OFFICIAL PUBLICATION
OF THE FINANCIAL PLANNING
ASSOCIATION OF AUSTRALIA

Financial Planning

Volume 27 Issue 9

October 2015
$15.00

Success: The Byrne-ing issue

Jennifer Byrne on how her vision shaped her career path and future

THIS ISSUE: 10thousandgirl program / Insurance premium structures Re-contribution strategy / Congress 2015 / Drawdown risk

PP100007614

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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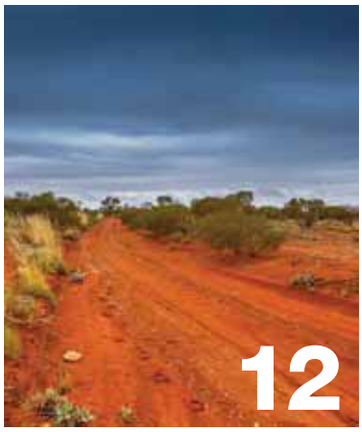

Financial Planning magazine is the official publication of the Financial Planning Association of Australia Limited (ABN 62 054 174 453)

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ABN 80 132 719 861
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FSC MIX Paper from responsible sources FSC® C011303

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Average Net Distribution Period ending Mar '15
10,640

Catalysts for change

We often underestimate just how much we can make a difference. We are catalysts for change, and we have much to be proud of.

In thinking about what's been happening at the FPA, it struck me that the underlying theme is change. Whether it's giving back to the community, getting involved in Financial Planning Week or this year's FPA Professionals Congress, we are affecting change.

Changing perceptions

A heartfelt thank you to those members who got involved in our 15th annual Financial Planning Week. We had an extraordinary level of support from Chapter Chairs who took part in local radio and newspaper opportunities.

A total of 25 members also volunteered their time for Ask an FPA Expert, which generated over 9,000 visitors during Financial Planning Week. Many more supported the campaign through social media and local advertising.

In my mind, this campaign gets better and better every year and you can read more about the highlights in this edition.

Some of you are also dedicating time to participate in the 10thousandgirl Regional Women's Financial Literacy Project, taking place around Australia over the next two years. The feedback has been great so far, and in this edition, we interview two of our volunteers for more insights into the program's purpose.

We also recently entered into a partnership with *Money* magazine, as part of our drive to raise awareness with more consumers. Through the partnership, we will undertake a wide range of activities, including a 'money makeover' series that demonstrates real life examples of how FPA members have helped clients, a consumer 'super makeover' event, and ongoing editorial and advertising. This is an exciting initiative which will enable us to reach the readers of Australia's leading personal finance magazine.

Shaping futures

In this issue, you'll also find an interview with one of our FPA Professionals Congress speakers. We are delighted to have journalist and broadcaster Jennifer Byrne speak at the Women in Financial Planning breakfast, taking place on Thursday morning of the Congress. Jennifer will provide insights into her life's story and also share her tips on navigating a satisfying career path. You can catch a sneak preview in this edition.

A heartfelt thank you to those members who got involved in our 15th annual Financial Planning Week.

If you haven't yet booked for the Congress, make sure you don't miss out. This year, we're taking a revolutionary approach to our keynote sessions. We recently announced TED Style 'Shaping Futures' sessions and we'll shortly be announcing the speakers.

Stay tuned!

Mark Rantall CFP®
Chief Executive Officer

Financial Planning Week 2015
Life stage awareness

The FPA recently conducted its 15th consecutive Financial Planning Week (24-30 August), with this year's targeted life stage awareness campaign successfully engaging the appetite of different demographic groups for financial advice.

With the spotlight firmly focused on the financial planning profession, the FPA used this year's Financial Planning Week (24-30 August) to continue raising awareness about the benefits of seeking good financial advice from a professional financial planner.

A key difference to this year's campaign was to educate and engage with Australians by life stage, with blog content they could easily identify with. The blog provided targeted financial content for various demographic groups – spanning from young to mid-life, pre-retirement and retirement.

The consumer blog recorded 6,364 views. Two of the most popular blogs included 'How to pay off your HECS debt', which was focused on those aged between 20 and 35 years, and 'How to manage the conflicted years', aimed at those aged between 35 and 50.

This content was provided via Facebook, which reached the news feed of 1.4 million Australians. The content also directed consumers to the 'Ask an FPA Expert' forum, which in turn also directed traffic to the Find a Planner directory.

Commenting on the life stage awareness initiative utilised this year, FPA chief executive officer, Mark Rantall said that while people aged 55 and over were the most engaged with Financial Planning Week, the campaign showed that people as young as 16 were also asking questions about their finances.

"This year's Financial Planning Week made it clear that many Australians are concerned they won't have enough money to retire on, giving us specific insights into consumers' pain points and how financial planners might help alleviate that stress," Rantall said.

"Often we assume that young people aren't actively looking to manage their finances, but Financial Planning Week has revealed that their appetite for advice isn't much different from the retirement age group."

Local Ambassador Program

Throughout Financial Planning Week, FPA Chapter Chairs participated in local media opportunities to raise awareness of the benefits of good financial advice. This included assisting with newspaper articles and radio Q&A sessions with consumers. This initiative helped to create awareness and a buzz around Financial Planning Week at a local level nationwide.

Ask an FPA Expert

Over 9,600 people visited the 'Ask an FPA Expert' online forum during Financial Planning Week. The online forum enabled consumers to post their questions to an expert panel of 25 FPA members, who volunteered their time to respond to these questions.

Media blitz

The FPA rolled out an intensive media campaign in the lead up to, and during, Financial Planning Week. The campaign targeted national, metropolitan and local media outlets, as well as selected social media platforms.

There were 55 pieces of media coverage for Financial Planning Week, with 67 per cent of the coverage achieved across consumer facing publications. The media coverage included print, radio and online.

Social media

As part of this year's Financial Planning Week, the FPA ramped up its social media activity by rolling out a range of strategies to engage different consumer segments in the campaign. Content from the consumer blog was re-purposed for various social media channels, such as Facebook.

"This year's Financial Planning Week delivered the message that the right advice from a professional financial planner can have a positive impact on the financial future of Australians at every stage in their lives," Rantall said.

FINANCIAL PLANNING Week 24-30 August 2015

Super records heavy losses as stock markets fall

The recent volatility in investment markets, sparked by concern about China's growth, have heavily impacted Australian super funds, with the median Balanced Option recording a 2.9 per cent fall in August, the largest monthly loss since February 2009.

"On the back of concerns about China's growth prospects, falls across major stock markets have made August one of the toughest months for super funds since the GFC," said SuperRatings founder, Jeff Bresnahan.

Australian markets were in free-fall, with the ASX200 Accumulation Index down 7.8 per cent in August. The Australian Listed Property market also experienced a 4.0 per cent fall for the month.

Global markets were also highly volatile in August, with the benchmark MSCI World Ex-Australia Net TR Index falling 6.5 per cent. While a 2.0 per cent fall in the Australian Dollar against the US Dollar helped offset some of these losses, returns on International Shares remained in the red.

"While Balanced funds experienced losses in August, once again, the benefits of diversification across asset classes within these portfolios was evident, with the declines well below those experienced across most major growth asset classes," Bresnahan said.

The 2015-16 financial year has experienced a shaky start, with the median Balanced Option return for the two months to August sitting at -0.6 per cent. This is well below the median financial year-to-date return of 2.1 per cent observed this time last year and may continue to worsen further, with returns on major sharemarkets also negative during the first two weeks in September.

"With further market volatility expected and ongoing concerns over global economic growth in the coming year, the ability of super funds to manage down-side risk will be crucial going forward," Bresnahan said.

Summer Semester for CFP® Certification

Enrolments for the CFP® Certification Program Summer School are now open for 'CFP1: FPA Professionalism' and 'CFP4: Investment Strategies' only. Final enrolments close on 6 November 2015.

CFP Certification is the highest financial planning qualification worldwide, and for planners wanting to attain this prestigious designation, the FPA is committed to supporting you at every step.

The CFP Certification Program is a world class course, designed by respected financial planners and academics. The content is leading-edge, continually updated and packed with strategies for modern day financial planning.

