APRIL / MAY 2022

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The magazine for FINANCIAL PLANNING PROFESSIONALS

MONEY & LIFE

A bright future

SARAH ABOOD RESPONDS TO MEMBERS' FEEDBACK

ESG INVESTING

UNDERSTANDING YOUR CLIENTS' CORE VALUES AND BELIEFS

FINANCIAL CERTAINTY

DELIVERING RETIREMENT ADVICE IN AN UNCERTAIN WORLD

SUPER OPPORTUNITIES

EXAMINING THREE KEY SUPER CONTRIBUTION CHANGES

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MORE FINANCIAL PLANNERS NEEDED TO MEET ADVICE DEMAND

Demand for financial advice is continuing to surge, with 2.6 million non-advised Australians intending to seek financial advice in the next two years, according to a recent Investment Trends report.

However if current trends continue, by 2023 our profession could be roughly half the size of what it was in 2018. The need for more great financial planners is becoming urgent.

The single, biggest reason planners are giving me for leaving is the onerous burden of administration and compliance 'red tape' that seems to have become the new norm. We are involved in two major reviews that we hope will address this, and you'll see more on these (Quality of Advice review, and ALRC Financial Services review) within this issue. I urge you to get involved in our upcoming member consultations on these. With your help, we're optimistic that these will enable us to refocus time and energy in the future on the people we're passionate about helping – our clients.

As well as retaining current experienced planners, we need to give practical support to new entrants into our profession – most especially with the Professional Year (PY).

The PY acts as a finishing school to prepare new financial planners for the real world of delivering advice, and offers a rewarding opportunity for both new planners and the established practitioners who mentor them.

The FPA has developed a comprehensive PY tool that will soon be available to help licensees, career changers, and students simplify and streamline the experience, and ensure all the mandatory requirements are addressed. If you'd like to find out more about the PY tool, please call us on 1300 337 301.

TAKING YOUR FPA MEMBER EXPERIENCE TO THE NEXT LEVEL

I know many members are investing in technology to meet their client and business needs, and we are also focusing on technology to help improve your member experience.

This is ongoing, beginning with an upgrade of your FPA Member Portal, and behind the scenes, we are moving our Customer Relationship Management system to Salesforce. This will give you easier access to member-only tools and resources, and allow us to deliver you a more tailored, personalised member experience.

Soon we'll be launching more improvements to our membership offering for 2022/23. We have been critically reviewing the services we offer against member feedback, and we look forward to delivering more tailored learning, connection, and support to you as an FPA member.

Sarah Abood

Sarah Abood
Chief Executive Officer

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QUALITY OF ADVICE REVIEW **PROVIDES OPPORTUNITY**

The Government has appointed Allens partner and financial services law specialist, Michelle Levy, to lead the review of the Terms of Reference for the Quality of Advice Review (QAR).

The release of the Terms of Reference for the QAR represents a significant opportunity for the Government and stakeholders to assess how the regulatory framework can deliver better outcomes for consumers. Amongst a range of issues, the review will assess:

- whether there are opportunities to streamline and simplify regulatory compliance to reduce costs and duplication;
- how to improve the clarity and availability of documents provided to consumers; and
- whether parts of the regulatory framework have created unintended consequences.

"I believe there are many ways we can improve the regulation of financial advice, making it easier for Australians to receive quality advice when they need it and in a form they want," said Michelle. "I am optimistic about what we can achieve."

In its submission to Treasury on the QAR Draft Terms of Reference for the Review, the FPA emphasised the importance of evaluating the effectiveness of the vast regulatory, legislative and other changes that have been implemented since the introduction of the Financial Services Reforms in the late 1990s through to the recent finalisation of the Hayne Royal Commission recommendations, and whether they have had the intended effect.

Some of the key responses in the FPA's submission on the QAR Draft Terms of Reference included: ensuring the review has a consumer-centric focus; clearer delineation between retail and wholesale clients; PI insurance; and the role of alternative advice providers in the advice process.

"The final terms of reference are sensible and closely align to the FPA's vision for the review," said FPA CEO, Sarah Abood. "In particular, this includes how the regulatory framework could better enable high quality, accessible and affordable financial advice for consumers and remove unnecessary complexity."

As the lead reviewer of the QAR, Michelle brings deep experience to the position. She specialises in superannuation, life insurance, distribution and financial services law.

Michelle is a regular contributor to various journals and publications, and co-authored the LexisNexis FoFA Handbook. Michelle is also a member of the Law Council of Australia's Superannuation Committee and a member of the ATO's Superannuation Industry Stewardship Group.

The review invites submissions from the public and will consult widely with stakeholders, including the FPA.

The final report will be provided to Government by 16 December, 2022.

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PROFESSIONALS

NSW

Nadia Cassidy CFP®
Adviser FP

Anthony Broad CFP®
Aware Financial Services

Anne Maguire CFP®
Westpac Banking Corporation

Rui Shi CFP®
5 Wealth Management

Stephanie Ucchino CFP®
Hillross Financial Services

Shane Harris CFP®
The Wealth Affect

Ashlee Bunyan CFP®
Unisuper

Henry Mortlock CFP®
Playfair Tan

Joel Fricker CFP®
Applied Wealth

Benjamin Neal CFP®
SB Wealth

QLD

Andrew Parish CFP®
HESTA

Isabelle McClanachan CFP®
DKW Private Wealth Management

Natalie Lackner CFP®
EP Financial Services

Elene Worthington CFP®
Elston Private Wealth

SA

James Weir CFP®
Morgans Financial

VIC

Daniel Wilson CFP®
Strategic Wealth

NEW SERIES ON VIDEO SOAS

SOAP (Statement of Advice Production) Box is a new video series designed to help financial planners understand the possibilities of using video as a more efficient and engaging way to deliver SOAs to clients.

Presented by Fraser Jack, Head of Media at XY Adviser, and Ben Marshan CFP®, Head of Policy, Strategy and Innovation at the FPA, the first episode in the series introduces what's behind the whole concept of the video SOA and what financial planners can expect from the rest of the series.

An SOA needs to communicate enough information for a client to make an informed decision about the advice they're receiving. It isn't a legal contract, but when SOAs were introduced in the early 2000s, this is how they were generally treated in the profession. This resulted in the lengthy 80-100 page documents we still see today. With changes in technology over the last two decades, there is no reason to limit SOAs to a printed document. Current legislation also allows for SOAs to be provided as any kind of content – graphic, audio, video etc.

For some time FPA members have told us that producing SOAs is their biggest administration burden. In our Future of the SOA report, we introduced the idea of using video and graphics to standardise parts of the SOA to save time and resources. In exploring this initial idea, we've taken another step towards efficiency with the concept of simply recording financial planners delivering advice as a conversation with a client, instead of producing a written SOA.

Some members have taken up this approach to Video SOAs with great results and positive client feedback. They're using the type of technology that has become commonplace since COVID – Zoom, Teams, Google Meet, and Skype.

Ben and Fraser are sharing this series with FPA members to support them in trying this out for themselves and to help planners overcome any barriers to using video SOAs in their own practice. Some of the questions and topics they will discuss during the series include:

- Can a recording (video or audio) of the client advice conversation be considered a record of a planner stating their advice?
- If the conversation covers the requirements of RG175 (preparing and providing the SOA), can this recording be considered providing the SOA to the client?
- Can you have a zero page SOA?
- How can planners implement this in their advice process?
- What issues will existing stakeholders (PI insurers, regulators, legal, licensing, and compliance, product providers) have to overcome to allow this to achieve change in how advice is provided.
- How can video SOAs improve affordability of advice and lift efficiency for planners?
- How can planners securely record, store, and send video files to clients?

The series is designed, not just to challenge the status quo with how SOAs are produced and delivered, but to completely transform the way financial product advice is provided to retail clients within the current legislation and regulatory guidance.

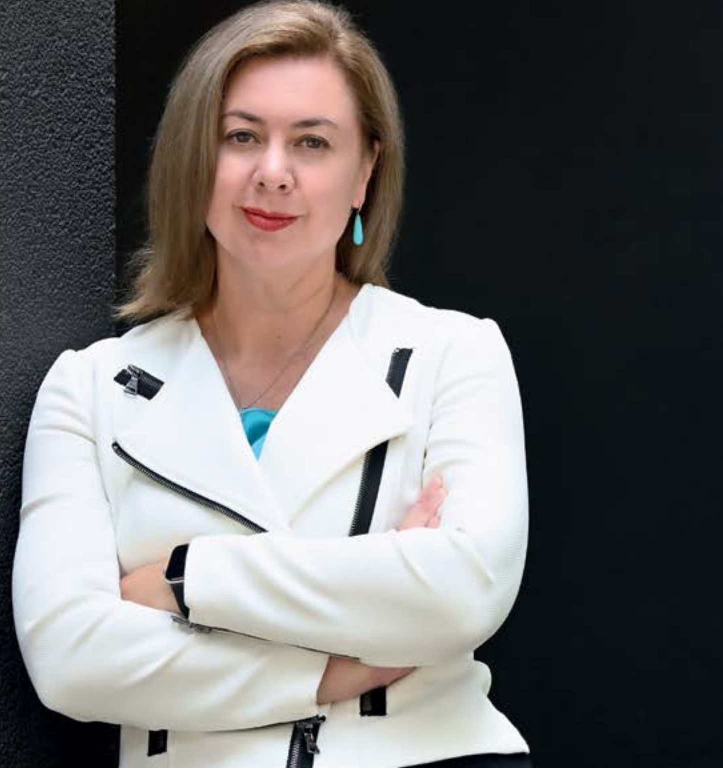
If you have questions or ideas to share on video SOAs, please share these on the FPA Community thread.

To watch the videos in the SOAP Box series visit: fpa.com.au/community

INSIGHT

A BRIGHT FUTURE

With three months under her belt as FPA CEO, Sarah Abood reveals some of the key messages members have shared with her.



Since joining the FPA, I have been connecting with as many members as possible. I've been keen to hear about the concerns and challenges facing you, and what your priorities are for how the FPA can help. I'd like to share two of these points that many are raising: the decline in practitioner numbers; and regulation of the profession.

NEW ENTRANTS

Interestingly, members are telling me that consumer demand for financial planning services has never been as high as it currently is. Many members are actually overwhelmed by new client enquiries, which is great for many practitioners (although a concern for those who have started closing their books, as they no longer have room to service new clients!).

I do view this trend as a positive for our profession, because the demand for financial planning is clearly there and is growing.

However, on the supply side, members are concerned at the rate in which practitioner numbers are falling, particularly at a time of growing demand for advice. The FPA is addressing this in several ways: by supporting members and new entrants with the Professional Year requirements, as well as working more closely with students and tertiary institutions with mentoring programs and career pathways. This includes getting the CFP® Certification Program built into the Masters of Financial Planning.

We're also working with Government and regulators to clarify the education standards as soon as possible, and supporting existing planners doing further study with our 'Return to Learn' resources. We have mentoring programs and scholarships specifically to encourage more women to enter the profession, which will help with numbers directly, as well as helping our profession be more representative of consumers. That said, I think more action on this front is needed and we are working with multiple stakeholders on what more we can do.

OVER-REGULATION

Members are still dealing with the perennial issue of regulatory overreach, and compliance complexity. They remain extremely frustrated with the amount of different, and sometimes conflicting, regulation they need to deal with.

This over-regulation is a huge focus for me and the team at the FPA. There are a number of opportunities to advance the cause this year, including the Quality of Advice review, the Australian Law Reform Commission review of the Corps Act, and via advocacy around the Federal Election.

We are also regularly developing and releasing a number of tools and guides that will help members comply and deal with the regulation as it currently stands.

HOPES AND EXPECTATIONS

Probably one of the biggest opportunities I see is the willingness of Government and regulators to hear what we have to say about the challenges you are facing when dealing with regulation. It's heartening to see these key stakeholders willing to work constructively with us to try and make things better for financial planners. They recognise how important financial planning is for the future of this country, and how important that service is for consumers.

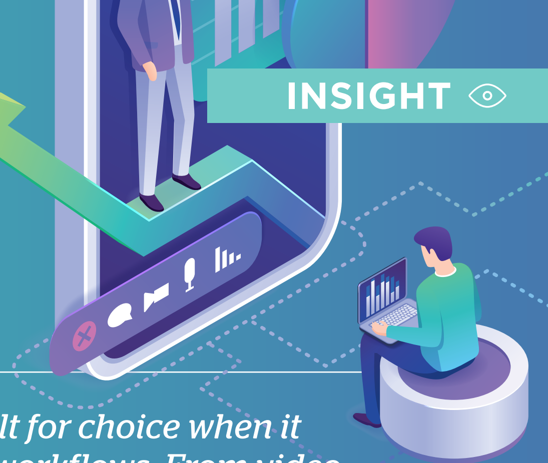
We're also looking at how the profession and advice businesses are changing, particularly with the exit of many large providers from financial advice. Many more practitioners are now working in small to medium sized licensees. This means the focus of what we're doing at the FPA needs to change to reflect the changing needs of our members. We're looking at how we can support members in the business of advice, as well as the profession of advice. This includes looking at services that will support you as a small business operator, as well as an advice professional.

AN EXCITING FUTURE

If there is one message I'd like to share with you it's this: the future of our profession looks really bright.

More and more Australians are seeking the help of financial planners, and demand has never been higher. Our ability to truly transform people's lives for the better is increasingly recognised and needs to be celebrated. Lawmakers are acknowledging how important financial planning is. They understand that changes need to be made to make it easier to deliver great quality and affordable advice to more Australians.

As a profession, we have a future we can truly be optimistic and excited about. Over the coming months, I look forward to speaking with many more members about the future of our profession and how the FPA can help you.



YOU SAY

Like many professionals, today's financial planners are spoilt for choice when it comes to technology to support their advice processes and workflows. From video explainers to onboarding short-cuts, three planners share their insights on finding the right solutions to achieve business efficiency and enhance the client experience.

Adele Martin CFP®
Money Mentor
Adele Martin©

Corey Wastle CFP®
Founder & Financial Adviser
Verse Wealth

James Wortley CFP®
Director
Enlightened Financial Solutions

Selecting fintech to trial relies on taking time to consider the problem it can solve for your business and clients. It also helps to learn from the experience of peers and have a strong foundation in your tech stack, before adding to your range of solutions.

What fintech are you using to improve business efficiency?

