. "A large component of that is ensuring planners can easily access the products they feel are best placed to help achieve their clients' goals in retirement".

THE BOTTOM LINE

As a practitioner working in financial services since 2001, Lindsay has played a crucial role in giving his clients peace of mind through many periods of uncertainty.

"We're always there to help people make informed choices about what to do with their money, taking into consideration their needs now and the impact of these decisions in the future" he says. "Making sure they're not suddenly faced with the prospect of running out of money in 10 years because

RISK AND RETURN OVER TIME



It might seem that low rates for fixed income and the COVID-19 pandemic have led to this crisis for return expectations. But the risk/return trade-off has been shifting in the 'wrong' direction for investors for several decades.

Caitriona Wortley, Head of Distribution at Allianz Retire+, points to modelling from Callan Institute in the U.S. that shows the asset allocation required for an investment portfolio to earn a 7.5 per cent income at 15-year intervals starting from 1989.

"For investors to earn a 7.5 per cent return 30 years ago, they needed no exposure to growth assets," says Caitriona. "This wholly defensive portfolio would have had a standard deviation of just over 3 per cent 15 years on and the allocation is an even split across growth and defensive, almost tripling the risk. In 2019, the exposure to growth is at 96 per cent with a standard deviation skyrocketing to 18 per cent.

"This is quite the challenge for financial planners. It shows clearly that a new approach is needed to generate returns of 7.5 per cent for retired clients who certainly cannot tolerate that level of risk in their portfolio."

SOURCE: *CALLAN ASSOCIATES, RISKY BUSINESS UPDATE: Challenges Remain for Today's Investors, Julia Moriarty, 2020*

of a market event like the one we saw in March 2020 is why we do what we do. In 2021, you need $9 million in a short dated term deposit to generate an income of $47,000 a year. As I sometimes say to clients, 'you are being punished for a crime you didn't commit'. But for the time being that means, to generate a reasonable return, you have to put some of your capital at risk."

This extra assurance planners provide to their retired clients has been well documented by independent research. To continue providing that confidence in the current context, a shift in approach could deliver even more robust retirement portfolios. "Our Allianz Retire+ Black Swan research from 2020 shows that retirees who receive financial advice are more confident and secure. The 95 per cent satisfaction rate reported is a great endorsement for the quality of advice they're receiving," says Caitriona.

"Confidence was a big theme of the report from the Retirement Income Review last year. The effect of not having confidence is that retirees are having to self-insure against longevity, limiting their spending because they fear the worst. What they need is the assurance of certain outcomes and the right solutions in their portfolio can provide that. A promise from a life company to provide protection and income security is worth considering to bring peace of mind to clients and deliver on their best interest duty."

> *"In 2020 we were reminded that we never know when these volatility spikes are going to come. Not only can they substantially erode retirement income over time, they can result in severe impacts on quality of life for retirees."*
>
> *CAITRIONA WORTLEY, ALLIANZ RETIRE+*

FOOTNOTES

1. *Allianz Life, Reclaiming the Future Study (2010)*
2. *AARP and the American Council of Life Insurers, How Retirees Manage Money to Make it Last Through Retirement (2007)*

THE SECRETS TO PRODUCTIVE WORKPLACE FLEXIBILITY

Colin D. Ellis provides six tips – three for the business and three for the individual – for more effective and productive flexible working.

> *Thanks to an investment in collaboration tools and a commitment to working differently, it's never been easier for employees to work remotely. Faster internet connections and the evolution of technology will provide further opportunities for organisations to reduce their office space and save time and money as a result."*

One of the positive things to come out of the COVID-19 crisis was an increase in empathy. As everyone was suddenly working from home, managers and businesses took an interest in how people were coping and the situations that they faced at home. Many employees were actively encouraged to take breaks from screens and ensure they got the right amount of rest.

Of course, post-COVID-19, coming into the office while sick is a definite no-no. However, as people become more comfortable working from home, the temptation to get the laptop out or turn the PC on, instead of recovering from illness, is ever-present. So, there's still some work to do.

I'm a big supporter of flexible working, but only if it supports a healthy balance for employees and doesn't increase the stress on them or their lives.