Structured over five units, the course is delivered by distance learning and offers the freedom and flexibility to study at your own pace, around your work and family commitments.

There are many pathways to enter the CFP Certification Program and the FPA will work one-on-one with each student, to find the best solution for your needs. Potential pathways include:

- An approved degree (exemptions may apply)
- A financial degree with a Diploma of Financial Planning (or DFS(FP))
- A non-related degree with an Advanced Diploma of Financial Planning (or ADFS(FP))
- An Advanced Diploma of Financial Planning (or ADFS(FP)) and working towards your degree
- Eight subjects from an approved Masters (Graduate Diploma)

In addition, the FPA offers a full range of tools and resources to help students complete the program and achieve the best possible results in their studies.

To join the 5,500 CFP practitioners in Australia, and over 157,500 professionals globally, go to www.fpa.asn.au or contact the FPA Education team on 1300 337 301 or at education@fpa.asn.au

The FPA congratulates the following members who has been admitted as CERTIFIED FINANCIAL PLANNER® practitioners.

ACT

Premjit Uberoi CFP®
Westpac Banking Corporation

NSW

Andrew Rae CFP®
Elixir Private Wealth

Liwati FU CFP®
St George

Mohammad Ali Hamzei CFP®
Price Financial Intelligence

QLD

Leesa Graham CFP®
AccuVest

SA

Benjamin Haynes CFP®
Haysman Financial Services

Matthew Anderson CFP®
Pinnacle Wealth Management

VIC

Tao Qu CFP®
NAB Financial Planning

Benedict Bongiorno CFP®
Bongiorno & Partners FP

Paul Yeo CFP®
Westpac Banking Corporation

Nicholas Thomas CFP®
First Financial

Ryan Pickles CFP®
Hamilton Morello

TED style keynotes for Congress

This year's FPA Professionals Congress will feature a fresh approach to the keynote presentations with TED Talk style sessions designed to give you access to more speakers and more great minds.

The two Shaping Futures sessions will deliver a series of curated speakers who will inspire and ignite discussion, and challenge your future thinking – personally and professionally.

The line-up brings together business leaders and respected professionals, including fellow financial planners who will take the stage and share their passion and vision for the future.

Six game-changing speakers will be anounced later this month:

1. A presenter who's TED Talk is the most viewed outside of the US.
2. A creative thought-leader and TV personality.
3. A four-time winner of Retailer of the Year.
4. A performer who has graced the stages worldwide.
5. A world leader in life changing surgery.
6. A recent winner of Young Entrepreneur of the Year.

To read more about this year's Congress, including Jennifer Byrne's presentation at the Women in Financial Planning Breakfast, go to p14-21.

ADVISER USE ONLY

BE BOLD
BE CAUTIOUS
BE READY

the INVESTMENT SPECIALIST series #10

Investing in retirement is becoming increasingly complex. The current low-interest rate environment, and continued volatility in some overseas markets, all add to the challenge of constructing a portfolio.

Having the confidence to know when to be bold, and when to be cautious, is why we have formed an alliance with Sanlam - to introduce three new and innovative managed risk funds. Sanlam's risk management strategies could give your clients the confidence they are seeking in retirement.

Access an innovative managed risk strategy that could help maximise the benefits of long-term investing; minimise exposure to major market declines and maximise rising market opportunities.

Be ready for next with Colonial First State and the Sanlam Managed Risk Funds.

Get the full story from the specialists
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MDAs: The next big thing?

Q: Managed Discretionary Accounts (MDAs) have long been touted as the next 'big thing' in financial services. Are MDAs a suitable option for planners and their clients?

Rebecca Fergusson CFP®

Principal and Private Client Adviser, Main Street Financial Solutions

Licensee: Fitzpatricks Private Wealth

There is no doubt MDAs provide efficiencies for both financial advisers and investors, and there is an emerging trend towards MDAs in the marketplace generally.

Traditionally, with fully advised clients, there is the need to provide written advice for every portfolio change. This process costs advisers in terms of resourcing and staffing, and it can cost clients because of missed opportunities and potentially higher transaction fees. An MDA can save the adviser time and enable them to provide high quality, personalised advice to their clients.

For advisers, an MDA allows them to provide the type of direct investment solution demanded by many clients, while enabling them to achieve scale efficiency gains within their practice.

Combined with a suitable investment value proposition, a revenue stream can be created and operational costs can fall. This is achieved through reducing compliance risk and costs, managing more clients with less people by reducing administration costs and time through systems, and automation of reporting and corporate actions. This frees up advisers to spend more time focusing on core competencies, managing client relationships, and client acquisition and retention.

Clients benefit from ongoing monitoring and active management of their portfolio by investment specialists. They also get the benefit of direct ownership and with the help of their adviser, can have greater control over their tax outcomes. Access to professional portfolio construction can also lead to lower risk and better linkage between advice, product solutions and client outcomes.

Managed accounts offer an opportunity to better the interests of investors, advisers and business owners alike.

Mark Hayden CFP®

Director, Hayden Financial Services

Licensee: Hayden Financial Services

MDAs, or an evolution thereof, will be a significant part of the future for financial planning because the industry needs better investment solutions.

Currently, there are lots of clips of the ticket between the investor and the end investment. Two key players are the adviser, who works alongside the consumer, and the investment specialist who is at the other end of the chain – selecting specific investments. In between these two key players are others that add costs but minimal, if any, value. FinTech solutions may provide answers.

Bill Gates said: "We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next 10." Interestingly, changes do not occur in a straight line and the rate of change may be faster for the next year or so.

The investment and financial planning industry has been attractive for product suppliers for many years because the sellers have held nearly all of the knowledge and the buyers have had minimal knowledge and had minimal collective power. The buyers (consumers) have often relied on their advisers who have been directly, or indirectly, representatives of the supplier. The advisers' time is limited and covers structure and strategy matters, investment matters and product design knowledge.

The over-complication of products or services has benefited the supplier rather than the consumer. Transparency will help to simplify the steps of the financial planning process and ensure better outcomes.

My search for true long-term investment solutions has continually hit barriers but MDAs will help lead to better solutions.

There is a distinction between professional and amateur investment solutions, and the pre-occupation with short and medium-term aspects has detracted from long-term performance. The industry may not be broken but it is far from ideal.

Suppliers are happy and consumers are told they should be happy; but change is occurring and MDAs or other FinTech solutions will play a role in the new industry.

Rob Coyte CFP®

CEO and representative, Shartru Wealth Management

Licensee: Shartru Wealth Management

I am excited about our MDA that has just been implemented.

This will provide advisers not only with the ability to tailor the investment strategy for the client but will also enable delivery of it efficiently and effectively. In the modern world where financial markets move with exceptional speed and ferocity, it is paramount that your investment strategy changes can be implemented just as fast for all your clients.

Coupled with the usual advantages of direct ownership such as tax management and transparency, this makes the MDA the administration platform of the future.

Want to have your say? Join the debate on the FPA Members' LinkedIn Forum.

Daryl La'Brooy CFP®

Financial Adviser,
Hillross Financial Services

Licensee: Hillross Financial Services

We are in the advice profession, not in the area of product sales. Therefore, it's all about ensuring our clients are able to achieve their personal goal and helping them get there. It's not about trying to sell them a product.

My clients have been using MDAs for more than 20 years, so in terms of the next 'big thing', could this be a little like everything old is new again?

MDAs have a role to play in client portfolios should there be a need. However, MDAs aren't the only way a client can achieve their goals. The world has changed in the last 20 years and clients have a lot more choice these days. Direct share portfolios are a lot more common now, tailored to a client's specific needs rather than the typical MDA offering which is a model portfolio.

With the rise of sophisticated platforms, shares can be purchased in superannuation accounts. The popularity of SMSFs also means that direct share investments within the vehicle is ideal.

There are some clients who like the benefits of direct share ownership but not the chore of managing the portfolio themselves. An MDA would suit these clients. My clients who have MDAs certainly fit this type of personal profile.