AM "I have always felt that the new client process was rushed, as I was so busy concentrating on compliance, it didn't end up being a great experience for the client. There was also more that I wanted to cover, such as budgeting, but I didn't have the time. I also found that I repeated myself a lot e.g. explaining risk and return for the 100th time. So, I have now created an amazing onboarding experience for clients – where clients watch short videos and then take an action. For example, one module they watch is training on risk profiling and they then complete a risk profile questionnaire. Doing onboarding like this saves the financial planner so much time, and makes it easier to scale and grow your business. It is also a much better experience for the clients as well, as they can watch this training in their own time and have a much better understanding of what is required of them. I also find that the interaction with me via video training helps to build up the trust factor."

CW "One example is Calendly for meeting scheduling to avoid the back and forth with clients trying to organise a meeting. Another example is Typeform, which we use throughout our client experience to gather information, including a snapshot of their financial life, their investment preferences, what's changed in their life since our last meeting, and obtaining feedback on their experience. A final example is Loom, which enables us to record ourselves on our computer screens to effectively communicate with our clients, rather than sending long emails."

JW "If it's a client-facing fintech tool, it needs to make it easier for the client to work with us and enhance their experience. If it's an internal fintech tool, it needs to integrate with our existing tech stack and be able to deliver meaningful business efficiencies. It's easy to get swept up in the shiny new piece of fintech, but adding further tools can often add complexity to processes. Therefore, it's important to weigh this up against the potential benefits before finally choosing to use the tool."

What is your criteria for selecting the right fintech for your business?

AM "Sometimes it's easy to be distracted by the next bright shiny thing. So, I always ask myself – What problem does it solve? How much time could I save? How much money could I generate? – if this problem was fixed. Then I compare that to the cost and the time to set up.

Where possible I also like to do a process manually first a lot of times, before I try to find a software solution to solve it. This way we can make sure we are matching the right solution to our business, rather than trying to do it the other way around."

CW "If it's a client-facing fintech tool, it needs to make it easier for the client to work with us and enhance their experience. If it's an internal fintech tool, it needs to integrate with our existing tech stack and be able to deliver meaningful business efficiencies. It's easy to get swept up in the shiny new piece of fintech, but adding further tools can often add complexity to processes. So, it's important to weigh this up against the potential benefits before finally choosing to use the tool."

JW "There are two critical elements that we wanted when building our fintech solution. You need a good foundation, which means having a CRM system that provides control, customisation and an open application programming interface (API). We all know that technology solutions will change for the better over time, so we need to be able to transfer data in and out to any future software solution. We have accepted that there will not be one solution but a basket of solutions working together to provide business efficiencies. Secondly, a client scalable solution that provides a great client experience and also provides the world's best compliance system.

THE FOUR PILLARS OF ADVICE TECH TRANSFORMATION

Aron Satchell of Finura Group explores the four technology challenges facing advice businesses, and explains how they can be solved.

In 2022, financial planners face a uniquely complex landscape in making technology decisions. Driving complexity are the macro factors from the Hayne Royal Commission, FASEA, WEXIT (banks swift departure from wealth), the work from home transformation following COVID-19, and now a tidal wave of capital flooding technology companies (including platforms) to bring new solutions to our sector.

"By and large, financial advice processes remain essentially unchanged over the past 10 years, as are the leading technology solutions used by financial planners. What has changed is that firms are laser-focused on the cost to serve."

By and large, financial advice processes remain essentially unchanged over the past 10 years, as are the leading technology solutions used by financial planners. What has changed is that firms are laser-focused on the cost to serve. The trend to self-licensing is dispersing technology decision-making, and consumers' expectations of digital services are higher than ever.

Finura works with many firms that now have waiting lists of clients looking for advice. Firms are corporatising and are increasingly multidisciplinary, placing additional pressure to maintain a consistent service standard and experience across the client base.

Our industry has seen an influx of software solutions tackling specific aspects of the advice process. Fact-finding is perhaps the best example. In a recent market snapshot, Finura found at least seven stand-alone fact-finding solutions. On top of this, we have seen various regtech, modelling, workflow, and document management solutions. Many have struggled to achieve product-market fit.

Financial planners consistently tell Finura they want software that integrates, is flexible, drives business efficiency, and client experience. This is a tall order for any single software vendor to deliver.

Finura estimates the TAM (total addressable market) for financial advice software to be $180 million annually. In its recent full-year results, Iress (the clear leader with approximately 70 per cent market share) reported revenue of $124 million in 2021.

This is dwarfed by other verticals, such as accounting software, where market leader Xero is forecast to achieve Australian revenue of $225 million and, unlike financial advice, has a compound annual growth rate of 20 per cent. Software companies directing their efforts at the Australian advice market are also challenged by the drastic reduction in financial planner numbers.

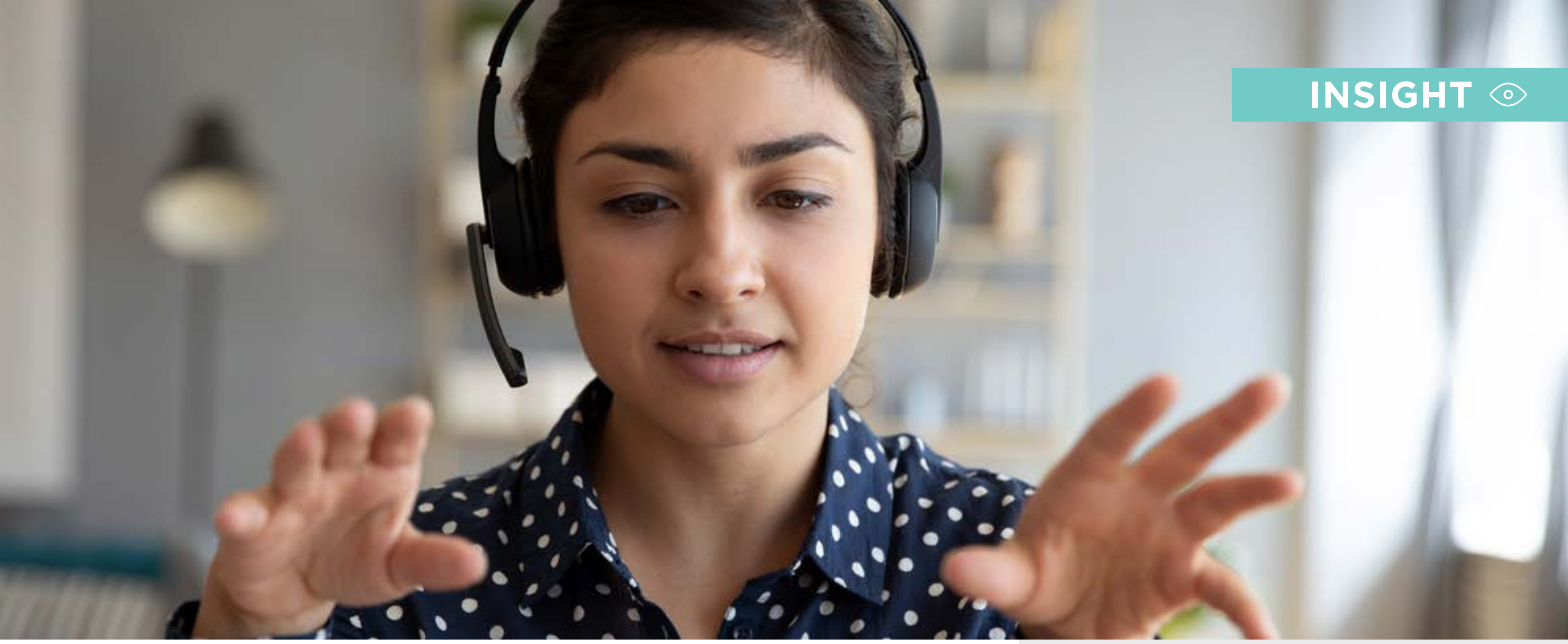
Why is all this important? Put simply, it is unrealistic to expect a single software solution (current or new) to provide a one-stop panacea for all our advice technology wishes. The market is too small, too fragmented, highly regulated, and financial planners require significant support in adoption and support.

When Finura conducts technology reviews, the challenges typically land in four buckets - Advice Process, CRM Functionality, Data Management, and Internal Capability/Resourcing. We will now step through each of these issues and discuss how these challenges are likely to be solved.

1. ADVICE PROCESS

Without question, Advice Process is the most difficult of the four to solve. In general, most firms follow a similar advice process. However, when we break this down, we see infinite variations between how firms, licensees, and paraplanners tackle the construction and delivery of advice. Typically, firms that have invested significantly in configuring their software, digital fact-finds, and highly trained paraplanners, are well ahead of the game. Yet, by and large, our average industry SOA time has not changed for over a decade.

In a recent Finura customer survey, we recorded average SOA production times of 10 hours, with the range being two hours, right through to 40 hours. Finura is aware of many providers doing their creative best to solve



these issues using technology. This is a human and technology problem.

2. CRM FUNCTIONALITY

For a corporatised firm (especially multidisciplinary), it is unlikely that an industry-specific CRM will meet all your long-term requirements.

Many corporate firms have already moved or are considering migrating to the world's largest CRMs, notably – Salesforce and Microsoft Dynamics. We expect this trend to continue, and for good reason; they offer a depth of capability, customisation and integrations that cannot be matched.

However, be warned, you cannot simply expect to let go of the tools you use to generate advice. In most cases, you will need to use a version of your financial planning software to do the core 'jobs-to-be-done' in producing advice and client reporting.

The other major caveat is cost. Do not move CRMs expecting to save money. Major CRMs will require significant spending on configuration and support. Usually, this will be done by a third-party, unless you are uniquely placed to have internal resources at your disposal. Off the shelf or highly configured versions of these are available to purchase through re-sellers, but we encourage a thorough due diligence process before deciding.

It is not our intent to scare you off. These CRMs by the world's largest software companies will provide significant benefits to the customers best placed to use them. If the pundits are correct and advice firms merge into 'super-firms', this trend will gather pace.

3. DATA MANAGEMENT

Firms have ongoing technology challenges due to poorly managed data. This can range from client-specific information to how data is structured within CRMs. Understandably, firms that have proliferated through M&A are typically more exposed to unstructured data problems. Our 2022 Tech Predictions report proposed that technology that improves data aggregation and cleansing were likely future winners.

However, no technology will solve an indifferent attitude to data capture and management. In its recent Future Ready IX Report, Business Health found that only 4 per cent of firms capture more than 20 individual pieces of information on each key client. Nine per cent of firms are now using dual CRMs.

Is putting in a new piece of technology just a band-aid solution to not treating client data as the lifeblood of your business?

4. INTERNAL CAPABILITY/ RESOURCING

The talent squeeze in our industry left by FASEA and WEXIT is not just specific to financial planner numbers. Record low unemployment means firms are struggling to attract the right talent to fulfil the future roles required in their business. If technology is going to transform our industry, we need the right people to implement it and use it.

We predict that paraplanners will likely fulfil these functions, as they have the technical prowess and software mindset to implement process improvement. However, these roles won't come cheap, due to supply and demand.

Many firms are now appointing Advisory Board members with technology experience to help lead them through this transformation. This is wise.

QUICK WINS TO IMPLEMENT IN 2022

1. **System audit:** Following the pandemic, firms have increased usage of productivity software. We often observe firms using multiple solutions to perform the same job. Do a full system audit with your team to understand the breadth of solutions being used, the costs and then rationalise.
2. **Technology roadmap:** Complete a technology roadmap as part of your business planning cycle. The Finura team have a variety of resources to support this process. The roadmap must address the critical issue of what technology you will implement to deliver your services into the future.
3. **Cybersecurity:** Increasingly, financial advice firms are being targeted by cyberattacks. We highly recommend engaging a cybersecurity specialist to test your systems and staff for weaknesses semi-regularly.
4. **Establish a technology working group:** Firms that excel in technology typically have an internal process for assessing technology decisions and performance. Ensure you have a broad group of stakeholders across your practice.
5. **Broad strategy around tech spend/ capability:** Ensure your board has a framework around technology decision-making and how you plan to budget for technology expenditure. Think about your firm's M&A strategy, client value proposition, and staff operating model. If possible, engage the services of an external adviser who can bring a broader perspective.

Aron Satchell is the Joint Managing Director of Finura Group.

TECHNOLOGY SELECTION FOR LICENSEES

As the number of technology products continues to grow, licensees have their work cut out for them in making the best choice. Tanya Seale, Group Executive Technology Solutions for Centrepoint Alliance, speaks to Miriam Fine about what to consider when choosing a tech stack to meet the needs of financial advice businesses.

In a financial services career spanning more than 20 years, Tanya Seale has worked across two areas of the advice landscape that have seen extraordinary changes. Starting out in compliance, she's also worked to support financial planners and businesses towards more efficient practice management and higher quality standards in advice. In her current role as Group Executive Technology Solutions at Centrepoint Alliance, Tanya's responsibilities include exploring, vetting and procuring software for aligned and self-licensed financial planners.

"My compliance experience gave me the ideal background for exploring the possibilities for technology to enable greater efficiency and a better experience and outcomes from the advice process," says Tanya.

"But it's equally important for technology to play a vital role in effective oversight by licensees and the regulator. The best solutions integrate effectively with both the advice process and with current compliance requirements."

As someone who had a ringside seat during remediation proceedings in previous roles, Tanya is very conscious of what's at stake when it comes to the compliance support and protection that technology can and should provide to licensees.

"Technology can be so powerful for monitoring advice and enabling financial planning practices and licensees to be on top of compliance breaches that can result in costly remediation proceedings and outcomes," she says. "Implementing best-in-class technology is a big part of licensees doing everything they can to keep advice compliant."