As a result of COVID-19, barriers to more people working flexibly were finally removed – it's just a shame that it took a global pandemic for businesses to act. Thanks to an investment in collaboration tools and a commitment to working differently, it's never been easier for employees to work remotely. Faster internet connections and the evolution of technology will provide further opportunities for organisations to reduce their office space and save time and money as a result.

Cisco is one organisation that's on to this. Almost 90 per cent of its employees telecommute once a week. It saves over three million hours of commuting, providing the organisation with $270 million more productive time and stopping over 47,000 tons of carbon from being pumped into the atmosphere. The numbers for remote working certainly stack up.

Having a well-defined culture provides the foundation for great remote working. Agreement on the six pillars of culture – personality and communication, vision, values, behaviour, collaboration and innovation – ensures that everyone understands what's expected of them at all times, and keeps them both physically and emotionally connected.

If your practice has yet to do this work, then here are six tips – three for the business and three for the individual – for more effective and productive flexible working.

FOR THE ORGANISATION

1. TRUST YOUR PEOPLE

It seems ridiculous to start with this point, but I still think that many organisations and businesses see trust as something that needs to be 'earned', rather than 'assumed'. One survey found that 78 per cent of people don't fully trust their workmates! If you've

taken the time and effort to hire people who have the technical and emotional skills to do the job, then set expectations clearly and let them get on with it. If you expect the worst of people, then it's likely that you'll get it.

2. INVEST IN COLLABORATION TOOLS

There are literally hundreds of tools that you can use to stay connected, and you should be using one regardless of whether people are working remotely or not, in order to cut down on the amount of emails sent. It's important that you pick one and then ensure that everyone is trained in how to use it properly, that it's used consistently and that it evolves over time to stay relevant and support productive work.

3. SET EXPECTATIONS WELL

By far the biggest issue with flexible working is the fact that expectations are neither set nor managed well. This includes expectations around how the individual sets themselves up for success, about when they should be online and offline or simply about the quality of their deliverables. When expectations are set and managed well, the work gets done.

FOR THE INDIVIDUAL

1. SET UP YOUR WORKSPACE

Just because you're not in the office doesn't mean you shouldn't set up your workspace properly. To work from home effectively, you need a good internet connection, a laptop (PC or Mac) with all of the right applications installed and preferably, a light-filled space in which to work. You also need to remove all distractions to allow you to focus on the job at hand.

2. ESTABLISH YOUR ROUTINES

No lounging around in your PJs all day, let's deal with that one first! While you don't have to get dressed in office attire, you still have to get dressed. Your attitude must be right and you can't be putting the washing on or popping to the shops when there's work to be done. The simple rule when working from home is to ask yourself: 'Would I do this if I were in the office?' If the answer is no, then it can wait until you finish for the day, whatever time that is.

3. STAY IN CONSTANT CONTACT

Working flexibly can be a lonely business, so it's critically important that you stay in touch. Chat tools can help, but it's also nice to see another face or speak to someone on the phone. Videoconferencing is so simple to use these days that it's a mistake not to use it. Oh, and when people dial you in for meetings, you have to remain focused – you can't be tapping away on your laptop or nipping away to get a drink. Don't forget the simple rule from point number two!

STAY FOCUSED ON THE OUTCOMES

And finally, when it comes to working remotely from home or away from the office, individuals need to be disciplined about when they 'close down' for the day. The focus needs to be on the outcomes expected, rather than setting yourself a long list of 'stuff to get done'.

Colin D. Ellis is a culture change expert, author and international speaker.

> *"The simple rule when working from home is to ask yourself: 'Would I do this if I were in the office?' If the answer is no, then it can wait until you finish for the day, whatever time that is."*

HOW TO AVOID A CHANGE-RESISTANT BUSINESS CULTURE

How do you create an environment for your people to embrace change and thrive? Campbell Macpherson provides five easy steps to create a change-ready culture in your business.

If the last year has taught us anything, it is that an organisation's ability to change is business-critical. Successful change is only possible if your people are ready, willing and able to change.

Eighty-eight per cent of change initiatives fail, according to a 2016 report from Bain & Co. It is a similar story when it comes to business strategies, mergers and acquisitions – seven out of eight fail to deliver what they set out to achieve.