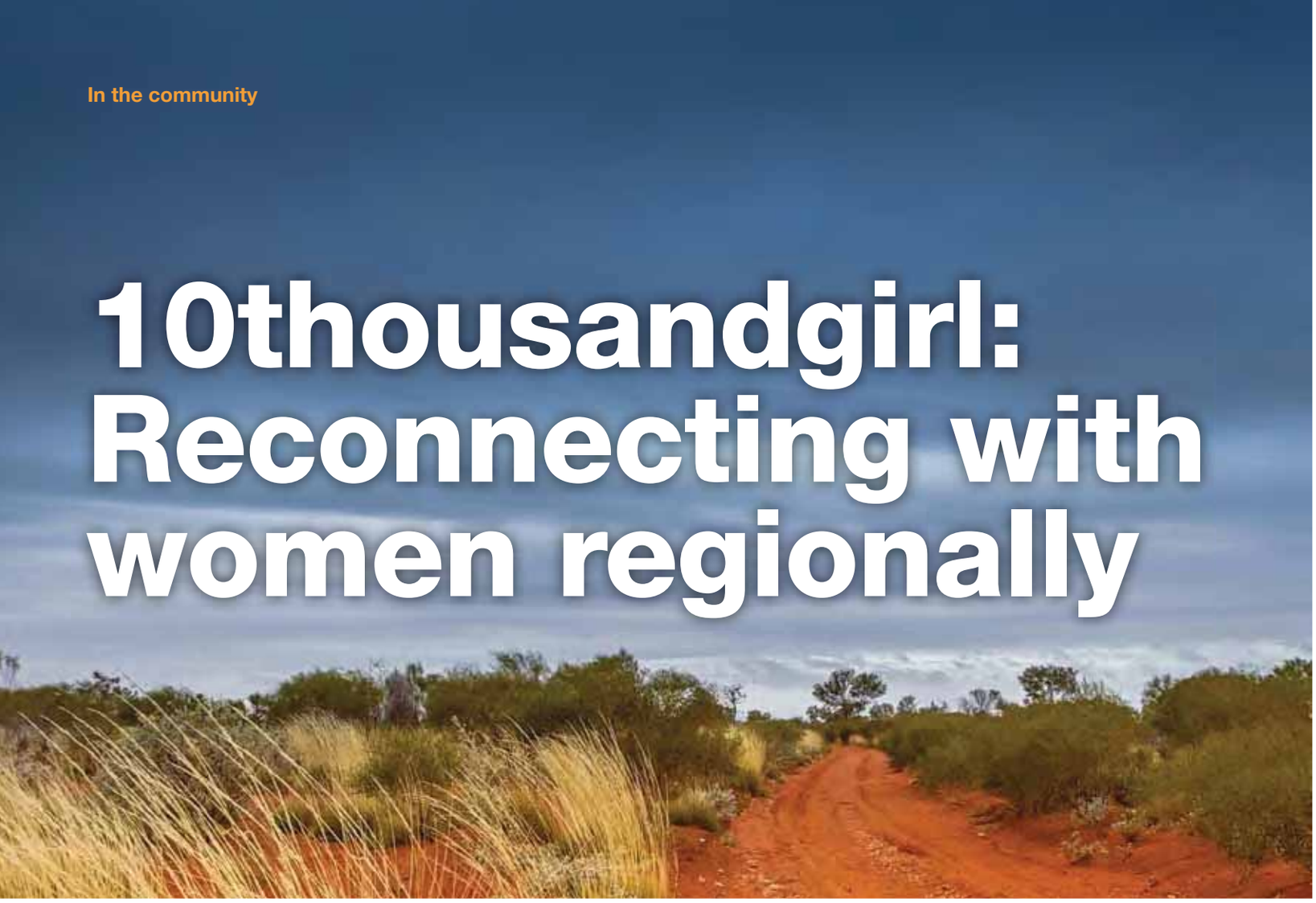
Ultimately, as we all know, financial planning allows us as advisers to choose a number of different routes to get a client to their preferred destination. MDAs are just one option in our tool kit of implemented advice.

The rules of diversification still apply and the need to restrict the amounts of money in such a product should be considered. Setting expectations with clients is important. If the MDA manager turns over the portfolio vigorously and generates a lot of capital gains and fees, clients should be made aware of this at the outset. With this type of information, they may opt for a passive portfolio instead.

The last thing you want as an adviser is to get onto the next 'big thing' and find out the client gets something they didn't expect. Over the last 30 years, financial planning clients have experienced many of these unexpected surprises in some of the products they have invested in.

Would you like to join our panel of FPA members willing to give their opinion on topical issues? Email editor@financialplanningmagazine.com.au to register your interest.

10thousandgirl: Reconnecting with women regionally



Catherine Chalker

Monica Maguire

The FPA has partnered with 10thousandgirl to help improve the financial literacy of Australian women living in regional and remote communities. Catherine Chalker CFP® and Monica Maguire CFP® share their insights and motivation for participating in the program.

Like most good ideas, the story of 10thousandgirl began over a couple of drinks by a group of women in Sydney, back in 2009.

It was over a few white wines that the ladies recognised the importance and long-term benefits of better understanding their finances and developing a financial plan to help make their plans happen.

One thing led to another, and in March 2011, 10thousandgirl – a not for profit organisation – formally began with the express purpose of educating women to help improve their financial wellbeing.

According to 10thousandgirl chief executive officer and founder, Zoe Lamont, the 10thousandgirl campaign was aimed at inspiring and educating 10,000 women across Australia, typically aged between 18 and 45, with a specific focus on reaching remote and regional communities. With the 10,000 target almost realised, the campaign is increasing its target to reach the inspirational target of 100,000 women.

Back in June 2015, the FPA partnered with 10thousandgirl on its 2015-17 Regional Women's Financial Literacy Project.

Over this two year period, the project will deliver 16 regional workshops, 12 webinars and a downloadable toolkit with resources for women living in regional communities. The project covers many areas of personal finance, including understanding debt and credit, how to do an insurance audit, minimising tax, understanding and maximising super, developing wills, and investing in shares and property.

A number of FPA practitioner members have volunteered their time to the 10thousandgirl campaign, including Monica Maguire CFP® from MDM Financial Services based in Cowra (NSW) and Catherine Chalker CFP® from ASB

Financial Services in Wagga Wagga (NSW).

Financial Planning spoke to both practitioners about their reasons for participating in the 10thousandgirl campaign.

Q: What motivated you to sign up to the 10thousandgirl program?

Monica Maguire (MM): Being a financial planner in rural Australia, I see quite regularly the lack of knowledge that females have in relation to their finances. In particular, very few of my clients have clear financial goals and have little knowledge of superannuation and personal insurances. My motivation was all about educating women who were willing to take a day out of their lives to pass some of my knowledge to them.

Catherine Chalker (CC): I was drawn to signing up because I appreciated that the program was running regional workshops. I have lived my whole life in and around the Riverina region of NSW and know that it can sometimes be difficult to access resources that are readily accessible to those in metropolitan areas. I believed that I had something to offer because of my understanding of issues that women face in regional areas, things like employment, education, distance, family and business responsibilities.

Q: What do you hope to achieve by participating in the program?

MM: To explain to women that having a greater understanding of all things financial will help them reach their goals in life.

CC: I hope that I will be able to help women build their knowledge and confidence when managing finances. I also hope that my knowledge and understanding of women's particular financial concerns will be improved. I love being a financial planner and working towards goals for my clients, so I'm hoping that I will be able to share some of that enthusiasm for finance matters with the participants. I would like to give participants an appreciation of the importance of financial planning for their future and encourage anyone who requires assistance with this to enlist me to help them.

Q: Why is women's financial education important to you?

MM: I believe if women have the confidence, knowledge and understanding of their finances, this will enable them to take control of their financial goals in life.

CC: Financial education can help everyone. However, women face particular issues, such as lower wages, less time in the workforce (if they take time out for a family) and living longer than men. For these reasons, I believe financial education for women is of great importance. By recognising the challenges involved, it's great to help women understand their current financial situation and plan for the future.

Q: How do you approach your first meeting/consultation with women in the program?

MM: The first meeting/consultation is really a chance to see if we can both find a benefit of working together in the future. I explain it involves a high level conversation of their goals in life, a financial snapshot of where they are and where they want to get to. I also recommend that the women see two or three financial planners before deciding on a planner.

> "I hope that I will be able to help women build their knowledge and confidence when managing finances."
>
> **– Catherine Chalker CFP®**

I also explain that this is really an excellent opportunity for the women to interview the financial planner to see if they get their business.