> *"It used to be a selling point for licensees to not mandate software. Now we are seeing planners recognise that by using common technology maintained and supported by the licensee as a base, they can still get access to a wide range of plug ins that let them customise and enhance the client experience."*

A SHIFT IN PERCEPTION

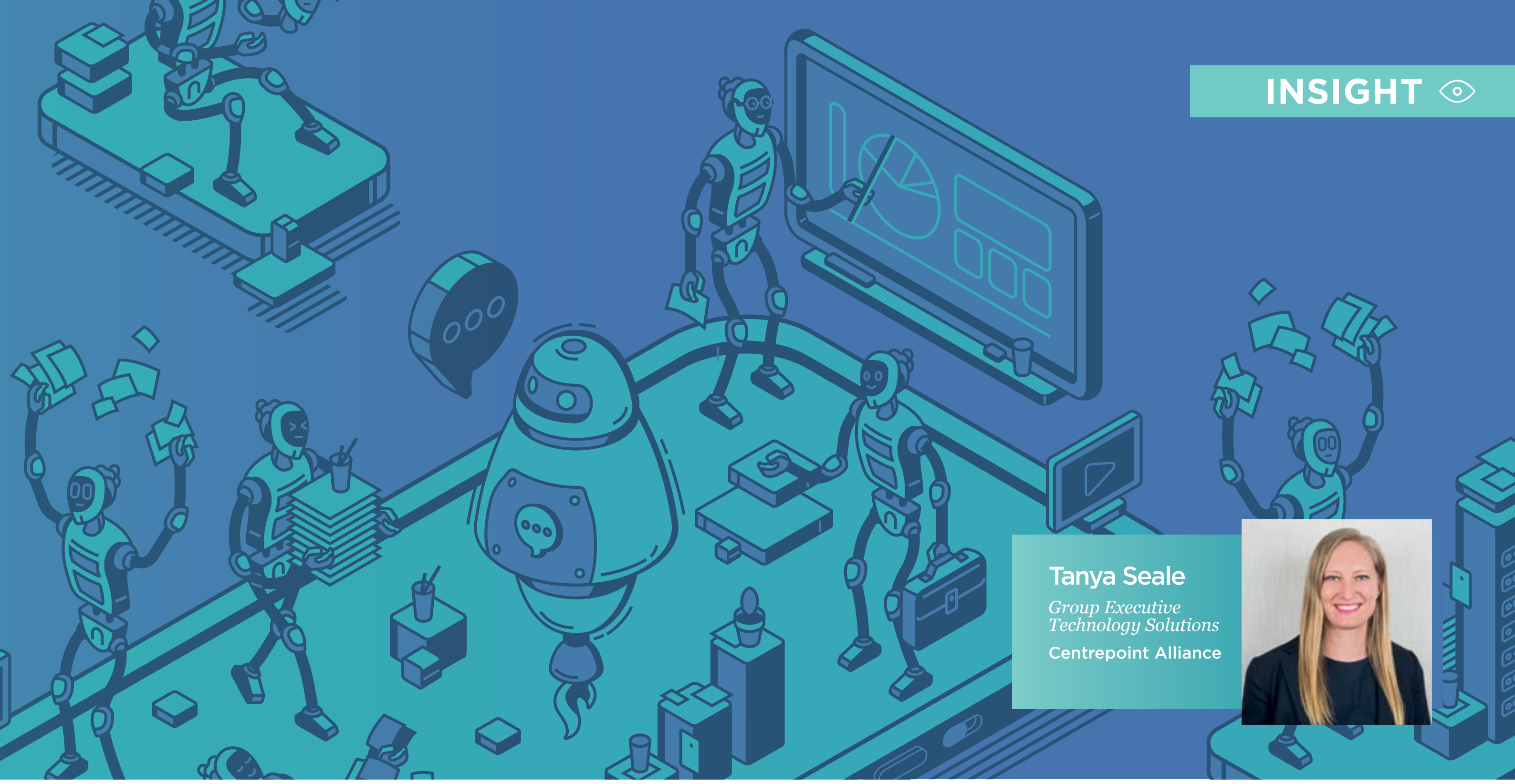
While technology has clearly advanced in leaps and bounds throughout the last two decades, the COVID pandemic has definitely forced a change in how financial planners perceive the role of technology in their operations. Just like so many other business owners, they've had to embrace a client relationship and service model that's mediated by technology in many ways, from how they run meetings to conducting fact-finds.

"Since COVID, client meetings on Zoom and Teams have become widely accepted," says Tanya. "Before the pandemic, many financial planners took the view that clients would resist the move to remote meetings and digital processes as part of the advice journey. The sudden switch to new practices that have now become the norm for many has made planners think about using other solutions that weren't a priority before, like digital signatures, for example."

This stronger drive for practices to have technology at the centre of their client experience has also shifted their ideas about the role of their licensee in providing solutions.

"It's always been important for licensees to offer something to planners in this space," says Tanya. "Planners want to spend time with clients and having technology to streamline administration can certainly help with that. For financial planners making their own investment in technology, including the time and effort involved in keeping their software up-to-date, it can take up valuable hours they could otherwise use to meet with clients.

"It used to be a selling point for licensees to not mandate software," she adds. "Now we are seeing planners recognise that by using common technology maintained and supported by the licensee as



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Group Executive Technology Solutions
Centrepoint Alliance

a base, they can still get access to a wide range of plug-ins that let them customise and enhance the client experience. Licensees are in a position to negotiate volume discounts and offer the foundations of a system that's been selected as a good fit for financial advice businesses like theirs."

It isn't only financial planners who are welcoming technology as a way to make the advice process work in their favour. The majority of clients are expecting financial planners to switch to an online version of advice delivery.

A 2020 survey of more than 1,500 Australians conducted by KPMG reported that two-thirds of financial advice customers would prefer to keep their interactions wholly online, with four out of five of all respondents preferring digital financial services across the board.

And in its Advisable Australian 2021 Research Report focusing on the consumer segment most likely to be seeking financial advice, Netwealth found that "the Advisable Australian places great value on a variety of digital wealth services, and financial advice firms need to evolve their digital offering to continue to meet their needs".

MORE CHOICE ON THE MARKET

Fortunately for financial planners, this growing interest from clients in advice firms evolving their digital offering is matched by progress in the number and sophistication of specialised technology solutions on the market.

While demand from both planners and clients has stimulated some of this increase in supply, Tanya feels the Hayne Royal Commission played a role with driving forward some of the licensee level monitoring solutions that have been developed.

> *"There are Artificial Intelligence solutions being tested to bring more automation to compliance monitoring. But with the best interest duty requirement, at some stage you need a human to look at the advice and judge whether that duty has been exercised."*

"If you look back further than five years, there weren't many providers assisting licensees with a complete solution for client and advice management and compliance," she says. "One of Justice Hayne's observations from the inquiry was that big institutions had not put adequate systems in place to monitor compliance by their financial planners and this was a significant failure to exercise their oversight obligations.

"Today we have a number of third-party end-to-end solutions offering this functionality," she adds. "Some of the bigger dealer groups have taken the DIY route but developing any of these solutions to be effective in delivering the data needed for compliance has been quite the challenge, With a tsunami of changes in regulation, it's been tricky for licensees and technology providers to keep up with what this means for compliance monitoring and reporting."

Tanya also points out that the compliance reporting delivered by technology is still only as reliable as the data entered by financial planning teams.

"The tech makes it easier for planners to hit their milestones for reporting, but it's still their responsibility to be compliant in how they're logging their advice process and documents," she says. "Plus it's up to the licensee to have the human resources to oversee reports and follow through if there's an issue.

"There are Artificial Intelligence solutions being tested to bring more automation to compliance monitoring. But with the Best Interest Duty requirement, at some stage you need a human to look at the advice and judge whether that duty has been exercised."

SHOPPING AROUND: SIX TIPS FOR TECHNOLOGY SELECTION

Tanya Seale shares some tips to consider when looking for software solutions that are a good fit for your business and financial planners, whether they're employed or authorised representatives.

1. DEFINE YOUR GOALS

The starting point should always be what are you solving for and what are the key things you want the software to do. Is it a new customer relationship management (CRM) system to help planners with better business development and communication or modelling tools to support the advice process?

2. WHAT'S THE ROI?

As part of this process of deciding what the technology can do for planners, consider the cost vs the return on investment (ROI). Technology introduces short-cuts and automation, which means efficiency gains for financial planning businesses, so try to give these a dollar value to understand if a product is worth its price tag. And if a solution can save time on a process then it's worth more to a planner if it's something they do more often – like reviews for example.

3. TAKE STOCK OF YOUR RESOURCES

Choosing the right product and vendor also comes down to how much time and resources you have available to provide support for your tech stack. Are customisable solutions better for your planners? For example, is the look and feel of an SOA important enough that they'll be prepared to spend time customising it or is an out-of-the-box solution a better option? Do you have an employee who can support planners with using the technology or is this something your vendor can do?

4. LOOK FOR FLEXIBILITY AND SERVICE

For expensive foundation technology, like a CRM, it's important to know what integrations are available. Does it have open architecture that will enable it to fit together with other solutions you already have and future technology you'll want to make use of? Is it easy to deal with the provider and are they well-established in the industry, so you can expect them to be around for the life of the product with your business and planners?

5. TEST AND COMPARE

Trying before you buy is really important. Ask for a login to a test site to play around with each app and make sure it's working as expected. If it's a larger system, explore the different modules to check it does everything it says it will. Trialling different solutions, whether large or small, will give you a better picture of what's available, so you know you're getting technology that's the best fit for your planners and the compliance information your business needs.

6. CHECK FOR SECURITY AND COMPLIANCE

Many apps and the data they gather are now cloud-based. Check if their standards for data encryption, security controls and privacy are in line with your own privacy policy and industry recognised standards like the ISO standards in data security. Most of the cloud service providers – Google, Amazon Web Services and Azure – have the highest standards of in-built security and monitoring, but it should be part of your due diligence to check this out before settling on a solution.

CAN ONE SOLUTION WORK?

With more individual tools to support specific stages in the advice process and back-office tasks, as well as out-of-the-box end-to-end software packages, what are the benefits of choosing a single complete solution over building a bespoke suite of tools from different providers? Tanya says that licensees can expect pros and cons for cost and flexibility, regardless of which path they take.

"A single solution can offer a more seamless experience for the user," she says. "It can create a data set you can rely on from a single source of truth with less redundancy. It can also be more cost-effective when you're paying for just the one software licence. However, there may be some modules that are better than others in an end-to-end solution. And having one product that does everything can make it really hard to transition to something new if your needs should change. The hassle of migrating data from one system to another can effectively lock you in to the one you're using now.

"What we're starting to see is licensees building their stack around a core CRM and then selecting best-of-breed plug-ins from other providers or choosing from optional add-on modules from the same provider," she adds. "With this approach, it's important to have an application programming interface (API) with sufficient integration to pass all the necessary data back and forth between apps and modules. And it can take time to set up and check that everything is working as it should."

Costs can also creep up gradually with this DIY approach to building a more bespoke technology offer for planners.

"This is also the case for plug-ins for your base system," says Tanya . "When these are priced as optional extras they can quickly get out of control. The cost can be worth it if planners can get that quantum in efficiency as a result. But they can sometimes struggle with the change management it takes to get everything working. A new tool might seem like one that's going to give planners a cool client feature that's really useful and flexible. And then it ends up never being used."

A BASELINE FOR SECURITY

Depending on the outcome of ongoing court proceedings brought by ASIC against RI Advice for breaches of Section 912a of the Corporations Act, the scope of licensees responsibilities for planners' technology standards could be about to change.

"Section 912a says licensees must have adequate financial, technological and human resources to provide the financial services covered by their licence and to carry out supervisory arrangements," she says. "This case could change what is considered adequate when it comes to technological resources.

"Until now, most licensees have taken responsibility by providing guidance on best practice to reduce risks associated with technology – offsite data back-ups, email filters, staff cybersecurity training, and two-factor authentication. But if we see licensees being held responsible for cybersecurity breaches experienced by planners running their own business and IT infrastructure under their licence, this could lead to a much more rigorous approach the licensee will need to take. We may see licensees providing locked down technology systems as part of licensing arrangements or auditing businesses for compliance with cybersecurity standards."

RI AND ASIC: A WATERSHED CASE FOR TECHNOLOGY AND LICENSEE RESPONSIBILITIES

WHAT'S BEEN HAPPENING

In August 2020, ASIC started court proceedings against RI Advice Group Pty Ltd, an Australian Financial Services (AFS) licence holder, following alleged cyber breach incidents at certain authorised representatives (ARs) of RI in 2017 and 2018. It alleges that RI failed to have implemented (including by its ARs) adequate policies, systems and resources, which were reasonably appropriate to manage risk in respect of cybersecurity and cyber resilience.

At the time of writing the matter was relisted for mediation on 24 March 2022 and then a trial commencing 4 April 2022.

ASIC is seeking three outcomes from the proceedings:

1. Declarations that RI contravened provisions of the Corporations Act, specifically sections 912A(1)(a), (b), (c), (d) and (h) and (5A);
2. Orders that RI pay a civil penalty in an appropriate amount to be determined by the Court; and
3. Compliance orders that RI implements systems that are reasonably appropriate to adequately manage risk in respect of cybersecurity and cyber resilience, and provide a report from a suitably qualified independent expert confirming that such systems have been implemented.

WHAT THIS COULD MEAN FOR LICENSEES

If the court finds against RI Advice in contravening the Corporations Act section 912a, this sets a new benchmark for the scope of licensees' responsibilities for cybersecurity. It suggests that licensees will need to go beyond the practice of providing guidance to ARs on cybersecurity best-practice and introduce required standards and regular auditing to ensure they're not at risk of facing the same charges as RI Advice.

"We're all watching the RI case closely, waiting to see if licensees' responsibilities for cybersecurity will extend to the operating systems of authorised representatives," says Tanya.

THE VIDEO CONNECTION

As a finalist in the 2020 FPA Innovation Award, CT Wealth is doing some interesting things with video, as a way of engaging with and connecting to clients. Cameron Teague CFP® explains the business's approach to Jayson Forrest.

CAMERON TEAGUE CFP®

CT WEALTH

POSITION: DIRECTOR
ESTABLISHED: MAY 2019

LICENSEE: MFG ADVICE

NO. OF FINANCIAL PLANNERS: 1

NO. OF STAFF: 5

FPA PROFESSIONAL PRACTICE: SINCE JUNE 2020

PROFESSIONAL PRACTICE
FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

It may only be a one practitioner business, but CT Wealth is seriously turning heads with its approach to, and use of, technology. But what really defines this Brisbane-based business is how well it uses technology to connect and engage with clients, as part of its online service model.

"As a business, everything we do is online, including safely storing all our documents in the Cloud. This allows us to work from anywhere – as long as we have an Internet connection – and be just as productive, as if we were in the office," says Cameron Teague CFP® – Director of CT Wealth.

To understand Cameron's reasons for taking the online route, you need to go back three years to when he set up CT Wealth as a fee-for-service business, focusing on strategic advice for clients transitioning to or in retirement. A focal point of his service offering is providing advice on complex superannuation strategies, particularly in relation to Government and related defined benefit schemes, like the Commonwealth Superannuation Scheme (CSS) and Public Sector Superannuation Scheme (PSS).