Why? Because leaders forget that change is all about people: not business models, not balance sheets, not systems or processes. It's about people.

Leadership today is all about leading change. Successful leaders do one special thing that the majority of their peers fail to do – they help their people to want to change.

> *"The power to accept and embrace change is one of the most important gifts you can possibly give your people. For their own personal benefit and for the future success of your business, you can help them to learn to harness change and make it work – for everyone."*

ARE YOU CHANGE-READY?

How do you go about creating an environment for your people to embrace change and thrive? It really isn't that hard. Here are the five steps I recommend to create a change-ready culture in your business.

1. GIVE YOUR PEOPLE THE CLARITY THEY DESERVE

Your people need complete clarity about what you are seeking to achieve, why they need to change and why success is possible. Your organisation's purpose has never been more important; it is the anchor that will keep your people focused and confident.

As we emerge from the disruption of COVID, businesses across the globe have been revisiting what makes them unique; what gives it the right to succeed in a world of change. KPMG reports that: "CEOs are accelerating strategic priorities to arm their businesses for a new reality."[1] Boston Consulting Group (BCG) is imploring business leaders to "rethink the art of the possible".[2]

2. BUILD AN EXTRAORDINARY LEADERSHIP TEAM

Culture starts at the top. During turbulent times of change, cracks in leadership teams become glaringly apparent. CEOs will need to be ruthless when it comes to the composition and behaviour of their leadership teams; no business can afford weak links or a dysfunctional collection of individuals at the helm.

You will need a genuinely collaborative team built on trust and respect; delivering shared objectives together. You will also need leaders who empower their staff and develop more leaders throughout the organisation.

3. ENSURE YOUR LEADERS CAN LEAD CHANGE

The single key leadership skill for leaders at all levels is the ability to lead change. If you are not leading change, you are not leading anything; you are just managing the status quo – an option that no longer exists.

To help its leaders meet the challenge as we emerge from the COVID-19 pandemic, AstraZeneca produced a new leadership toolkit to "help leaders develop the mindset and behaviours to navigate uncertainty, choose the most effective response to lead a team and to look ahead to the future, so we can all come out stronger on the other side".[3]

In the 'Leading Change' workshops and webinars I run for Henley Business School in the U.K. and for clients worldwide, we explore the essential ingredients for successful change, which include clarity, engaging your people to explore the implications of the

change, genuine communication, and an understanding that all change is both emotional and personal. Leadership today is about helping your people to want to change.

4. ENSURE YOUR PEOPLE ARE ABLE TO EMBRACE CHANGE

The success of your business depends upon the ability of your people to embrace change. They must be equipped with the skills and mindset they need to accept change and thrive. As leaders, you need to help them realise:

- Their emotional response to change is okay. We all feel powerful emotions when confronted with major change – and this is completely normal. During one 'Embracing Change' workshop for the employees of a major fund manager, one of the delegates was quietly wiping away tears during the first session. During the break, she explained that she hadn't realised the rollercoaster of emotions she was experiencing after her father had died was completely normal. Her relief was palpable.
- We all have the power to overcome our barriers to change. Each of us erects our own unique barriers to change. But we can learn to detach from our negative thoughts, observe our emotions, reframe the way we look at life's challenges, confront our fears – and accept change.
- Everyone can become their own change leader. The power to change lies within us. Once we have acknowledged the fact that major change has been done to us, we need to pick ourselves up and ask ourselves the magic question: 'So, what am I going to do about it?'

5. DON'T LET BUREAUCRACY GET IN THE WAY

Make sure your HR policies, management processes, incentives, financial rules and communications are all re-designed to support change – encourage informed risk-taking and innovation; enable people to try, fail and learn from the experience; and celebrate successful change. Set your people up for success.

The power to accept and embrace change is one of the most important gifts you can possibly give your people. For their own personal benefit and for the future success of your business, you can help them to learn to harness change and make it work – for everyone.

Campbell Macpherson is an international change expert and author of The Power to Change.