CC: My first meeting with women in the program is a chance for me to discover how the program has assisted them, and to help me to build on the knowledge they have gained. The program will have helped them identify some of their financial goals and aspirations, and my job is to give them guidance and a plan to help them succeed, as well as helping them identify and risk-manage any pitfalls.

Q: What is involved in being a 10thousandgirl Trusted Adviser?

MM: It involves a day of your time and following up on some questions that were asked during the day. The day was really well run and the content was relevant and explained in layman terms. I would highly recommend other FPA members to volunteer their time for the day.

CC: It involves attending a 'Better Money Management' workshop, where we assist participants understand the principles of investing, budgeting, insurance, estate planning, superannuation and so on. As a Trusted Adviser, I also make myself available to those participants to discuss their own personal situations and provide guidance or information, if required.

Q: What does becoming a 10thousandgirl Trusted Adviser mean to you?

MM: It's great to be able to pass some knowledge to other women who have committed to the program by taking a day out of their busy lives. We had three new mums in Orange who brought their babies and I knew our time was well spent when one of the attendees was asked about what she got out of the day. She replied: "I thought your industry was all crocodiles until coming today." Programs like this are a great way to turn the image and perception of financial planners around.

CC: Becoming a Trusted Adviser means that I am helping to improve the financial knowledge of women. It provides me with an opportunity to meet women who are trying to build their financial skills and for us to work together towards their financial goals. On a more personal level, it means that I am able to assist women become more financially confident, which is really important to me as a mother and Auntie of young women.

As part of their involvement with the 10thousandgirl program, Monica was a panel speaker at the 'Better Money Management' workshop in Orange on 30 July, and Catherine was a panel speaker in Young on 29 August.

Success: The Byrne-ing issue

Success doesn't just happen. It requires great effort, self-belief and purpose. Jennifer Byrne talks to Jayson Forrest about how her vision helped shape her career path and future.

Margaret Thatcher had it. Madonna definitely has it, as does Serena Williams. It's 'attitude', and attitude is a quality that Jennifer Byrne has in spades.

As one of Australia's most respected and admired journalists, Jennifer has built a highly successful career in the media that spans over four decades. She attributes this success to simply "backing herself". It's this commitment to excellence and "making the best of what you have" that Jennifer will share with FPA Professionals Congress delegates at this year's Women in Financial Planning Breakfast on Thursday 19 November.

"I've led a very active life. I've been working since the age of 16 and it's this life journey, and the lessons I've learnt along the way, that I'd like to share with delegates," Jennifer says.

In keeping with the theme of this year's Congress – 'Shaping Futures' – Jennifer will share some of the lessons she has learnt over her illustrious career and how these lessons have helped shape her own future and those around her.

Jennifer will draw upon her insights, including some memorable people she has interviewed over the years, to reveal how they have all combined to help shape who she is today.

Equality

Having begun as a cadet journalist with *The Age* newspaper in Melbourne at the age of 16, Jennifer's career has spanned print, radio and television – it's been a rich journey for the award winning journalist. Throughout her 45-year career, Jennifer has always championed the rights of women, but surprisingly, as one of Australia's pioneers of female investigative journalism, workplace prejudice is something she has not experienced. She puts this down to 'respect'.

"There have been times when some men have behaved terribly towards me, but men behave terribly towards each other, too. So, when you talk about gender prejudice, that's something I've really discouraged as a line of analysis in my career. If I've ever hit something that was a problem, I've found a way to get around it – or mow down any obstacles in my way," she laughs.

Jennifer believes that in life, if you look for problems, you will find them.

"I first entered the newsroom as a young pup of 16, and even though we were paid the princely sum of $40 a week as a first year cadet, all five of us – three men and two women – were all paid the same. I took the view we were all equal, we would always be equal, and I simply wouldn't accept anything less. I just never accepted that this was a legitimate ground for discrimination."

She believes strongly in the premise of 'making the best of what you've got'.

However, Jennifer concedes the structural obstacles around gender inequality are sadly still present in the workplace and home. She refers to the number of women appointed to boards, pay rates, promotion, time spent out of the office raising a family, and work/life balance.

"The figures on gender equality are still terrible," she says. "As a woman having come from the idealistic 70's, I'm genuinely surprised we haven't improved as much as we should have with gender equality. But I do believe these issues are being slowly addressed because society is more willing to talk about them.

"And these days, women are more supportive of each other, which is helping deal with these issues."

"I took the view we were all equal, we would always be equal, and I simply wouldn't accept anything less."

Mentor

Like any motivated individual, Jennifer attributes much of her success as an individual and as a career professional to her mentors. She recalls three, who she believes had the biggest influence in shaping her own future. These are Jennifer's first editor at *The Age*, Graham Perkin, Sam Chisholm at the Channel Nine Network, and feminist, teacher, author and academic, Wendy McCarthy.

"Wendy was one of the early feminists and the best friend of the previous Governor-General, Quentin Bryce. So, when I first hit the workplace back in the 1970s, women like Quentin Bryce, Wendy McCarthy and those other early feminists were raging war on the patriarchy. Wendy and I are still friends, we meet regularly and she still gives me advice if I ask, and I sometimes have the privilege of giving her advice back."

Jennifer says what makes those three individuals so valuable in helping to shape who she is today, was them taking the time to know her, understanding where she was going and ultimately, helping her get there.

"You can't be unclear as a mentor and you must have a genuine willingness to share your time, expertise and experience," she says. "And importantly, a mentor is really listening to what you want. They're not trying to turn you into them, but they're using their experience to help you become the best you can be. I know that sounds so obvious, but the world is full of 'queen bees', who really don't want to help others. They're the ones you need to avoid."

Inspiration

With a stellar 45-year media career to call upon, Jennifer recalls many defining stories, having been fortunate to interview some of the most successful and interesting people of our time. There's the time she spent digging for 18-million-year-old fossils with Louis Leakey's son and palaeontologist, Richard Leakey, and the time spent with former United States Secretary of State, Madeline Albright, and her recent interview with Canadian astronaut, Chris Hadfield. "They were all amazing experiences," she says.

But when asked about some of the inspirational women she has interviewed, it's not the rich and famous she recalls but instead, it's the modest and humble.

Jennifer fondly recollects a story she filed for *60 Minutes*

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"You can't be unclear as a mentor and you must have a genuine willingness to share your time, expertise and experience."

back in 1989. It was about a group of five Carmelite nuns from Melbourne, who responded to a call from the Cardinal of Florence to rebuild a monastery in Tuscany. Jennifer entered the enclosed world of the Carmelites to report on their struggle, hard work and perseverance to restore the chapel abandoned two centuries ago, while also restoring the faith of the villagers.

"I absolutely loved these nuns," she says. "They were so giving and committed to the local community under often very difficult circumstances."

Surprisingly, it's another nun that Jennifer also recalls as someone who inspired her.

Sister Mary Theodore joined the Franciscan Missionaries of Mary in 1948, when she was 21. In 1951, she left Australia and travelled to Chennai, India, where she founded Mithra, a facility that educates and rehabilitates children with mental and physical disabilities from the poorest families. It was a vocation that spanned the next 60 years of Sister Mary's life.

She also nominates primatologist Jane Goodall and her 55-year study of social and family interactions of wild chimpanzees in Tanzania's Gombe Stream National Park, as another truly inspirational woman.

"Like those women of faith, Jane Goodall had a path – a calling – and she just drove at it, and nothing would stop her. It's women like these, who I admire."

Interestingly, Jennifer adds that during her time with these women, none of them ever spoke to her about their obstacles. "That didn't mean they didn't have them. Of course they did, but they took it as read that they understood it was a difficult climb they were on, so they just got on with it."

Sharing

Jennifer's presentation at Congress will be all about sharing – sharing what's worked and what hasn't over her long career in the media.

"Over the years, I've developed all these principles of living and what works. I've never read a self-help book and I don't find them helpful. A 45-year career is a long one, but I'm still energised and enjoying it. So, I want to talk about what I've learnt over that period in what is a very tough sector. I want to share with other

Your speaker

Jennifer Byrne started her career in journalism as a cadet journalist with *The Age* newspaper in Melbourne. At the age of 23, she was posted to San Francisco as *The Age's* West Coast correspondent.