"From the very start of CT Wealth, I knew my client-base was national. So, I never had the option of just having a traditional shopfront with clients walking in through our Brisbane CBD front door," says Cameron. "By properly identifying my target market from the outset, we were able to lockdown a way of connecting and engaging with our potential client-base nationally. This required using technology, and building systems and processes to engage with clients in a way that was compelling and lasting."

When Cameron finally opened the doors to CT Wealth in May 2019, he did so with a business model that was specifically aimed at online advice.

"We were delivering online advice well before the COVID-19 pandemic. So, you could say, we were the early adopters of software like Zoom and Microsoft Teams, which was purely driven by the fact that our client-base was national. This meant when the pandemic hit in early 2020, it had absolutely no impact on our business whatsoever."

To support his assertion, Cameron points to CT Wealth's business revenue, which has been doubling each year since it's been operating.

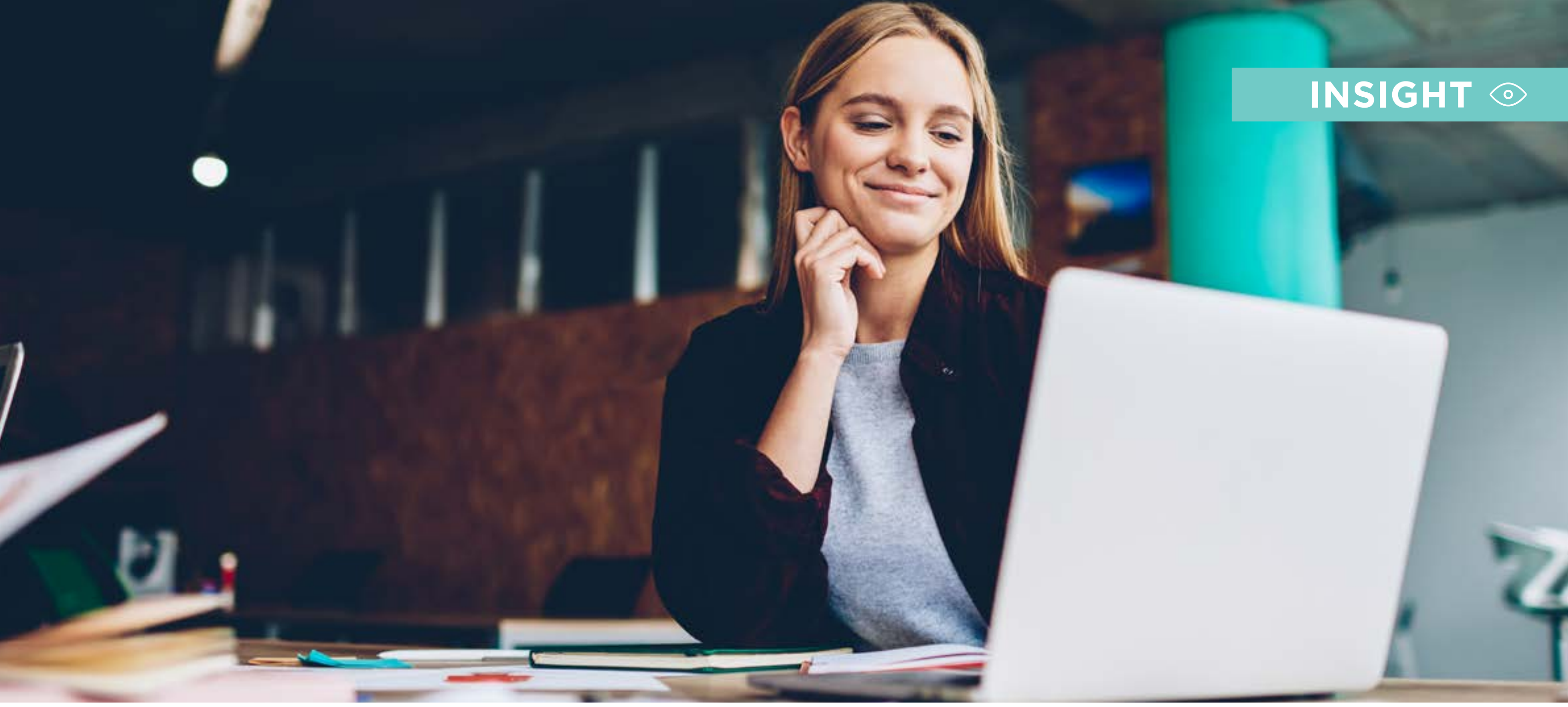
"While we're obviously going to hit a peak and plateau, the growth has been outstanding," says Cameron. "But what is particularly pleasing is just how national our client-base is. About 80 per cent of clients are not based in Brisbane, where our office is located."

SOMETHING VISUAL

When setting up CT Wealth, Cameron was adamant he didn't want to have any potential clients coming through a gatekeeper, like an accountant or lawyer. He believed relying on referrals like this makes a business vulnerable. Instead, he decided to go direct to consumers.

"I've learnt over the years that consumers are very visual. They prefer to learn about something by seeing it, rather than just hearing about it," says Cameron. "If you show a client something on a whiteboard, you can immediately see if they understand what you're doing, because they are actually watching you draw on the whiteboard as the concept evolves before them.

"As part of our approach to advice, I thought about how I could replicate a whiteboard visually for clients online."



This prompted Cameron to experiment with different software, finally settling on Doodly – a whiteboard animation software that allows the user to create professional and realistic whiteboard videos.

"By using Doodly, we set about creating a number of 'explainer' videos that were mobile friendly and of three minutes duration. The time duration was important because we identified that people watching these videos were most likely to do so commuting to and from work.

"We also found that if an 'explainer' video went beyond five minutes, then people would stop watching. But by sticking to this three minute format and making these videos mobile friendly, people watched them."

According to Cameron, these videos replicate the whiteboard online, with each one addressing a specific financial planning question. The videos also feature a 'call-to-action', which encourages people to book a 15 minute phone call with Cameron. This allows him to start "the conversation" with potential clients.

It's an approach that is working. Since beginning recording these 'explainer' videos in July 2019, CT Wealth has racked-up 193 subscribers on its YouTube channel and 32,296 views. An impressive result! Today, the business continues to focus on the videos that have been particularly successful with clients. These include: Understanding Higher Duties for PSS Scheme Members; Calculate my PSS Pension; and Contributing to your PSS Super Account.

The videos also impressed the judges of the FPA Awards, which named CT Wealth a finalist in the 2020 FPA Advice Innovation Award.

THE POWER OF GOOGLE

Cameron remains amazed at how many views these videos have had. He credits this to content that is current, easily digestible, and relevant to the needs of his target market. He also points to the importance of Search Engine Optimisation (SEO), which includes adding CT Wealth's profile to Google My Business, which has helped drive client engagement with the business.

"We knew by updating our Google My Business profile and adding links to our videos in the profile, then CT Wealth would be ranked higher by Google," says Cameron. "We have included Frequently Asked Questions (FAQs) on our website, which has also helped to start client conversations. In fact, Google loves FAQs, so if you search keywords like 'CSS' or 'PSS', we figure quite highly on Google."

This approach to creating video content and optimising the ability to search CT Wealth online, has meant the business spends no money on marketing.

"By creating these videos, we discovered we were getting massive traction to both our YouTube channel and our website. In 2021, we had a combined 40,000 page visits and 22,000 unique visits. By doing this, we were able to control the connection to the client, rather than rely on referrals or third-party endorsements. I knew we had to do that to succeed as a business."

He also adds that as an unaligned, fee-for-service business, CT Wealth is one of only a few advice businesses that have been recommended by the Australian Defence Force (ADF). "We feature on the ADF's website. So, when you get a reputable website linking to your business, it also helps to increase your ranking with Google."

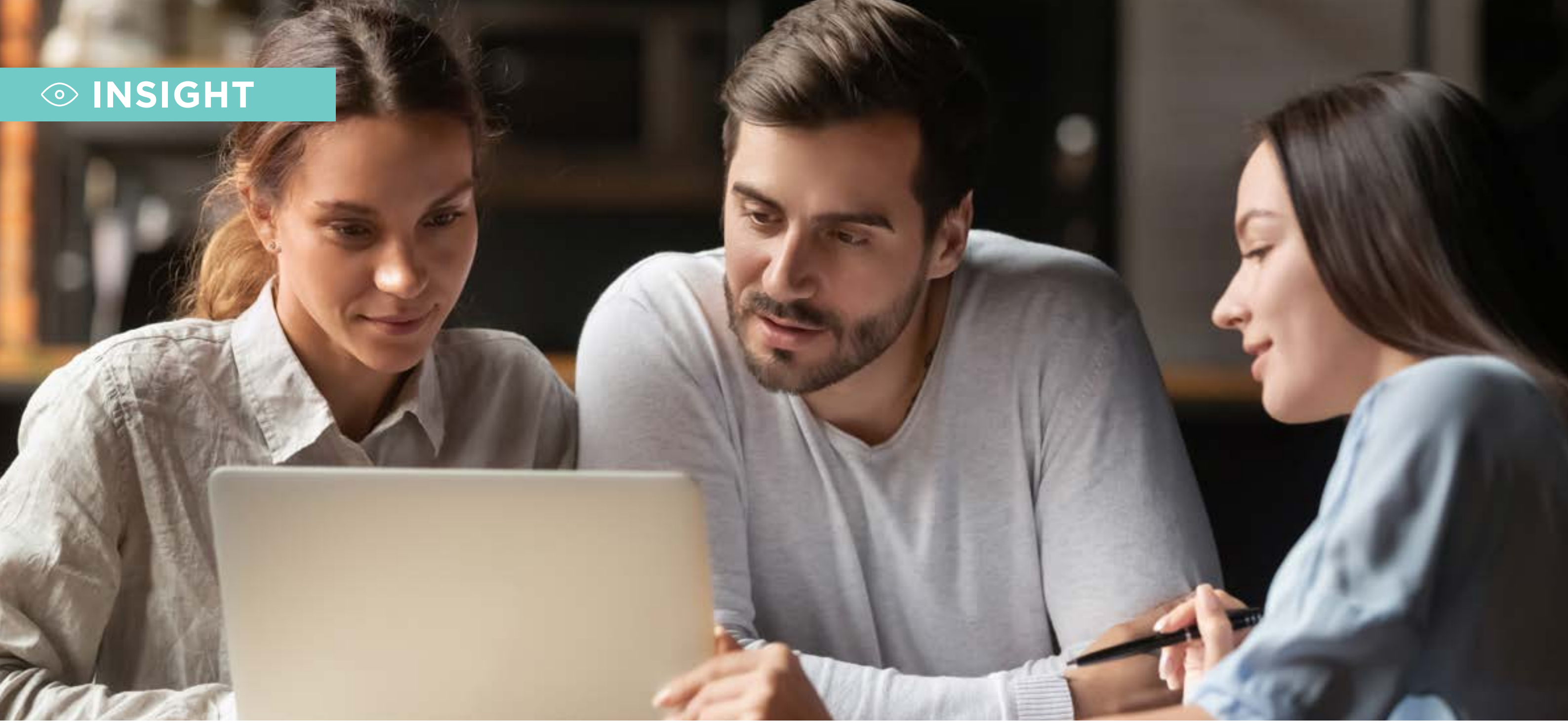
IT'S EASY TO DO

For other advice firms considering developing their own series of digital whiteboard-style videos, Cameron emphasises the importance of finding the right software that's appropriate for their needs. He is happy with his choice – Doodly.

"Each video took us about five hours to do," says Cameron. "The cost to buy the Doodly software is about $100, so the financial cost is minimal. Really, the only cost is the time it takes to do them."

However, he suggests that any planner wanting to do their own video needs to be able to communicate effectively with their target audience.

> *"If you show a client something on a whiteboard, you can immediately see if they understand what you're doing, because they are actually watching you draw on the whiteboard as the concept evolves before them."*



"There are plenty of financial planners on YouTube with videos, but no-one watches them. Why? Because they're static and boring. People don't like to watch talking heads. However, the reason we have succeeded with our videos is we have adapted the whiteboard concept to an electronic format that is very visual for the viewer, and people have responded favourably to that."

Cameron believes that in order for these types of videos to succeed, they need to be able to answer a question that someone typically asks, like: How much do I need to comfortably retire on?

"When people are looking at retirement planning, there is a whole raft of questions they want to ask. So, it's just a matter of identifying what those key questions are and then building your video around that. But remember, you need to answer the question in a format that is short – three minutes is ideal – and visual. Google loves videos, and if people start clicking on your video, then Google will rank you higher."

> *The reason we have succeeded with our videos is we have adapted the whiteboard concept to an electronic format that is very visual for the viewer, and people have responded favourably to that."*

In fact, Cameron believes online videos can almost be used as a self-perpetuating medium for client generation. "You first need to create the content, then load it onto the web, and then generate the traction – like embedding links on your website or newsletter. From there, your traffic will just grow."

CONTROLLING THE CLIENT CONNECTION

According to Cameron, controlling the connection to the client via the videos was the first step in beginning the conversation with interested consumers. The second step was converting these people into potential new clients. CT Wealth has done this by adding a 'Complimentary 15 minute phone call' button on all its website pages, where prospective clients can automatically schedule a 15 minute phone conversation with Cameron.

Sitting behind this booking functionality is Calendly – an online scheduling platform – which automatically schedules the meeting into Cameron's Outlook calendar.

This approach is working for the business, which on average receives 15 new phone call bookings every week from prospective clients. Cameron confirms these prospects are primarily being fed from Google and YouTube.

While still learning how to better optimise online search engines and technologies, Cameron reckons he and his team have done a good job in mastering the Google front-end. This has enabled the touch points the business has with consumers to be "phenomenally high", which is then converted into client engagement via the 15 minute phone call with Cameron.

"We have that initial 15 minute chat with clients and from there, we'll proceed to our first appointment or I'll direct them to other resources, like their super fund, if I believe they can assist them better."

And what about CT Wealth's paraplanning? This function is outsourced to Guideway, which also helps to reduce the business's operating costs.

LAST PIECE OF THE PUZZLE

As an online business, nothing changed too much for the firm during COVID-19. However, the pandemic did enable the CT Wealth team to enhance some parts of how the business operated.