> *"The success of your business depends upon the ability of your people to embrace change. They must be equipped with the skills and mindset they need to accept change and thrive."*

FOOTNOTES

1. https://home.kpmg/xx/en/home/insights/2020/09/prioritizing-strategic-priorities.html?cid=ggl_cpc_xx_ad1-purp-acx_2020-adv-ceooutlook2020&utm_medium=cpc&utm_source=ggl&utm_content=xx_ad1-purp-acx&utm_campaign=2020-adv-ceooutlook2020
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HARNESSING CREATIVITY IN THE RED DUST

Red Dust is helping to address isolation and risky behaviour in remote Indigenous communities by providing an opportunity for young people to participate in skills based workshops.

All young people are into digital media through their phones. Due to isolation and the natural beauty of their surroundings, I find bush kids to be extraordinarily creative and I am very excited to see the work they produce. I am very confident it will be quite special."

SUSIE ERRATT CFP®

Sadly, generations of Indigenous Australians living in remote communities have endured lives impacted by poor health, impacting whole communities and particularly, young people. Red Dust – a not-for profit organisation – believes that good health and a supportive network are the keys to providing a bright future for Indigenous youth and their families.

For more than 20 years, Red Dust has delivered youth focused health and wellbeing programs with some of Australia's most remote Aboriginal communities. Its programs are developed with community elders and leaders, and are designed to support a stronger future for youth in those communities.

According to Roberto Pietrobon – director, partnerships and philanthropy at Red Dust – the organisation works closely with youth in remote Indigenous communities, with its objectives aimed at providing access to educational opportunities to improve cross-cultural competency, and to develop the skills and aspirations of Aboriginal youth to assist them gain meaningful employment.

"We achieve this by drawing on the strengths of both western and traditional knowledge to engage and influence young people in the community," says Roberto.

DIGITAL MEDIA SKILLS WORKSHOP

With the support of Northern Territory FPA Chapter Chair and Advanced Financial Planning Solutions owner, Susie Erratt CFP®, Red Dust was successful in receiving a $10,000 Future2 grant for its 'digital media skills workshop'.

Susie, who is also a Future2 Ambassador, was delighted to endorse Red Dust's grant application, adding that because Future2 supports grass roots organisations it has been "personally rewarding" to see some "amazing projects" that Future2 has supported over the years for disadvantaged young Australians.

"My involvement with Future2 has provided me with an insight into actual community-based programs and the beneficiaries," Susie says.

"However, we have struggled to get suitable applications in the Northern Territory for some years. And having lived in Alice Springs previously, I am fully aware of the vacuum of positive services available for young people. So, it was marvellous that I could support this worthy not-for-profit organisation with my endorsement for a Future2 grant."

According to Susie, Red Dust's digital media skills workshop aims to engage with approximately 10-15 youth, aged between 12 and 25, who are living in the Northern Territory community of Nauiyu – located 230km south west of Darwin. The workshop will provide participants with an opportunity to learn about digital media productions and develop skills in writing, recording and producing digital media, including project planning and budgeting.

Roberto reveals that approximately 60 of Nauiyu's 300 residents are aged between 12 and 25, with employment opportunities within

Red Dust is providing access to educational opportunities to improve cross-cultural competency.

the region limited due to the remote location of the community.

"And while there are two schools in the region, senior students are required to travel to Darwin to finish their schooling," he says.

"In addition, COVID-19 has increased the isolation factor for the community of Nauiyu, so this workshop is aimed at increasing interest in attending school for the participants, while developing skills and creating opportunities for remote Indigenous youth to gain exposure and participate in new learning experiences."

Roberto adds that the desired outcomes of the workshop is to make participants more confident in using digital equipment and technology, while exposing them to the skills required to successfully plan and deliver an identified digital media production project – like music video, animation or digital artwork – from concept ideation, to budget planning, to content creation and editing.

To ensure successful delivery of the workshop, participants are mentored through weekly online sessions over a six-week period, which includes completing tasks like developing the story concept, budget planning, filming and editing the digital media production.

"Normally, we would propose delivering this project in a face-to-face environment in its entirety. However, due to COVID-19, some elements of the project will be delivered via videoconferencing with the support of local community members, alongside community visits," says Roberto.