In 1981, Jennifer moved to Sydney as founding reporter with Channel Nine's *Sunday* program and five years later, moved across to *60 Minutes*. In 1993, she became the morning presenter of ABC's Radio 2BL and in 1995, was appointed publishing director of Reed Books.

In 1999, having spent a couple of years as stand-in presenter for both ABC-TV's *7.30 Report* and *Lateline*, Jennifer joined *Foreign Correspondent*, and spent five years as host and reporter. She also continued to write features and book reviews, and hosted Radio National's *Breakfast* program.

In 2003, Jennifer joined *The Bulletin* magazine as a senior writer, where she won several national awards. In May 2006, she developed and launched a new book program, *The Book Club*, which she still hosts, along with *Jennifer Byrne Presents*, a series of literary specials and interviews.

Jennifer continues to work in print. Her latest article is on a recent safari in Zambia for *Gourmet Traveller.*

Pre-select your workshops

The 2015 FPA Professionals Congress will take place at the Brisbane Convention and Exhibition Centre (BCEC) on 18-20 November.

Before the Congress officially kicks-off on Thursday 19 November, delegates are invited to attend a 'Opening Night Reception' on the evening of Wednesday 18 November. Other social events at the Congress will include a 'Women in Financial Planning Breakfast' on Thursday 19 November with guest speaker Jennifer Byrne, along with the highly anticipated Future2 Gala Dinner on Thursday evening.

Three keynote sessions will bookend the Congress, which will also feature four workshop streams – Expand, Grow, Engage and Inspire – that will run throughout the two days of the Congress.

The Congress ticket entitles delegates to the following:

- the Opening Night Reception;
- all keynote sessions;
- all workshops (delegates are encouraged to pre-select their workshops);
- access to the exhibition hall;
- lunch; and
- light refreshments at breaks.

There is an additional cost for the Women in Financial Planning Breakfast and the Future2 Gala Dinner.

For more information on the Congress or to register, go to www.fpacongress.com.au

women what worked and what didn't for me, and why."

A topic Jennifer will traverse in her presentation, will be the key issues and trends affecting women today, and how they are being resolved.

Jennifer will also share her own insights of working with a financial planner.

"I'm one of those people who has had an extremely good experience. A lot of my financial stability now is because of a financial planner, and that's something I want to talk about," she says.

Jennifer's first real contact with a financial planner came when she was appointed to *60 Minutes* in 1986. "All of a sudden, I got paid really, really well," she says. "And I realised, I needed help with my finances."

Back then, Jennifer turned to the Women's Investment Network, and worked with one of the planners who became Jennifer's financial coach – a partnership that lasted for the next 20 years.

"By the time my planner retired, we were friends and more importantly, she had helped me into a position of sound financial security."

Jennifer concedes that her decision to use the Women's Investment Network was primarily its attitude it had towards women. And with Jennifer's attitude to life, it was a perfect fit. "We both believed that women deserved better. We decided to make that happen by working harder and by better informing ourselves. You've got to be focused on yourself and where you want to be going, not just where you are. That's always been my attitude to life."

Attitude – it's a quality Jennifer has in spades.

Hear Jennifer's presentation at the Women in Financial Planning Breakfast on Thursday 19 November at 7:30am.

Workshop streams

This year's Congress will feature four workshop streams under the following headings:

Inspire
Hone and maintain your own personal development and motivation goals in a series of sessions that will discuss and demonstrate how to be fit for the future, both mentally and physically.

Grow
These sessions are designed for the practice management professional and will enhance the operational aspects of your financial planning practice. You will learn best practice concepts specific to financial planning and identify key trends impacting how you operate your practice.

Expand
Led by industry experts, these sessions will enhance your technical capability and critical thinking in financial planning specialty areas. This in-depth knowledge will help you create better solutions for your clients.

Engage
These sessions will cover how best to engage, grow and develop your clients, your people and your business. Discover techniques to innovate your business, build trust and authenticity, and refine your communication skills to foster better client and workplace relationships.

Congress Workshop Program

Industry experts and leading CFP® practitioners fill a program of 24 workshops across four dedicated workshop streams – Expand, Grow, Engage and Inspire. Each session is accredited with 1 CPD hour. The following is a preview of the sessions.

Expand

Led by industry experts, these sessions will enhance your technical capability and critical thinking in financial planning specialty areas. This in-depth knowledge will help you create better solutions for your clients.

SMSF: One size does not fit all

SPEAKER: David Busoli, National Education Manager, AMP SMSF

TIME: 11:30am-12:30pm, Thursday 19 November

This session examines SMSFs, industry and retail fund choices, to help you better understand whether or not an SMSF may be suitable for a client. The session will also cover when to put insurance inside or outside of an SMSF.
(Technical complexity: Medium)

Is risk advice now risk-free?

SPEAKERS: Dante De Gori CFP®, General Manager, Policy and Conduct, FPA and Mark Everingham CFP®, Managing Director, Personal Risk Professionals

TIME: 1:45pm-2:45pm, Thursday 19 November

Risk advice is going through reform. How will these changes align with FoFA and your advice obligations? How can the new FPA life insurance advice guide help you avoid potential minefields?
(Technical complexity: Low)

Taxing times

SPEAKER: Ken Mansell, Tax trainer and writer, Tax Rambling

TIME: 3:05pm-4:05pm, Thursday 19 November

This session tackles tax issues, including the top three most commonly used tax strategies. It also explores the differing tax treatment of non-residents and expats. Learn how foreign currency translation rules affect applicable fund earnings.
(Technical complexity: High)

Death and taxes

SPEAKER: Scott Hay-Bartlem, Partner, Cooper Grace Ward Lawyers

TIME: 4:25pm-5:25pm, Thursday 19 November

How can you reduce the tax sting when Baby Boomers transfer their wealth to their children? Explore the logistics of family trusts and testamentary trusts and how they can help achieve your clients' goals.
(Technical complexity: High)

Meet the regulators

SPEAKERS: Dante De Gori CFP®, FPA; Ian Taylor, TPB; Louise Macaulay, ASIC

TIME: 10:30am-11:30am, Friday 20 November

This session will provide all the updates that financial planners need about legislative change. It includes an update from the Tax Practitioners Board on the latest tax reform and what advisers and AFSLs need to know, and from ASIC on the PJC inquiry.
(Technical complexity: Low)

Ageing gracefully

SPEAKER: Louise Biti CFP®, Director, Strategy Steps and Aged Care Steps

TIME: 11:45am-12:45pm, Friday 20 November

We all grow old, but few are ready for the challenges. Discover how aged care works, and learn about the assessment and transition process for your clients. What are the latest changes to accommodation and home care packages? When can an aged care specialist provide expert advice?
(Technical complexity: High)

Grow

These sessions are designed for the practice management professional and will enhance the operational aspects of your financial planning practice. You will learn best practice concepts specific to financial planning and identify key trends impacting how you operate your practice.

Fighting words: Understanding disputes and resolving them

SPEAKERS: Dr June Smith, Lead Ombudsman, Financial Ombudsman Service; Peter Richards CFP®, Director, Parallel Financial

TIME: 11:30am-12:30pm, Thursday 19 November

What are the common issues that can lead to disputes? How can tensions be resolved before they escalate too far? What is the process of dispute resolution like, and what happens when FOS is involved? This session tells all and provides practical tips for turning down the heat.

How to buy, sell or start your own practice



SPEAKERS: Phillip Win CFP®, Director, Profile Financial Services; Stephen Prendeville, Director, Forte Asset Solutions; Catherine Robson CFP®, Chief Executive Officer, Affinity Private

TIME: 1:45pm-2:45pm, Thursday 19 November

Want to start your own practice? Interested in buying or selling the practice you work for? What are the key issues and considerations? This session unpacks the processes of buying and selling a practice to give you the knowledge to do it better.

Taking a risk: Profiling do's and don'ts

SPEAKER: Dr Katherine Hunt, Lecturer, Griffith Business School

TIME: 3:05pm-4:05pm, Thursday 19 November

So many consequences, good and bad, flow from identifying clients' risk profiles. Getting it right is key to meeting your best interest obligations; getting it wrong is a recipe for disaster. This session turns the spotlight on risk profiling.