"In our two stand-alone offices, we've always had a landline. However, we have recently moved to a voice over Internet phone line (VoIP), which has allowed us to make voice calls using an Internet connection instead of a regular analogue phone line. We now have our phone running through Microsoft Teams, which means when we have lockdowns or can't access the office for any particular reason, like a flood, our team can still work from home or anywhere else, with the same ability to call and receive phone calls on the office phone number.

"This was the last piece of the puzzle that had to go online, and we've done it now," says Cameron. "This means we can literally pick up the office and move it to another state and no-one would ever know. That's because everything we do is online, including all our documents, which are stored safely in the Cloud."

CHALLENGES AND OPPORTUNITIES

Looking ahead to the next 5-10 years, Cameron is unfazed by the number of challenges on the horizon for the profession, which he views as also being opportunities.

Apart from ongoing compliance and regulatory red tape, he believes the key challenge facing the profession is the declining number of practitioners – and at a time when the demand for advice has never been higher.

"This drop in financial planner numbers will put increasing pressure on the remaining practitioners. And while this is concerning, it's also an opportunity, as there is growing demand by consumers for quality advice," he says. "But the real risk is we won't be able to keep up with the demand."

Cameron believes the profession needs to actively encourage more students to seek a career in financial planning to plug this gap in practitioner numbers. However, he remains positive that more students will join the profession over the coming years, and applauds the efforts of the FPA to engage more closely with tertiary institutions and students.

"It's encouraging to see the FPA supporting members and new entrants with the Professional Year requirements, as well as working with them on mentoring programs and career pathways. This includes getting the CFP® Certification Program built into the Masters of Financial Planning."

And even though CT Wealth is doubling its revenue year-on-year, Cameron accepts that as the only practitioner in the business, CT Wealth is not only at capacity but is also vulnerable to key person risk. He knows that growing the business will require him to take on more advice professionals. But he says, "that's easier said than done".

"I'm a hard core fee-for-service practitioner. It's in my DNA," says Cameron. "So, finding practitioners who have the same mindset as me is a struggle. That's why I am considering taking on student graduates and helping them with their Professional Year. This is also an opportunity for me to mould the next generation of financial planners, who will be aligned to my professional and ethical values."

As a business that has embraced technology, Cameron remains confident that if fintech providers can work with practitioners to get technology working as effectively as possible, it will not only help reduce the cost of advice, but make financial planning truly accessible to all Australians.

"Integrated CRM systems and end-to-end advice solutions will make advice more affordable to Australians. It's the 'Holy Grail' for the profession and we're edging ever closer to it," he says. "Technology will be the enabler to help improve the financial wellbeing of all Australians. Now, that's something to get excited about!"

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

FPA PROFESSIONAL PRACTICE PROGRAM

The FPA Professional Practice program has been specifically designed to recognise financial planning practices that go above and beyond, by adhering to the highest professional standards to deliver best practice financial advice in the local community.

The benefits of becoming an FPA Professional Practice include:

1. RECOGNITION

As an FPA Professional Practice, your financial planning practice will become a role model, and employer of choice, within your local professional community. Your demonstration of the highest professional and ethical standards, through commitment to the FPA Code of Professional Practice and CFP® Certification, will bring your practice the recognition and respect it deserves. The use of FPA Professional Practice branding in your office, on your website and on stationary, will set your business apart.

2. NEW CLIENT OPPORTUNITIES

As part of the FPA Professional Practice program, the FPA has implemented national referral programs designed to connect Australians with your practice's financial planners.

3. PROFESSIONAL STANDARDS

By becoming an FPA Professional Practice, the quality of your business will be instantly recognisable. That's because at least 75 per cent of your practitioners are FPA members and a minimum of 50 per cent have achieved CFP® Professional status (or will become CFP® Professionals by 30 June 2024).

4. PRACTICE MANAGEMENT SUPPORT

FPA Professional Practices gain exclusive access to the FPA Ready Index and workshops with your peer business principals, as well as practice management tools and discounts.

ELIGIBILITY CRITERIA

The FPA Professional Practice program is open to:

- self-licensed financial planning practices;
- local branches of employed financial planners,
- and practices under a dealer group AFSL

That have been operating for at least one year.

The eligibility to become an FPA Professional Practice is:

- 75 per cent of your financial planners must be FPA members in the following categories: CFP® professional, Financial Planner AFP® or Associate.
- 50 per cent of your financial planners are already CFP® professionals (or will become CFP® Professionals by 30 June 2024). There must be at least one CFP® professional in the practice to be appointed the Relationship Manager.
- Your practice commits to upholding the FPA Code of Professional Practice.

For more information, go to: fpa.com.au/professional-practice or call 1300 337 301.

THE CERTAINTY CONUNDRUM

A goal all advice clients share is having greater certainty in their financial future. Iain Jeffery CFP® from Wealthpoint Financial Planning and Adrian Stewart from Allianz Australia Life Insurance speak to Miriam Fine about the challenges of delivering advice to retired clients in an increasingly uncertain world.

> *"Dan Buettner, longevity research and author, found that financial security, that is, having certainty in our financial position, has a three-times greater impact on our happiness than just receiving an income."*
>
> ADRIAN STEWART, CEO, ALLIANZ AUSTRALIA LIFE INSURANCE LIMITED

While clients have specific goals they want to achieve across all aspects of their finances – from saving for their first home deposit to planning the most tax-efficient way to transfer wealth to the next generation – certainty is an overarching goal throughout the advice journey. In fact, research has shown that greater certainty is perhaps a more important goal for clients than simply seeing their savings and investments grow. Having more assets than liabilities is bound to be satisfying. Yet it's their sense of security that can actually be more important than the dollar value of their wealth.

THE VALUE OF CERTAINTY

"A wealth of research points to the fact that financial certainty or security has great benefits for people," says Adrian Stewart, CEO of Allianz Australia Life Insurance Limited. "Interestingly, Dan Buettner, longevity researcher and author, found that financial security, that is, having certainty in our financial position, has a three-times greater impact on our happiness than just receiving an income."

Dan Buettner's concept of certainty being of greater value than simply having more wealth builds on utility theory and the concept of loss aversion which were both popularised by Daniel Bernoulli in the 18th century. According to the Swiss mathematician, people are generally willing to forgo some financial gain to be certain of a known outcome. For example, given the choice between a gamble that could earn them as much as $200 or settling for a guaranteed $150, the majority of people would take the second option.

A FOCUS ON OBJECTIVES

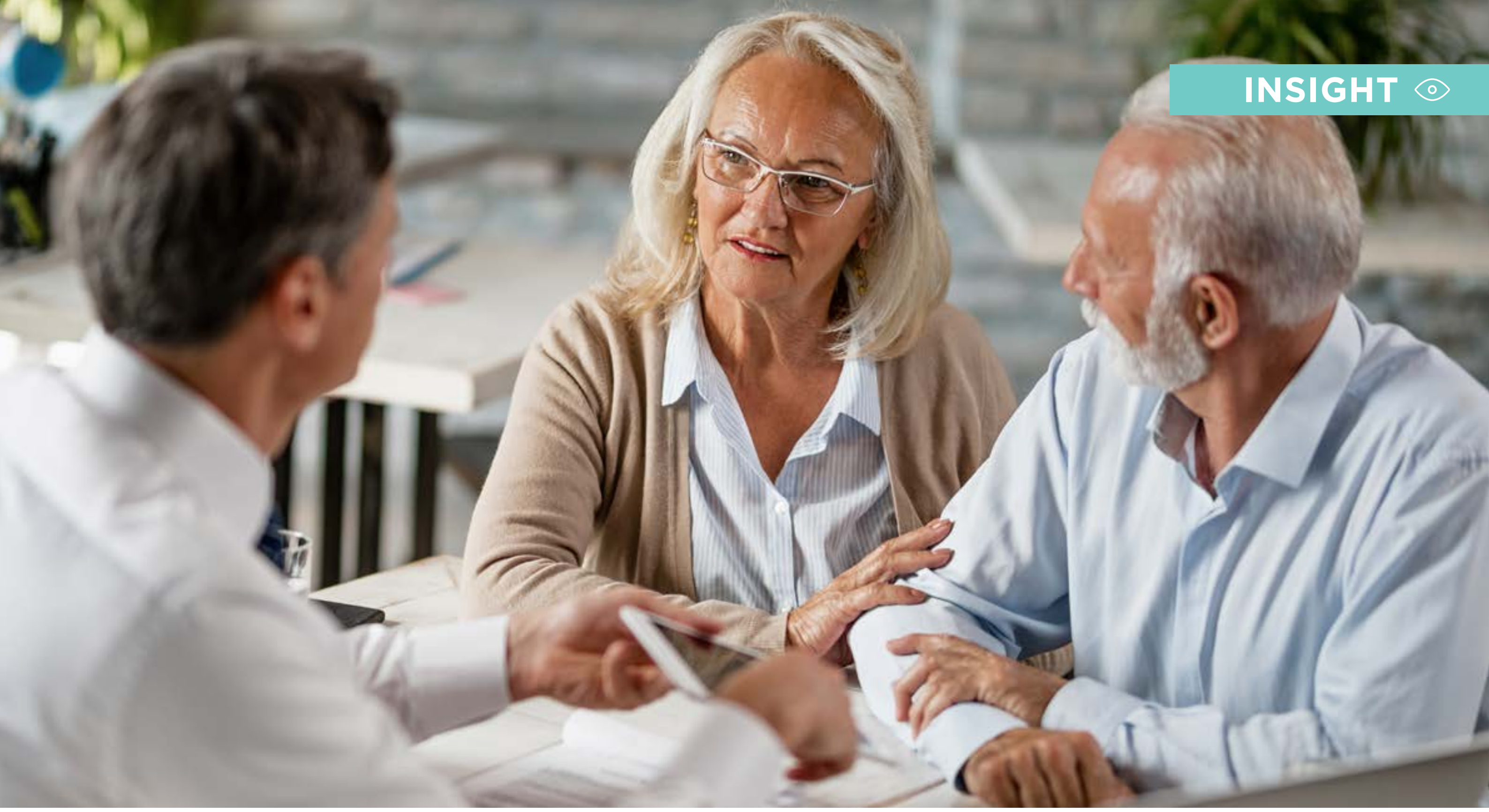
With this observation in mind, it makes sense that the role of the financial planner has evolved substantially in the last decade or so. The advice process has moved away from a quantitative focus – targeting a specific level of investment returns for example – towards an objective-based approach.

In the retirement phase of the advice journey, this approach becomes even more important because the degree of loss aversion experienced by people in retirement is considerably higher compared with the average individual. They are likely to feel the pain of a loss 10 times as much as they feel the joy of a gain, whereas for the average person, the pain of loss is twice the joy.

This element of the retirement experience makes the certainty factor even more important for clients during this life stage.

As a result, financial planners have an even greater opportunity to deliver the certainty their retired clients seek by defining objectives and then working backwards from these to give them confidence that the financial means to achieve these goals is in hand.

"Often, retirees have a picture of what they want their life to be like in retirement, not what their account balances or income levels will be,"



says Adrian. "The benefit of having a financial planner in retirement is that they can ensure the financial support required to achieve those non-financial retirement goals is in place. As a simplistic example: if a retired client says my goal is to pick up my grandchildren from school three times per week, the planner will build a financial plan that allows for the car, the insurance, the petrol, the maintenance and all the other costs associated with turning that goal into a reality."

SECURING QUALITY OF LIFE

Looking to the future in retirement with a sense of security and optimism doesn't only rely on financial resources. In the first 'active' phase of retirement, adjusting to life without the routines of working life has been shown to increase the risk of depression by around 40 per cent. But in this age group, there is strong evidence to suggest that financial concerns play a significant part in this decline in their mental wellbeing.

Research from National Seniors Australia found that 60 per cent of 50-70 year olds surveyed worry their savings won't last the distance. This scarcity mindset can often lead retirees to live far more frugally than they need to, limiting their opportunities to enjoy their time after leaving work.

"All the behaviours described in the Government's Retirement Income Review – hesitance to spend the nest-egg, leaving unintended bequests, or even making suboptimal investment choices in times of market volatility – all point to the fact that certainty is the key to a better retirement," says Adrian. "The solution, therefore, is for the industry to adopt an outcome-focused approach. We should be aiming to increase the probability of successfully achieving a client's retirement goals, whatever they may be.

"If you give people the certainty that their financial objectives are guaranteed to be met – that is, they will not run out of money, or they will not have to downgrade their lifestyle or spend less while share markets recover from a downturn – they can get on and live life and do the things that please them in retirement, today. That's the power of a financial planner, the ability to take a client's individual goals and objectives and ensure that they are financially viable. To give the client certainty that those non-financial outcomes can be achieved."

FEW GUARANTEES IN LIFE

However, Adrian qualifies this with the caveat that financial planners are not in a position to offer clients cast iron guarantees for either their financial objectives or retirement goals.

"Planners are rarely in a position to 'guarantee' outcomes for clients," says Adrian. "As a result, we often see incomes reduced, lifestyles tapered, and uncertainty rising. Historically, it's been an accepted cost of retirement planning, but now planners, clients, and the government with the introduction of the retirement income covenant, are all demanding more."

This is a view Iain Jeffery CFP®, founder and financial planner at Wealthpoint Financial Planning in Canberra, wholeheartedly agrees with.

"The word guarantee can never be used in a financial planning conversation," he says. "Whether it's how much clients will earn from their investments or how much they will spend in a given year, we can't be 100 per cent sure the numbers will line up as expected.

"But clients generally aren't looking for certainty around the amount of money they need, either as capital to invest or income," he adds. "What they need from financial advice is reassurance that no matter what happens, they will be okay. The concept of certainty in financial planning must be balanced with the knowledge that many things will change during any client's retirement journey – whether that's fuel costs rising as they are now, or a major market correction like the one we saw during the GFC. It's part of my job to explore what this might mean for their financial plan, in terms of both income and spending."

NEW CHALLENGES, NEW SOLUTIONS

As Adrian highlights, the deck has become stacked against planners and their clients in recent times when it comes to the income side of the certainty equation. The shifting landscape of both financial advice and global markets have made it far more challenging to secure the financial outcomes necessary to support clients' retirement objectives.

> “People only get one retirement, and they don’t want to leave it up to chance. Thankfully, no one is more acutely aware of that than financial planners. Planners who can provide advice based on higher confidence levels are in a stronger position to create safer and more robust financial plans, and maintain confident and satisfied clients.”
>
> ADRIAN STEWART, CEO, ALLIANZ AUSTRALIA LIFE INSURANCE LIMITED

“Economically, financially, behaviourally, even demographically, planners and clients face substantial challenges and more significant uncertainty,” he says Adrian. “With people living longer than ever before, creating stable and sustainable income streams throughout retirement is an uphill battle.