MAKING A DIFFERENCE

The statistics of violence on Indigenous people is confronting. Research from Australia's National Research Organisation for Women's Safety (ANROWS) reveals that:

- Indigenous people are 2-5 times more likely than non-Indigenous people to experience violence as victims or offenders;
- Indigenous females are five times more likely to be victims of homicide than non-Indigenous females; and
- Indigenous females were 35 times as likely to be hospitalised due to family violence.

To help address this cycle of violence for Indigenous people, Roberto says the Red Dust digital media skills project was designed specifically to engage youth aged 12-25 in remote Indigenous communities where there is high prevalence of risky behaviour.

"Thanks to the Future2 grant, this project provides an opportunity for young people to participate in skills based workshops for industries not normally present in their local community. It exposes these young Indigenous Australians to activities that form part of potential employment opportunities and helps them to develop transferable skills."

Susie agrees: "All young people are into digital media through their phones. Due to isolation and the natural beauty of their surroundings, I find bush kids to be extraordinarily creative and I am very excited to see the work they produce. I am very confident it will be quite special."

A LASTING RELATIONSHIP

Susie acknowledges that the lockdown of communities during the COVID-19 pandemic has been particularly hard on remote Indigenous communities, and views Red Dust's digital media skills workshop as a great way to involve Indigenous youth in something positive and beneficial.

"For a number of years, I had heard about the work Red Dust was doing in Indigenous communities, so by endorsing Red Dust's application for a Future2 grant, I was delighted to be personally involved with this organisation," Susie says.

"I look forward to seeing the productions the workshop participants put together, and I hope my involvement with Red Dust will grow into a lasting relationship," she says. "Red Dust ticks the boxes for things I am passionate about in rural Australia."

GRANT RECIPIENT:
RED DUST

GRANT AMOUNT: $10,000

ENDORSED BY:
SUSIE ERRATT CFP®

FPA CHAPTER:
NORTHERN TERRITORY

CPD MONTHLY

Each month, Money & Life publishes two CPD Monthly articles. The following are overviews of this month's two CPD accredited articles. To read the full versions of each article, and to receive your CPD hours, click on the Learn tab at moneyandlife.com.au/professionals.

ARTICLE 1

ROB LAVERY
KNOWIT GROUP

REVISITING SALARY SACRIFICE/TTR STRATEGIES

Combining a salary sacrifice arrangement with a Transition to Retirement (TTR) pension has long been a strategic staple of pre-retirement planning. The tax savings, combined with the ability to augment potentially reduced income, has obvious appeal.

However, over the past three and a half years, there have been significant legislative changes that have impacted the efficacy of salary sacrifice/TTR strategies. The introduction of personal deductible contributions for employees, the movement in tax brackets and offsets, and the movement in the preservation age have all shifted the goalposts.

Now is a prudent time for financial planners to take a look at salary sacrifice/TTR strategies with a fresh set of eyes to determine how clients can make the most of the opportunity.

WHAT YOU WILL LEARN

- Salary sacrifice/TTR strategies
- Tax considerations
- Preservation age
- Personal deductible contributions vs salary sacrifice

This article is worth
0.5 CPD HOURS

ASIC knowledge area
SUPERANNUATION
TAXATION

FASEA CPD areas
TECHNICAL COMPETENCE

ARTICLE 2

CLAUDINE SIOU
IOOF

LIVING ARRANGEMENTS FOR OLDER PEOPLE: A SPECTRUM OF CHOICES

There is a significant range of housing and care options available to older Australians. While many older Australians prefer to live in their own home as they age, making use of Government subsidised home care services that support these retirees to live independently, there are other housing options available that should be considered.

This article explores the range of aged care options available to older Australians, including various housing options, retirement villages, mobile home communities, lifestyle parks, and granny flat arrangements.

Financial planners who engage with their clients about their housing and care options in the early stages of retirement, can support these older Australians to make more informed decisions about their housing requirements and care options in retirement.

WHAT YOU WILL LEARN

- Aged care options
- Housing options
- Retirement villages
- Mobile home communities and lifestyle parks

This article is worth
0.5 CPD HOURS

ASIC knowledge area
AGED CARE

FASEA CPD areas
TECHNICAL COMPETENCE

To read these articles in full and answer the questions for CPD hours, go to the Learn tab at moneyandlife.com.au/professionals

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