The future of risk advice

SPEAKER: Mark Everingham CFP®, Managing Director, Personal Risk Professionals

TIME: 4:25pm-5:25pm, Thursday 19 November

The future of risk advice is changing. How can you build a sustainable practice that specialises in risk advice? How can you transition away from commissions? Explore an example of a pricing model and discover some opportunities to reduce the cost of delivering risk advice.

Demographic change and your practice

SPEAKER: Mark McCrindle, Social Researcher

TIME: 10:30am-11:30am, Friday 20 November

Are you riding the bell curve of baby boomers reaching retirement? Or will this tsunami change everything in its wake? This session focuses on six areas of mega change and will help you understand what you need to know to embrace and manage these changes.

Robo-Advice: Terminator or WALL-E?


SPEAKERS: Paul Derham, Partner, Holley Nethercote; Grant Holley, Partner, Holley Nethercote

TIME: 11:45am-12:45pm, Friday 20 November

Disruptive technology is definitely affecting financial planners. The rise of robo-advice is taken as a threat by many planners, but could it present opportunities instead? Find out how you can adapt your practice to prosper in a time of technological change.

Engage

These sessions will cover how best to engage, grow and develop your clients, your people and your business. Discover techniques to innovate your business, build trust and authenticity, and refine your communication skills to foster better relationships.

Extraordinary leadership: The five practises that create great workplaces

SPEAKER: Michael Bunting, Mindfulness and Leadership Guru

TIME: 11:30am-12:30pm, Thursday 19 November

This session is based on the best-selling book of a similar title. It uses data collected from thousands of businesses in Australia and New Zealand. It explores five key leadership practises guaranteed to increase workplace engagement and profitability.

The power of storytelling for business: Why it is the missing link in business

SPEAKER: Yamini Naidu, Business Communications Expert

TIME: 1:45pm-2:45pm, Thursday 19 November

Discover how storytelling can dramatically increase your leadership presence and ability to influence. This session will provide powerful tips for immediate implementation in your professional life.

Giving feedback: How to hold a 'tough conversation'

SPEAKER: Karen Gately, People Management Specialist

TIME: 3:05pm-4:05pm, Thursday 19 November

Learn how to deliver effective feedback and hold the difficult conversations that you have been avoiding. Participants will discover the power of honesty, delivered with compassion and how it enables effective performance discussions.

The HR rule book: Understanding and managing employment related risk

SPEAKER: Karen Gately, People Management Specialist

TIME: 4:25pm-5:25pm, Thursday 19 November

Learn how to navigate tricky situations and avoid costly mistakes. This session addresses the risks relating to unfair dismissal, workplace bullying and grievances.

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Effective innovation: Why small steps forward are better than giant leaps

SPEAKER: Nigel Collin, Innovator and Problem Solver

TIME: 10:30am-11:30am, Friday 20 November

Is it better to innovate in small steps rather than aiming for the big leap forward? In this session, you will learn how to solve problems, take action, test, measure and improve. Participants will discover an achievable process for every day, small-scale but effective innovation.

The neuroscience of leadership: Use your brain to your advantage for peak performance

SPEAKER: Kirsten Hansen, Neuroscience Researcher and Leadership Expert

TIME: 11:45am-12:45pm, Friday 20 November

This session will show you brain-based, evidence-rich strategies for improving the leadership of yourself and others.

Inspire

Hone and maintain your own personal development and motivation goals in a series of sessions that will discuss and demonstrate how to be fit for the future, both mentally and physically.

Happy body, happy mind: How your body can change your brain to combat stress and depression

SPEAKER: Anna-Louise Bouvier, Expert in Mind and Body Wellbeing

TIME: 11:30am-12:30pm, Thursday 19 November

An interactive session that will show how stress affects our bodies and what to do about it. Why have we stopped moving, what is it doing to us and what can we do about it? This session will give tips and provide ways to relieve discomfort and highlight the improvements that can be expected.

Integrated mindfulness: Two key practises to transform your leadership and your life

SPEAKER: Michael Bunting, Mindfulness and Leadership Guru

TIME: 1:45pm-2:45pm, Thursday 19 November

This session highlights how mindfulness is the next revolution in supporting best health, leadership and relationships. It will also guide you on how to develop self-awareness, and a deeper sense of happiness and effectiveness.

Vocal intelligence

SPEAKER: Dr Louise Mahler, Communication Specialist

TIME: 3:05pm-4:05pm, Thursday 19 November

This session will show you the untapped potential in using both voice and body language to improve communication and build trust. Positive results abound in lessons for leadership, presentation, sales and customer service, as well as group activities for team building.

Brand YOU 2.0: How to use social media to build your personal brand

SPEAKER: Kylie Bartlett, Social Media Coach

TIME: 4:25pm-5:25pm, Thursday 19 November

This session highlights why it's important to grow your own personal brand in parallel with your business brand. The session will also help you understand what social media is and how to apply it.

How to have better conversations

SPEAKER: Anna McPherson, The School of Life

TIME: 10:30am-11:30am, Friday 20 November

Our lives are often filled with superficial talk. How can we have conversations that inspire us to think in new ways, stimulate our curiosity and prompt us to say things we've never said before? This session will provide ideas on how to improve the quality of your conversations.

How to stay calm

SPEAKER: Rob O'Donnell, The School of Life

TIME: 11:45am-12:45pm, Friday 20 November

No one is calm all the time. Some amount of fear and adrenaline can be critical to our survival. Many of us will at times experience anxiety. Is this part of our human condition or a sign of personal dysfunction? Beset by a host of social pressures, how can we retain our calm?

* Program subject to minor changes

FPA Professionals Congress Program: Shaping Futures

earn up to 14.5 CPD hours

Time	Wednesday 18 November
1:00pm	Registration open
2:30pm	FPA Professional Practice Workshop
6:00pm	Opening night reception
7:30pm	Day concludes

Time	Thursday 19 November			
7:00am	Registration open			
7:30am	Networking breakfast, Exhibition Hall		**Women in Financial Planning Breakfast with Jennifer Byrne**	
9:10am	Move to Main Hall			
9:20am	Congress opening and **keynote session: Shaping Futures - Inspiring stories**			
11:00am	Morning tea, Exhibition Hall			
11:30am	**SMSF: One size does not fit all** *David Busoli*	**Understanding disputes and resolving them** *Dr June Smith and Peter Richards CFP®*	**Extraordinary leadership: The five practises that create great workplaces** *Michael Bunting*	**Happy body, happy mind** *Anna-Louise Bouvier*
12:30pm	Networking lunch, Exhibition Hall			
1:45pm	**Is risk advice now risk-free?** *Dante De Gori CFP® and Mark Everingham CFP®*	**How to buy, sell or start your own practice** *Phillip Win CFP®, Stephen Prendeville, Catherine Robson CFP®*	**The power of storytelling for business: Why it is the missing link in business** *Yamini Naidu*	**Integrated mindfulness** *Michael Bunting*
2:45pm	Transition between workshops			
3:05pm	**Taxing times** *Ken Mansell*	**Taking a risk: Profiling do's and don'ts** *Dr Katherine Hunt*	**Giving feedback: How to hold a 'tough conversation'** *Karen Gately*	**Vocal intelligence** *Dr Louise Mahler*
4:05pm	Transition between workshops			
4:25pm	**Death and taxes** *Scott Hay-Bartlem*	**The future of risk advice** *Mark Everingham CFP®*	**Understanding and managing employment related risk** *Karen Gately*	**Social media to build your personal brand** *Kylie Bartlett*
5:25pm	Free time			
7:30pm	Future2 Gala Dinner			

Time	Friday 20 November			
7:00am	Registration open			
7:30am	Networking breakfast, Exhibition Hall			
8:45am	Move to Main Hall			
9:00am	**Keynote speaker: Roll up your sleeves with Chris Riddell**			
10:00am	Morning tea, Exhibition Hall			
10:30am	**Meet the regulators** *Dante De Gori CFP®, Ian Taylor, Louise Macaulay*	**Demographic change and your practice** *Mark McCrindle*	**Why small steps forward are better than giant leaps** *Nigel Collin*	**How to have better conversations** *Anna McPherson*
11:30am	Transition between workshops			
11:45am	**Ageing gracefully** *Louise Biti CFP®*	**Robo-advice** *Paul Derham, Grant Holley*	**Neuroscience of leadership** *Kristen Hansen*	**How to stay calm** *Rob O'Donnell*
12:45pm	Networking lunch, Exhibition Hall			
2:00pm	Move to Main Hall			
2:10pm	**Keynote session: Shaping Futures - Seize the day**			
3:45pm	FPA Professionals Congress closes			

* Program subject to minor changes Expand Grow Engage Inspire

Trust, ethics and education

UniSuper's Jack McCartney talks to Jayson Forrest about what the FPA Professional Practice Program means to the $50 billion superannuation fund.