“In Australia, we have one of the leading defined contribution pension systems globally, ensuring people retire with as much money as possible,” he adds. “Unfortunately, one of the costs of this system is that all investment and market risk sits with the retiree. That doesn’t lead to much certainty. With that framework as the foundation for advice and product development, providers have not prioritised certainty.

“Increasing the probability of successfully achieving a client’s retirement goals requires a concerted effort from a wide range of solution providers to ensure the superannuation ecosystem supports a greater degree of certainty. The tools, calculators, advice, technology, platforms and super funds all have a critical role to play. It’s not an easy task, but progress is being made at an increasing rate, and this year, with the Retirement Income Covenant and new retirement solutions coming to market, will be another leap in the right direction. We can and should be offering guarantees as a baseline level of certainty in retirement.”

THE PROS AND CONS OF MODELLING

Unlike a client’s asset position, their income and spending and how these will change over time during retirement, their certainty cannot be measured and as such, it can be hard to pin down this essential element of their financial plan. Plus there will always be competing objectives in a financial plan. Offering a greater degree of certainty of one over another is often the choice clients are making, guided, in part, by their financial planner and the information they can provide based on modelling expected outcomes.

“Say a client’s number one objective is never having to leave their home and enter aged care,” says Iain. “That’s going to take a substantial commitment of assets to safeguard a sum they might need to fund care in their home for an indefinite period. At some time in the future, something might change in that clients’ circumstances leading them to reconsider the relative importance of that objective, triggering a review of their strategy and how those assets are to be invested.

“Modelling is the primary tool we have to inform their choices and priorities when it comes to reviewing objectives, whether that’s their current spending level or their capacity to help a family member with their financial goals. We’ll be looking at that alongside the return they need to act on these choices. Outputs from models like the Monte Carlo simulation we’ll often use, offer a broad spread of outcomes to show clients the probability they’ll achieve their goals given certain levels of spending and investment return.

“We love to see 99 per cent certainty from modelling. But even with that probability factored in, if we were to see negative returns for 10 consecutive years, spending levels might still need to change. Which is less of a challenge if there is a discretionary element, but far more of a problem for people already sticking to a modest budget in retirement. And conversely, if people are getting a higher return, this can create an opportunity for seeking financial advice on the maximum they can spend, without impacting their probability of achieving future objectives like leaving a bequest."

Adrian agrees with Iain that modelling and other new tools available to financial planners can be far more helpful in the advice process when they are anchored to client objectives, rather than targets for income, capital preservation and growth.

"Recent technological advancements have meant that the sophisticated tools required to complete more complex calculations are becoming more readily available," he says. "Using these tools, we can now measure the probability that a given investment approach will be able to achieve a client's objectives. Then, with adjustments to either the objectives or investment strategy, we can quantify the increase in probability. This has the effect of measuring, and ultimately increasing certainty.

"This changes the client conversation and starts to shift your perspective of risk. The risk of not achieving the client's objectives now becomes the focus, and the best solution for a client increases this probability of success and therefore, their certainty.

"People only get one retirement, and they don't want to leave it up to chance. Thankfully, no one is more acutely aware of that than financial planners. Financial planners who can provide advice based on higher confidence levels are in a stronger position to create safer and more robust financial plans, and maintain confident and satisfied clients."

BALANCING RISK AND UNCERTAINTY

According to Craving Certainty – The Retirement Mirage, a 2015 Paper from Lonsec, "ambiguity aversion is the tendency to confuse uncertainty and risk. Much is still unknown about how people assess risk versus uncertainty, but in summary it describes the preference for risk (which can be quantified) over uncertainty (which can't)." This statement sheds some light on Iain's experience concerning his clients' understanding of risk and certainty.

"Investing in something they're familiar with like property is a step some clients will feel far more certain about taking compared with other growth assets," he says.

"I think their perceived certainty in how that asset will perform has a lot more to do with a sense of control than consideration of the risks involved. Unlike shares or managed investments, it's an asset that's tangible so it feels like they're more in control of it, reducing their perception of the risks that do exist in property investment."

While some clients are in a position to choose property as an investment, others can be facing down retirement without a home they own.

According to Dr Martin Fahy, CEO of the Association of Superannuation Funds of Australia (ASFA), this is far more likely to be the case if they're city dwellers, with only 65 per cent of Sydney residents achieving home ownership by age 60, compared to just under 80 per cent for the rest of the country.

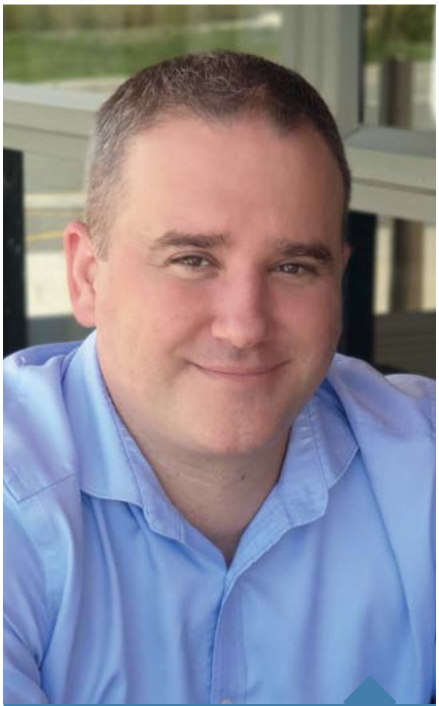
Renting privately has serious consequences for the finances needed to secure retirement objectives. According to ASFA Retirement Standard estimates, a single retiree renting privately in a one-bedroom unit in Sydney will need to spend $62,294 annually to achieve a comfortable retirement and a couple renting a two-bedroom unit will need to spend $81,997 a year. By comparison a single homeowner in Sydney needs around $43,787 a year, while the figure is $61,786 for couples.

In Iain's view, this is the one certainty his clients really do need to focus on.

"If you're going into retirement without a roof over your head, that's a major concern," he says. "In Australia there are few protections in the private rental market to give you certainty of staying where you are or knowing what your rent will be for the next 10 years.

"For clients of mine approaching retirement without a home they own, that's their number one goal. We work out a strategy for them to make it happen, which could mean working longer or planning to relocate in retirement, so they can afford to buy.

"When clients have certainty on this need, we can then turn our attention to securing funding for other objectives in their financial plan."



> *"Clients generally aren't looking for certainty around the amount of money they need, either as capital to invest or income. What they need from financial advice is reassurance that no matter what happens, they will be OK. The concept of certainty in financial planning must be balanced with the knowledge that many things will change during any client's retirement journey."*
>
> IAIN JEFFERY CFP®, WEALTHPOINT FINANCIAL PLANNING

SHAPING A BETTER FUTURE

Talking to clients about ESG and sustainable investing is an ideal way of gaining a better understanding of their core values and beliefs, while deepening the financial planner/client relationship. Jayson Forrest explains.

With greater market and consumer awareness about issues like climate change, fossil fuels, and the unethical practices of some companies and sectors, it should come as no surprise that the trend towards responsible and sustainable investing continues to gain momentum in this country.

Research from the Responsible Investment Association Australasia (RIAA) – which advocates for responsible and sustainable investing in Australia and New Zealand – shows that responsible investment assets under management (AUM) increased by $298 billion to $1,281 billion in 2020, compared to the AUM managed by the remainder of the market which decreased by $234 billion to $1,918 billion[1].

Today, most financial planners know responsible investment as a broad-based approach to investing that factors in people, society and the environment, along with financial performance, when making and managing investments.

The responsible investment sector is one of huge diversity, encompassing a wide range of investment approaches, with two of these – Environmental, Social and Governance (ESG) and Sustainability – being favoured by both financial planners and consumers alike.

Put simply, ESG investing is the systematic and explicit inclusion by investment managers of ESG factors into the investment decision-making process. Similarly, sustainable investing involves investment in themes or assets and programs that specifically relate to improving social and environmental sustainability (for example, safe and accessible water, sustainable agriculture, green buildings, a lower carbon tilted portfolio, and community programs).

NO TYPICAL CLIENT

Emilie O'Neill – the Co-head of ESG and Equities Analyst at Perennial Partners – is not surprised by the growth of ESG and sustainable investing, as investors increasingly seek to align their capital with their personal values and beliefs.

But the stereotypical view that investors attracted to ESG and sustainable investing are Millennials is wrong, says Emilie, with this style of investing appealing to a broad church of investors.

"While we are seeing a lot of interest by Millennials, we're also seeing this interest come from all investor types. They want a better and more sustainable future. They recognise the world is moving to become more sustainable and they want exposure to those investment tailwinds and sustainable thematics," says Emilie.

It's a view supported by Chris Lang AFP® – a financial adviser at Ethical Choice Investments – who says ESG and sustainable investing is incredibly important for his clients, while at Pitcher Partners Investment Services, Kellie Davidson CFP® – Partner, Executive Director and Representative – has found that typically, it's the younger generation of clients who are more focused on ESG and sustainability, and who in turn, influence their parents to take the same path.

Yet, regardless of client type, Chris still conducts conversations about ESG with every client, which he confirms, has always been positively received. He adds: "Talking about ESG is a great way to get to know your client and gain a better understanding of their core values and beliefs. It also deepens the planner/client relationship."

DON'T IGNORE ESG

With the overwhelming majority of Australians now expecting their savings (87 per cent) and superannuation (86 per cent) to be invested responsibly, it's hardly surprising that three in four people are willing to consider shifting their banking and super to an alternative provider that invests responsibly.

Emilie believes financial planners who choose to ignore this trend, risk losing clients if they are unable to demonstrate an adequate commitment to this style of investing.

"You need to have at least a general understanding of what you're able to recommend to your clients. That means finding companies and funds that are having a positive impact from an ESG perspective. You can find companies on the ASX that are delivering real world positive outcomes, but you need to do your research."

Chris agrees. He refers to a recent RIAA survey[2], which showed that two-thirds (67 per cent) of Australians believe ethical or responsible banks perform better over the long-term. It also found that four in five Australians thought Australia's financial sector should consider social and environmental impacts, even if it means that some financial returns may be lower.

"The majority of Australians are now aware they can deploy their investments to seek solutions for major world issues, not just returns. I'm not sure why any financial planner would ignore such a significant trend," Chris says.

However, that's not to say that investors have to sacrifice returns to invest ethically and sustainably. For Kellie, this is a complete misnomer. "As part of our education approach with clients, we explain that their

capital can be invested for good and generate a return. Neither are mutually exclusive, they go hand-in-hand," she says.

Chris agrees, adding that by incorporating values into investments is most likely to enhance returns. "RIAA provides annual research on this, where it compares returns between ESG and standard funds. The research has consistently found that fund managers that incorporate ESG into their investment decisions do as well as, or better than, other fund mangers over most time periods."

ESG IMPLEMENTATION

The first step in the process of building an ESG and sustainable portfolio for clients at Ethical Choice Investments, begins with taking the time to understand the values and preferences of each client in relation to investing.

This includes discussing a range of issues with clients, which enables Chris to gauge the appetite of his client – both negative and positive – for particular investments and sectors. The next step is to match a client's values to a suitable portfolio, which is appropriate based on values, risk and timeframes.

"Depending on a client's preferences and values, ESG investing is very personal for each individual. So, developing an appropriate portfolio requires a collaborative approach," says Chris. "Understanding the client, their values and goals, is the absolute foundation on which to build your recommendations. By doing so, a financial planner is able to utilise their skills and knowledge to create a solution that matches the client's values and objectives."

It's a similar approach undertaken at Pitcher Partners, which Kellie says is very client-driven. The business has embedded some responsible investment questions within its initial client fact-find questionnaire. The questions then become more granular depending on how important this type of investing is for clients. This approach helps to tease out the types of issues clients are particularly passionate about, like climate change and tackling poverty.

"This approach allows us to explore client preferences and drivers," says Kellie. "From those responses, we are able to construct portfolios that specifically tap into those preferences. After that it's all about ongoing monitoring of the client's preferences and investments, to ensure they line up. So, this is never a 'set-and-forget' approach to investing."

Pitcher Partners uses a combination of managed funds, ETFs and direct investments in its clients' ESG and sustainable portfolios, depending on the individual preferences of clients.

While Emilie agrees that financial planner/client collaboration is important when developing appropriate ESG strategies, she also believes it is important to have a conversation with the fund manager to understand where they fit in within the sustainable landscape.

For example, Perennial has a dedicated ESG strategy which invests in small and mid cap companies that are involved in shaping a more sustainable future. The strategy is available through two funds: Perennial Better Future Trust, and Einvest Better Future Fund.

Both funds screen out companies that receive any revenue from the manufacture, distribution or mining of tobacco or alcohol products, weapons or armaments, thermal coal, uranium, oil or gas, gambling, pornography, toxic pesticides, old growth forest logging, or the live export of animals.

"So, when choosing a managed fund, planners should look at a manager's underlying holdings and its criteria for screening companies, and decide if this is something your clients would expect within a sustainable portfolio. Don't just concentrate on screening out the bad, but also look at the positive impacts companies are having in helping to shape a better future," says Emilie.

HOW GREEN IS GREEN?

When considering products and funds to use, Chris recommends financial planners look for external validation from organisations like RIAA, which lists ESG certified products. These products have been approved by RIAA as having implemented an investment style and process that systematically takes into account ESG and sustainability considerations.

"Knowing that these certified products and their investment process has been reliably verified by an independent third-party, provides planners with confidence and removes a lot of doubt caused by 'greenwashing'. This is when companies deceptively try to persuade planners and consumers that an organisation's products, aims and policies are environmentally friendly."

To cut through this 'greenwashing', Chris turns to ethical fund ratings – or 'green leaf ratings' – to 'separate the wheat from the chaff' when determining the true ESG credentials of companies and investments. The 'green leaf ratings' are offered by the Ethical Advisers Co-operative (EAC), and seek to remove the marketing spin of superannuation and fund managers, assisting planners and investors in making choices for their investments that are in line with their ethical values.

Other resources Chris turns to when putting together an ESG portfolio for clients, include: Sustainable Platform (an independent Sustainable Development Goals and ESG data provider); Ethos ESG (a values-based investing tool); Evergreen Responsible Investment Grading Index (a tool to find funds and build portfolios that meet the values of investors, while comparing the portfolio to sector averages); and Sustainalytics (provides analytical research of listed companies based on their ESG performance).

"These resources all have varying degrees of success in helping cut through the marketing and greenwashing of funds, but there's no magic solution," he says. "At the end of the day, when what's being said doesn't line up with what's being executed, then companies and fund managers need to be called out on this."

Pitcher Partners also subscribe to Sustainalytics and is a member of RIAA, which provides its research and advice teams with a wide range of tools and resources to use. The business also has a six-person research team that undertakes the due diligence and monitoring of funds.

"Our research team is also charged with the responsibility of then keeping the adviser group up-to-date with what's happening," says Kellie. "The research team is constantly passing on new information, which helps to build up the knowledge of the advice team."

While Perennial also refers to the EAC's 'green leaf ratings', it relies more on its internal scoring mechanism to rate investments, which is driven by its large in-house investment team. The ESG&E score utilised at Perennial is a proprietary scoring system, where each company is given a score for ESG performance, as well as a score for company engagement.

A NO-BRAINER

When it comes to ESG and sustainable investing, both Chris and Kellie are in agreement: It's a 'no-brainer'. It's an investment approach that clients are increasingly demanding, as they seek an 'investment for purpose' as part of their portfolio.

Chris adds: "And while there is a lot to learn, you will be amazed at how understanding clients are if an ESG strategy is not done perfectly from the outset. That's because they will appreciate their investments are moving in the right direction.

"Your clients may even surprise you by providing their expertise and market knowledge to help you navigate the investment options. There's now a wealth of knowledge out there to tap into. It's a great time to start!"

FOOTNOTES

1. The RIAA's Responsible Investment Benchmark Report Australia 2021.

2. The RIAA's From Values to Riches 2020: Charting consumer expectations and demand for responsible investing in Australia.


Empower those who create a Better Future
Perennial Better Future is the next generation of authentic ESG investing.
We invest in companies making a positive contribution to society and the environment, while pursuing strong, consistent returns for investors.
Empower your clients to make investments that create a Better Future – sustainably and financially.
Why Perennial Better Future?
– Authentic ESG-first approach integrated across the entire process
– Consistently strong returns, having outperformed the benchmark
– Highly experienced and large team dedicated to finding investment solutions across small- and mid-cap markets
– Active engagement with companies to improve outcomes & manage downside risks
Start creating a Better Future today
Call us on: +61 2 8274 2740 or visit
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UNCOVERING THE HIDDEN OPPORTUNITIES

Contrarian investing provides an effective way to diversify your clients' portfolios and manage their risk. However, this approach to investing requires a long-term focus, patience, and good client communication skills. Two financial planners talk about their experiences with this approach to investing.

PETER BAILEY CFP®

"Contrarian investing is all about the opportunity to diversify clients' portfolios and therefore reduce risk."

Contrarian investing is an investment philosophy where analysts conduct in-depth research to uncover opportunities in shares that have been overlooked or discarded by the broader market. This often means purposefully going against prevailing market trends; they buy undervalued shares in a less optimistic environment, then sell when the outlook improves, and the share reprices. It is a disciplined, long-term approach to investing, requiring patience while contrarian investors wait for the market to recognise the value they have identified.

By going against popular trends in the market, contrarian investors face less competition and can pay a lower price for shares that are out of favour with the broader investment community. Paying a lower price increases the chances of achieving a better than average return over the long-term.

Contrarian investing can result in very meaningful differences in portfolio holdings, potentially delivering investors better returns than the broader market over the long-term. Why? Because if you buy and sell the same shares as the majority of investors at the same time, it is almost impossible to outperform the market.

While holding out of favour shares can be uncomfortable for some financial planners, others see it as a great opportunity.

Just ask Peter Bailey CFP®, a financial planner and Chief Investment Officer at Planning Partners. For Peter, contrarian investing is all about the opportunity to diversify his clients' portfolios and therefore, reduce risk. Planning Partners added contrarian investing to its portfolio of funds about 10 years ago.

The business uses five or six different managers, including growth and value managers, in its Australian share portfolio. "Since Planning Partners started in 1999, it has always had value funds on its recommended list. It's an investment strategy that we can get behind," he says.

It's a similar story for Tim Scott CFP®, a Director of Ford Scott Financial Planning. He explains that his firm uses a three-bucket investment approach.

The first is an appropriate cash reserve bucket, which depends on the life stage of clients – for example, whether they're accumulators or retirees and the liquidity buffer they need, given their situations.

The second is in its core asset approach. Here it employs external professional support for the asset allocation and construction of its core portfolio, and participation in the firm's investment committee. This ensures tight risk management frameworks are in place and Dynamic Asset Allocation supports this.

Finally, there is a satellite bucket, where it looks to determine a thematic portfolio that is best suited to perform in a certain market cycle.

"That satellite bucket will be larger or smaller depending on where we are in the cycle. From our perspective, contrarian investing is part of that," says Tim, with the firm allocating between seven and 10 per cent of its clients' portfolios.

"For us, contrarian investing is about the importance of not always following the herd, especially as the market cycle changes," he says. "Instead, it's about tapping into parts of the market that are less crowded."

STICKING TO THE KNITTING

Tim believes that when it comes to contrarian investing, it is very important that advice businesses work with managers that are committed to contrarian investing and have a proven track record in taking contrarian positions.

"Some managers are sometimes not true to label and will feel the pressure to conform to what the markets are doing, rather than trusting in their conviction and philosophy," he says.

"That's what attracted us to Allan Gray as a contrarian manager. They have a history through cycles to follow their disciplines, including periods where it may underperform, compared to growth investments.

"We would say as an investment manager, Allan Gray is very disciplined, and it doesn't sway from its approach when the going gets tough – and the going often does get tough."

Tim says his firm explains to clients that it expects volatility to be potentially smoother in the core bucket of investments, but that longer-term returns may be more constrained in this bucket.

"But in our satellite bucket, we are trying to source outperformance over and above the core returns. We have Allan Gray as our sole contrarian manager, but we also have one global growth manager and also one style neutral manager too," he says.

NOT FOR EVERYONE

Peter and Tim both acknowledge that contrarian investing is not for every client and can be uncomfortable for some. This is because a contrarian manager will hold shares that are out of favour with the market. Investors need to be comfortable with being different.

But they also agree that taking a contrarian approach can improve the chances of paying a lower price for a stock and therefore, achieving a better-than-average return. It also helps avoid speculative overoptimism, where stock prices rise too high, thereby reducing the risk of overpaying. If overoptimistic stocks are priced for perfection and the outcome is only 'good', the price can fall significantly.

Peter explains that both contrarian

and value managers look for stocks with share prices below the intrinsic value of the company and which are mispriced because of the prevailing market sentiment.

He adds: "A contrarian manager could buy a stock with a higher P/E multiple or something that would normally eliminate it from a value fund. It might be that the market doesn't like the stock because there's been an event or something else that's caused it to be oversold."

As an example of a global contrarian stock, Peter cites Volkswagen, which was very heavily sold off in 2015 because it had been untruthful about its emissions tests in the United States. In the scandal's first two months, the company reportedly lost 46 per cent of its value, and the damage to its brand and reputation was immense.

"That's an example of an event that's going to cost a company a lot of money. But the markets overreacted. In the cold light of day, a contrarian manager would have stepped in with the facts and figures and bought some of the stock, because it still found value in the company."

Indeed, when a stock is priced for disaster and the outcome is only 'quite bad', the price can rise considerably.

Tim explains that most fund managers invest according to macroeconomic conditions and focus on sectors and trends. After that, they will select stocks based on their in-house disciplines.

"Inevitably, the macro environment goes through periods of sustained growth, where assets become overvalued and the more opportune stocks get lost," he says.

A contrarian manager, on the other hand, will focus on identifying individual companies that appear under-priced, rather than on macro trends. After that, the manager will conduct its internal analysis of a company and carefully assess a range of potential outcomes throughout the cycle.

Peter notes that the past five years have been tough for value and contrarian managers because of the way growth and momentum stocks have outperformed.

"There can be periods of underperformance, compared to the wider market, for quite some time," says Tim. "But we've noticed in recent times of volatility that Allan Gray's conviction to some of the stocks it has held have suddenly come to fruition."

Tim says his clients are pragmatic and understand that some managers will do particularly well at certain periods and not so well at other times.

"What's important here is to look at the rationale for using a contrarian manager. I think a long-term manager that is prepared to look for higher returns brings genuine diversification to a portfolio," he says.

"We want managerial and style diversification, and to achieve this, we use three managers, of which two are SMAs, in our satellite bucket. And they all do things differently. The whole aim is to give enough breadth and have enough conviction to get the portfolio outcome we need."

Investing in a fund like the Allan Gray Australia Equity Fund also requires a long-term investment horizon, and clients need to be aware they will need to be patient and take a long-term approach. This is where good communication skills from the financial planner are necessary.

"Clients who prefer to move with the market will sometimes struggle to understand what a contrarian manager is doing, but the whole point is that a contrarian fund is designed to be very different to the general market. Especially in periods of very strong markets when the fund could perform relatively poorly," says Peter.

COMMUNICATION IS KEY

"It's on us – and me – to educate our clients about why we use a contrarian fund," Peter says.

When he invests a client in a contrarian fund, Peter ensures he spends time with the client to set expectations around what the fund can do.

"After that, you educate the client through the process because when the numbers are all over the place, they might be asking for an explanation about why we're using the fund," he says.

"It's about demonstrating what a growth manager does and what a contrarian manager does. So, at the moment, you might demonstrate the growth manager's five-year track record, which looks fantastic, compared to Allan Gray's, which currently doesn't compare as well. But then it's about talking about what the reversal of that situation would look like and how you blend funds together to smooth out returns over time."

Tim agrees: "It's all about explaining to the client what the investment philosophy is, the structure, the risk management framework, and what the underlying managers are trying to do.

"It does make for a lot more constructive and productive client conversations at review time. Then we can start focusing on our clients' needs and their strategies to achieve their goals and objectives."

However, Peter concedes he probably wouldn't use a contrarian fund for some of his very conservative clients.

"All our portfolios are bespoke," he says. "So, it does depend on the client. Sometimes it also comes down to how experienced clients are with investments. More experienced investors are likely to better understand this approach to investing."

He adds: "To be honest, we don't get a lot of pushback from clients. Most clients are not particularly interested in the names that sit in the portfolio. So, Allan Gray is not a fund that I have to sell per se. But you do tend to get more queries about a fund like this one, than one that rattles along with the rise and falls in the index.

"However, once you explain what contrarian investing is and why you are using a contrarian fund as part of their investment strategy, then people become generally comfortable about this investment approach. They acknowledge they're paying you for the advice."

Tim has similar views.

"From my perspective, clients won't focus on the one manager. They focus on things like good diversification, but they understand and have conviction in why we're investing in certain managers," he says.

"And that's where the trust comes. I think talking to clients about just one manager is dangerous. Our clients are trusting us to build a portfolio that's going to meet their goals, needs and objectives over a 10 or 15-year period."

THE TIDE MAY BE ABOUT TO TURN

Peter accepts that over the past 10 years, in particular, the market hasn't always gone the right way for contrarian managers.

However, the Allan Gray Australia Equity Fund has outperformed the S&P/ASX 300 Index over that time.

"That's a function of very low-interest rates and extremely easy money. That's when index funds and start-ups tend to do okay. But you have got to look at it in the context of the market and I think what it says to me is that now is probably a pretty good time to be adding money to a contrarian fund."

However, the bottom line, says Peter, is how shares are priced in the first place.

"That's where a firm like Allan Gray can be quite valuable because it hasn't overpaid for stocks," he says. "Another thing that I have seen with Allan Gray that I haven't necessarily seen from other managers is that it gets quite involved with the management of the companies it invests in. I do like the fact that it gets quite active in the businesses it invests in."

WORTH CONSIDERING

Like any investment, contrarian investing is not right for every investor. But for clients who are patient and disciplined, and who are prepared to invest for the long-term, contrarian investing can provide clients with great diversification for their portfolios, whilst also allowing them to better manage their risk.

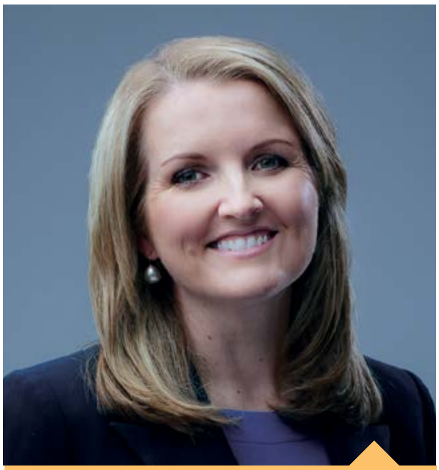
It's an investment approach worth considering as part of the portfolio management process.

TIM SCOTT
CFP®

"What's important here is to look at the rationale for using a contrarian manager. I think a long-term manager that is prepared to look for higher returns brings genuine diversification to a portfolio."

WHAT A WORKPLACE DEMANDS OF LEADERS

As the world returns to normalcy following the COVID pandemic, now is the perfect time to rethink and create the optimal workplace environment for you and your team. Michelle Gibbings provides four steps to help financial planning practices thrive.



MICHELLE GIBBINGS

"What's common, though, is the old workplace is gone, and the future workplace will be where colleagues and teams come together to socialise, brainstorm and collaborate. Your workplace is an integral part of your organisation's culture."

As we move further into 2022, we're beginning to regain some post-pandemic normalcy with our lives, particularly as people return to their workplaces and offices. This makes now the perfect time to reflect on your workplace, leadership and team, and map a course to ensure the months ahead will be successful and progressive.

There has been much uncertainty and change over the last two years. Not all of that change has been bad. For example, the discovery that remote working can work effectively, the demonstration of the adaptability of humans, and what we can do – very quickly – when we need to. Much of that you will want to retain and sustain.

Creating the optimal workplace environment for you and your team to thrive doesn't happen by accident. It involves deliberate, focused and frequent steps. Here are four important steps.

1. REFRESH YOUR CULTURE

Leaders play a crucial role in setting workplace culture, and it's never one-size-fits-all because organisations have different needs and workplaces have varying pressure points.

What's common, though, is the old workplace is gone, and the future workplace will be where colleagues and teams come together to socialise, brainstorm and collaborate. Your workplace is an integral part of your organisation's culture.