For too long, campaigns like 'Compare the Pair' have tarnished the distinction between retail and member advice, but times are changing – and for the better.

Last year's agreement between the FPA and industry super fund Cbus, to enable CFP® practitioners working in an FPA Professional Practice to accept referrals from Cbus members seeking financial planning services, heralded a new beginning by bridging the gap between retail and institutional advice.

It was a sign of things to come, with UniSuper – the $50 billion superannuation fund for the higher education and research sector – recently signing up to the FPA Professional Practice brand; the first superannuation fund to do so. It was a decision that UniSuper Executive Manager – Advice, Jack McCartney attributes to three key elements – trust, ethics and education; the foundations of the FPA Professional Practice brand.

"Dealing with our clients in a professional manner helps to build trust and ultimately, trust is the highest measure of any professional relationship. We also want to demonstrate to our members that through our actions, we maintain the highest ethical standards and we've got a high calibre advisory team they can avail themselves off."

By committing to the FPA Professional Practice brand, UniSuper believes it is an opportunity to clearly convey to the market, and its 400,000 members, that it operates a very professional advice business with a wide range of services.

"Not many people know that UniSuper provides quite broad and challenging advice services," McCartney says. "We run model portfolios on super and non-super, we do insurances outside of super, and we offer wrap accounts and separately managed accounts. And whilst all these services aren't necessarily the main game for all our members, we do have members with higher balances who do want these range of services. So, we've become a one-stop shop for them.

"Our members do appreciate knowing that UniSuper does have a high standard when it comes to providing financial planning advice."

Synergy

McCartney attributes the synergy between UniSuper and the FPA as a key factor in signing up to the FPA Professional Practice brand.

"The FPA is focused on improving the professionalism of the industry. Obviously, as part of this, ethics and raising education standards are both very important. These are the same standards that we have been focusing on at UniSuper, too," McCartney says. "So, we thought it time that we came out in support of the FPA's objectives and one way that we can show this is by becoming an FPA Professional Practice."

According to McCartney, the process of becoming an FPA Professional Practice was not "overly onerous".

UniSuper worked closely with the FPA to ensure it met the criteria of becoming an FPA Professional Practice.

With around 400,000 members, UniSuper has recently strengthened its adviser presence over the past year, currently employing 32 advisers nationally in six dedicated advice offices in each capital city, which provides a central location for members to seek advice in person. Over 90 per cent of UniSuper's Private Client Advisers are CFP professionals and over 65 per cent of all UniSuper advisers are CFP certified – well above the benchmark set by the FPA to be recognised as an FPA Professional Practice.

"I think the FPA identified fairly quickly the opportunities of having UniSuper as an FPA Professional Practice. Once we started chatting about the criteria, we both knew

we were very like-minded. The process wasn't overly onerous for us because 65 per cent of our planners and 90 per cent of our Private Client Advisers were already CFP® practitioners."

Quality advice

McCartney attributes this high percentage of CFP practitioners to UniSuper's vision of quality advice for all its members. But what does quality advice look like for him?

Without wanting to sound repetitive, McCartney says quality advice will always be about delivering advice that's in the best interests of the client.

"I know that's easily said but for us, we have a 100 per cent fee-for-service model in every instance," he says. "UniSuper advisers don't receive any commissions at all. We are able to recommend other superannuation products, as well as non-super products. We've got about 30 other super products on our approved product list that advisers are free to recommend."

McCartney concedes that although UniSuper does have a strong value proposition and a good product that is attractive to most UniSuper members, the premise of always acting in the client's best interest remains the underlying requirement in the advice process.

"There are situations where there might be a cheaper product or an insurance arrangement where we're not quite as competitive on. If that's the case, then that's the advice we give. It's all about the client."

McCartney said the commitment to providing industry best practice financial advice was part of the fund's mission to deliver members greater retirement outcomes – through both the accumulation and retirement phases of their life.

"We strongly believe in the benefits that quality financial advice can make in helping members – at any stage of their life – achieve their financial goals. As FPA Professional Practices, our advice offices are a trusted environment for our members to seek professional tailored advice across a broad range of topics," McCartney said.

"Our membership base is unique," he says. "They are engaged, well-educated and we have privileged access, which enables us to design products and solutions – such as our open Defined Benefit Division – specifically for our members. This makes access to quality, professional advice that demonstrates understanding of our members' needs, paramount.

"As such, we've built our national advice footprint in response to increased demand from members for professional advice that covers not just superannuation-related topics but broader financial issues, such as investment strategies, wealth accumulation, insurance, retirement and estate planning."

First of many

As one of the first superannuation funds to sign up to being an FPA Professional Practice, does McCartney think this will encourage other member funds to follow UniSuper's lead?

"Undoubtedly," he says. "I believe it's very important for all parts of the industry to come together to support the growth of professional advice.

"We all know that Australians are going to need to get quality advice at some point in their life. Where we can promote financial planning as an ethical, well-qualified professional industry, will help all stakeholders achieve their goals. Ultimately, that will help build trust, which is the highest measure of any professional relationship."

The planner perspective

UniSuper Senior Private Client Advisers Adam McCarthy CFP® and Stephen Brereton CFP® share their thoughts on what the FPA Professional Practice brand means to them.

What does the FPA Professional Practice brand mean to you, your practice and your clients?

Adam McCarthy (AM): The FPA Professional Practice accreditation demonstrates the highest level of professional and ethical standards through a commitment to the FPA Code of Professional Practice, with the majority of Private Client Advisers holding the CFP designation. Such recognition provides confidence to those members seeking advice that their adviser's recommendations are in their best interests, which ultimately creates better retirement outcomes for them.

Stephen Brereton (SB): To me, the FPA Professional Practice brand and accreditation is acknowledgment from the FPA that UniSuper operates to exacting standards of professionalism and ethics demonstrated through commitment to the FPA Code of Professional Practice and Code of Conduct. Whilst UniSuper can communicate and demonstrate to our members that advice provided by our Private Client Advisers is in the members' best interest, the FPA Professional Practice recognition reinforces that position. The outcome being enhanced member confidence and trust in the advice process.

What do you hope to get out of, or achieve, from being an FPA Professional Practice?

AM: Recognition that UniSuper operates at the highest level of professionalism and employs some of the most experienced, qualified and respected financial advisers in Australia.

SB: The key outcome is acknowledgement and advocacy from members that UniSuper operates a high quality financial advice practice. Also, peer recognition of our quality advice processes assists in attracting high calibre employees.

Will the FPA Professional Practice brand help elevate the financial planning profession amongst consumers?

AM: Absolutely. To become a CFP practitioner, you must now hold an undergraduate degree in a related field, meet relevant work experience requirements, and complete the CFP Certification Program. These standards are now more aligned to other professional bodies and the greater expectations set by our community. A prospective client should be confident that the advice they receive from a CFP professional (who is employed by a FPA Professional Practice) is in their best interests.

SB: Without doubt. With the FPA promoting and articulating the key components of what constitutes professionalism within the financial advice industry, the FPA Professional Practice brand, like the CFP designation, is a further way to instil community confidence in the profession and help consumers make informed decisions when seeking out advice.

Managing portfolio drawdown risk

With the constant hunt for yield, Steve Anagnos and Cameron Duncan believe many investors are failing to understand the dynamics and relative returns and risks of the complete capital structure. By considering debt and hybrid securities, as a means of diversifying the downside risk of investment portfolios, they believe this will help to preserve the capital value of portfolios.