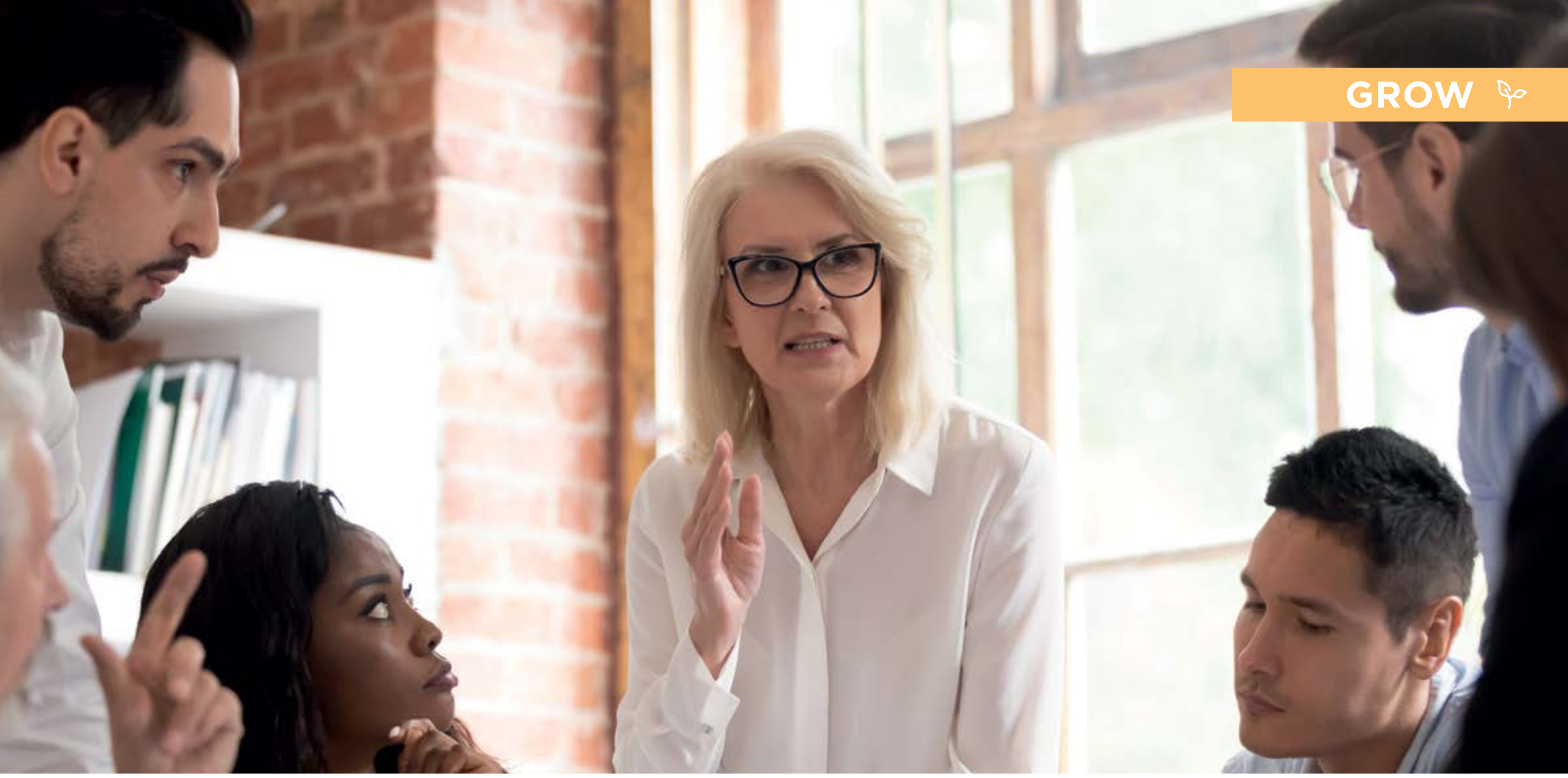
As part of the return to work strategy, reflect on your organisation's culture. How has your culture changed over the past 24 months? What elements do you wish to retain, shift or discard?

Use those insights to deliberately decide what you want to take into the future and what you want to leave behind. Such analysis will also help you understand the steps to restore or retain employee connection and your team's dynamics.

2. SAFETY COMES FIRST

International studies[1] reveal the increase in mental health issues, with experts warning the ramifications will extend far into the future. This impact has financial consequences, with the World Health Organisation[2] estimating that depression and anxiety cost the global economy over $1 trillion in lost productivity.

The need to focus on mental health at work won't go away. Many workplaces recognise the criticality of having practices to support and promote a mentally healthy workplace. A core part of this is establishing an environment where people feel not just physically safe but psychologically safe, a term coined by Harvard Professor, Amy Edmondson.



Writing in the Harvard Business Review in 2019, she said: "Psychological safety isn't about being nice. It's about giving candid feedback, openly admitting mistakes, and learning from each other."

It is knowing your team and leader won't embarrass, reject or punish you, and where there is mutual trust and respect. It is an environment where people feel comfortable to be their authentic selves.

3. AGREE ON BALANCE

It's stressful when expectations are unclear, and the workload is unrealistic. As the leader, set clear goals, responsibilities, and ways of working together, and ensure realistic expectations about workload and deadlines.

Economist John Pencavel from Stanford University found[3] that productivity declines when people work more than 50 hours each week. Even worse, working 70 hours or more a week causes the person to get the same amount of work done as people who worked 55 hours. His research highlights the impact of employee fatigue and stress on productivity and the probability of errors, accidents, and sickness.

A core part of managing workloads is setting boundaries. There are two types of boundaries – the ones you set with yourself and establish with your team.

For example, as a team, agree on the protocols about handling calls and emails outside set work hours. As the leader, set the standard. If you always take work home and answer emails late at night, you create a pattern of behaviour for yourself and your team.

4. LEAD FROM THE FRONT

People want to feel they are making progress on work that matters and that their leader 'has their back'. When that happens, it builds their commitment to their work and elevates progress.

The best leaders get amongst it and understand what it is like to be on the front-line serving clients or working at the coalface. Regularly check in with your team and listen to them. Be genuinely interested in their ideas and challenges. Doing this will leave you better placed to make decisions.

Leading from the front can't be done in isolation. So, as the workplace evolves throughout this year, take the time to roll up your sleeves and get involved. Lead the change you are seeking to make in your team, inspire their confidence and commitment, and progress will happen.

Michelle Gibbings is a workplace expert and author.

> *"It's stressful when expectations are unclear, and the workload is unrealistic. As the leader, set clear goals, responsibilities, and ways of working together, and ensure realistic expectations about workload and deadlines."*

FOOTNOTES

1. nature.com/articles/d41586-021-00175-z
2. who.int/teams/mental-health-and-substance-use/promotion-prevention/mental-health-in-the-workplace
3. ftp.iza.org/dp8129.pdf

MUSIC HEALS THE SOUL

The Soul'd Out music program is using the medium of music to build self-esteem, self-belief, and self-confidence in disadvantaged young people.

future2 GRANT RECIPIENT

ST. VINCENT DE PAUL WA

GRANT AMOUNT: $10,000

ENDORSED BY:
SHARNA MEINERTZ AFP®

FPA CHAPTER:
WESTERN AUSTRALIA

"*The Soul'd Out music program unites kids as a community, helps them belong, and gives them a sense of family. The old saying – 'music can heal the soul' – is so true. It helps give young people a way to communicate and learn.*

| *SHARNA MEINERTZ AFP®*

As a charitable organisation, the St. Vincent de Paul Society (Vinnies) needs no introduction. Since 1865 in Western Australia, the not-for-profit has continued to advocate on social justice issues, including homelessness, poverty and disadvantage.

Sharna Meinertz AFP® – who until recently worked as an executive adviser at Viridian Advisory – says Vinnies is the 'charity of choice' at Viridian Advisory, with the business particularly supportive of Vinnies' youth service – Passages.

Passages youth engagement hubs were established more than 20 years ago due to growing youth homelessness in Western Australia and the need for a unique specialist engagement service. The hubs are a joint venture between Vinnies WA and the Rotary Club of Perth and Mandurah. The two hub locations – Perth and Mandurah – provide a safe, friendly and non-judgemental space to access support and referrals for marginalised and at-risk young people aged 12 to 25.

In 2020-21, Vinnies WA recorded 1,477 new and existing clients at the hubs, with 5,477 total visits by clients to the two facilities. Over 700 referrals were provided for additional support services, which clients accessed at Passages on more than 33,000 occasions. These services included: legal, medical, alcohol and drug support, and financial support.

According to Angela Thisainayagan – Manager, Corporate Engagement at St Vincent De Paul Society – Passages engages with young people who are experiencing homelessness and disconnection from the community.

"Our objective is accessibility and inclusion for the greatest number of young people in need, enabling some of the most 'hardest to reach' youth populations to overcome disadvantage and realise their full potential," Angela says. "The service understands the complex interrelationship between trauma exposure, homelessness, mental health, substance misuse and social disadvantage, and is a safe place to seek support."

Through her work at Viridian Advisory, Sharna became involved with Passages. She was therefore delighted when Angela reached out to her for endorsement of its Future2 grant nomination.

"I have always felt Passages is one of those charitable services that society does not see or know about, despite the amazing work it does," says Sharna. "I have seen firsthand the difference that Passages makes to a young person's life. A friend of my son was homeless at 15, due to their gender fluidity. Passages helped get them off the street, into shared accommodation, and now this young person is an apprentice hairdresser, working hard to get educated and save for the future."

SOUL'D OUT

Sharna's endorsement of Passages' Future2 grant application paid off, with its Soul'd Out music program securing a $10,000 Future2 grant. The program is designed to allow young people to express themselves safely using music – whether this is through song, writing lyrics, and making music – as a means of engaging with vulnerable and marginalised young people who are at high risk of, or experiencing, homelessness.

The Soul'd Out music program provides young people with real life positive learning opportunities that empower them to build self-confidence and resilience, and to

The Soul'd Out music program is uniting young people, giving them a sense of community and family.

better connect and engage in their local communities.

According to Angela, the Future2 grant will allow Vinnies to fund a facilitator to run the Soul'd Out music program. The facilitator establishes a therapeutic relationship with a young person, integrating mentoring and coaching, while recognising each person's individual needs.

"Engagement is the first step to building trust. Only when trust is formed, can the facilitator work towards understanding the complex issues of our program's participants and support them on their life journey."

MUSIC AND RELATIONSHIPS

Connecting with the young people who visit Passages' youth engagement hubs is essential to being able to provide them with the types of support and referrals they need in a safe and positive environment. The Soul'd Out music program is a way of helping to build those relationships.

Each week, one of the consulting rooms at Passages is transformed into a mini recording studio where Passages' youth worker, Aaron D'Vaz, collaborates with young people to create a variety of music.

"The young people are writing music tracks with each other and coming to show me what they have written, which is awesome. It means they are making positive relationships through the music," Aaron says.

"As the facilitator of the program, the most obvious observation I have made is the confidence it instils in young people. Initially, all participants are very nervous and by the end of the session, they are on a high and bounce out of the studio. It's such a great feeling to see how they light up with a new-found belief in themselves."

The Soul'd Out music program is structured to help young people:

1. Improve their mental health and wellbeing, build confidence, self-esteem and resilience;
2. Improve community connection by providing positive and productive experiences;
3. Increase motivation for program participants to seek out prosocial networks and connections; and
4. Increase self-awareness and opportunity for creative interests, vocation and employment.

"Music is a medium that young people understand and respond positively to," says Sharna. "One-on-one sessions build trust between young people with youth workers, and this trust leads to better engagement in the support services. It's a terrific program for young people.

"The Soul'd Out music program unites kids as a community, and gives them a sense of family. The old saying – 'music can heal the soul' – is so true. It helps give young people a way to communicate and learn."

CHANGING LIVES

The Future2 grant has helped improve the confidence and self-belief in participants. Aaron recounts one story of a young person who turned his life around after engaging in the Soul'd Out music program.

"He was really struggling mentally and battling alcohol and drug issues. In one session, we just finished recording this track when he broke down. The song had allowed him to verbalise his feelings and reflect on changes he wanted to make in his life. It was at that point he reached out for help and Passages was there to support him. We got him into a rehabilitation program and since finishing, he has totally turned his life around," says Aaron.

Stories like this continue to inspire Sharna, who acknowledges the difference the Soul'd Out music program is making in the lives of disadvantaged young Australians.

"There's no doubt that kids on the streets don't get the same support as an adult in the same situation. These kids have limited access to Centrelink, Medicare and homeless shelters, as they require parental permission. We take it for granted that we can access Centrelink, however, if you have no identification, no phone, and no support, where do you go? This is where young people turn to drugs to help them stay awake at night, which is when they are at their most vulnerable," Sharna says.

"If we break the cycle at this point, and provide these kids with support, and give them a sense of community, then they won't become part of the ever-worsening problem of long-term homelessness. We can break the cycle!"

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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

JENNEKE MILLS
IOOF

SUPER BILL PROVIDES SUPER OPPORTUNITIES IN 2022

With yet another raft of super changes now law, 1 July will bring with it a range of strategic advice opportunities for older clients. In some cases, the changes could also flag a need to reconsider recommendations which were intended to be implemented before 30 June.

This article examines three of the key super contribution changes in detail, including the advice opportunities, implementation considerations, and how advice could be impacted in the lead up to 30 June.

WHAT YOU WILL LEARN

- Removal of work test
- Bring-forward NCC eligibility
- Extension of downsizer contributions
- Downsizer NCC or PDC

This article is worth
0.5 CPD HOURS

ASIC knowledge area
SUPERANNUATION

Legislated CPD area
TECHNICAL COMPETENCE

ARTICLE 2

JASON TODD
MACQUARIE

HOW HAS THE WORLD EVOLVED SINCE THE ONSET OF THE PANDEMIC?

This article contains the views of a selection of leading domestic and international investment experts on the post pandemic world.

Their insights are provided at what is considered to be an important juncture for the global economy and financial markets, which have had to navigate a global pandemic over the past two years.

These investment specialists discuss a range of issues, including: the long-term implications of COVID-19; geopolitical issues; economic and interest rates outlook; and the outlook for various asset classes in 2022.

All these issues will be important for financial planners to consider when they are building and managing client portfolios this year.

WHAT YOU WILL LEARN

- Implications of COVID-19
- Geopolitical issues
- Economic and rates outlook
- Asset class outlook

This article is worth
0.5 CPD HOURS

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