Australian equities have been a significant source of investment returns over the long-term for many investors. Fully-franked dividends, together with the capture of share price growth, have resulted in this asset class maintaining a large exposure in the portfolios of Australian investors.

Although some investors have actively searched for other asset classes and strategies to diversify the risk in portfolios, there is an overall opportunity to further diversify downside or drawdown portfolio risk in order to continue to meet income requirements, whilst preserving the capital value of the portfolio.

The Future of Financial Advice (FoFA) reforms, which has accelerated the transition to fee-for-advice away from transaction fees, as well as the growth in self-managed super funds, has changed the investment landscape, which has seen increased demand for a more holistic, objectives-based investment approach.

From this comes the inclusion of other asset classes, such as debt securities, property and international equities, with the aim of constructing a portfolio that best fits the risk tolerances, goals and objectives of investors.

An alternative

Debt and 'Debt/Equity' Hybrid strategies have perhaps been the most under-represented asset class in Australia, particularly by comparison to the asset allocation mix in many other developed economies.

The rationale for an increased

weighting to this asset class may be broadly summarised as follows.

Debt securities are geared to provide a more reliable income stream through the regular payment of coupons or distributions, and, in the case of floating rate securities, will shift up or down with the prevailing level of interest rates, as distributions are reset at the beginning of each new interest period.

Capital preservation is emphasised, albeit with a variance depending on where the bond sits in the capital structure and the creditworthiness of the issuer.

Finally, debt strategies will typically display much lower volatility than equities, and as an asset class, normally displays a low or negative correlation to equities.

Cash offers a higher degree of capital stability and, of course, lower volatility than debt securities, but significantly lower returns as a consequence. Where higher volatility (>2.00 per cent) is palatable to an investor, greater returns by virtue of credit and duration risk are achievable via exposure to the debt asset class.

As an alternative to cash, debt securities can be an alternative and efficient method of maintaining liquidity, with cash able to be accessed by selling on the secondary market, such as via an exchange or to a market maker, without the penalty of break costs and reinvestment risk, as in the case of a term deposit, for example.

In summary, holding excess cash across a portfolio limits drawdown risk (capital loss), but also minimises the investor's rate of return.

Debt securities

By implementing a strategy that includes the debt securities asset class, the objective is to increase the expected return of the portfolio 'per unit of risk taken', or alternatively, reduce the potential drawdown risk for the same targeted return.

The debt securities asset class is comprised of sub categories that vary in risk and return. In credit terms, government bonds reside at the 'risk free' end of the spectrum, while unrated corporate debt represents an exposure to increased risk – typically referred to as 'high yield' investments or 'junk bonds'.

Within a single issuer, there are often different classes of debt that have more equity like features as you move down the capital structure. In the event of liquidation, the holder of this lower ranking debt is subordinate to those holding debt higher in the capital structure, meaning they will only be returned their capital after those securities ranking ahead have been paid. As a consequence of this subordination, the investor is compensated with a higher return for taking on greater credit risk for a given issuer.

Hybrid securities

Hybrid securities, on the other hand, have both debt and equity like features and characteristics. It is important to note that they are neither true debt nor true equity securities.

Hybrids are frequently issued by banks, insurance companies and large ASX listed companies.

Hybrid securities generally provide higher yields than debt to compensate for the higher investment risk. Hybrid securities pay a regular fixed or floating rate of return or dividend (including franking credits) until a certain date. In this regard, holders are paid interest or a dividend for holding the security for a predetermined period. At maturity or on a reset date, the issuer may have the right to decide one of the following options:

- convert the hybrid securities into the underlying equity of the issuer;
- redeem the hybrid securities, usually at face value; or
- roll into another hybrid structure or even a combination of the above.

Alternatively, the issuer may arrange a third party to purchase the hybrid from the security holders.

Hybrids can take the form of Converting Preference Shares, Step-up Securities, Convertible Notes and Perpetual Income Securities. Each has different risk and reward characteristics, and by blending security types, issuer quality, maturities, as well as securities trading at a premium/discount to face value, a number of bespoke outcomes can be created to offset ordinary equity risk in a portfolio, whilst generating sustainable and predictable returns.

An examination of a bank's capital structure (Chart 1) is a useful way to illustrate the different classes of securities and highlight how they differ in some key respects.

Higher ranking senior secured and unsecured debt (bonds) tend to have a relatively simple structure, whereby an investor pays, for example, $100 for a security, is paid a fixed (or floating) rate return, and at maturity, receives their original invested amount plus accrued interest for the final period.

However, as an investor moves further out along the risk curve, the securities will take on more

Continued on p26

Table 1[1]

Security Rank	Recourse	Interest payment deferral	Conversion into shares	Term
Deposits	First right of recourse over assets.	No	No	1 month to five years.
Senior secured debt	First right of recourse over assets after depositors.	No	No	Usually up to 7 years.
Senior Unsecured	Next in line.	No	No	Usually 5 to 10 years.
Subordinated Debt	Behind senior debt.	Mandatory subject to solvency.	No, except if bank deemed non-viable by APRA.	Usually 10 years, callable at 5 years.
Hybrids	Limited recourse but above equity.	Yes, subject to director discretion and APRA.	Mandatory conversion and capital trigger event.	Perpetual subject to cash redemption at option of bank and subject to APRA approval, or mandatory conversion.

equity like characteristics. Table 1 summarises the key differences under Basel 3, as you move out along the capital structure for a bank.

The 'maturity' becomes less defined and more akin to perpetual equity as the investor moves lower down the scale. Sub debt is typically 10 years to maturity, but with a market expectation that this will occur at first call date in approximately five years. For Australian bank securities, this has always been the case. Hybrid alternative Tier 1 securities are classed as perpetual, as if they are not redeemed at the first call date (which has been the outcome to date), they must mandatorily be exchanged into shares, subject to certain conditions.

The equity like features in the current crop of bank hybrids are designed by the Basel 3 Accord to add greater resilience to the banking system, by enhancing the loss absorbing capacity of a banks' capital. Capital is classed as Common Equity Tier 1 (CET1), Alternative Tier 1 (AT1) or Tier 2 (Subordinated debt).

AT1 and Tier 2 are subject to a non-viability clause, whereby if the Australian Prudential Regulatory Authority (APRA) decides a bank is no longer a viable going concern and/or requires a bail out using public monies, then these securities must convert to equity capital, or be permanently written down. AT1 may also be triggered to convert or be written down if CET1 falls to or below 5.125 per cent.

Despite having these equity like features, AT1 (bank hybrids) and Tier 2 securities (sub debt) are still afforded significant protection by CET1 (equity) before they are required to absorb any loss. APRA announced on 20 July that Australian banks would require a higher proportion of capital to be held against residential mortgage lending, sparking a round of equity raisings by the banks, aimed at moving their CET1 ratios to greater than 10 per cent by 1 July 2016.

This higher level of equity held by the banks provides a further buffer for investors in AT1 and Tier 2 securities, placing the 5.125 per cent capital trigger level for conversion into shares at a greater distance. While AT1 distributions are non-cumulative and at the bank's discretion, note that if a bank's CET1 falls below 8 per cent, there is a Capital Conservation Buffer that starts restricting the maximum amount of earnings able to be distributed as dividends, as well as a restriction on any profit share payments to employees. It should be noted that throughout the GFC, no Australian banks ceased paying dividends on common equity – unlike many of their offshore peers.

The volatility differential between asset classes is marked, even when comparing deeply subordinated securities such as AT1 bank hybrids, with common equity. The CBA PERLS VII (CBAPD) has been one of the more volatile AT1 securities, being issued as a longer dated security to first call date (7.5 years) at a point when the demand for yield and benign macro environment saw a recent low in credit spreads. Nevertheless, since issue, the PERLS VII has produced a 100 day volatility of 6.16 per cent.

The effect of shorter call dates is evident. In comparison, the CBA PERLS III, which has 3.3 years to first call, displays a 100 day volatility of 5.9 per cent. Even short dated at 0.6 years to call, the CBA PERLS III (which is an older style Basel II security with no loss absorbing features) has a 100 day volatility of 2.3 per cent. CBA equity has a 100 day volatility of 30 per cent.

Chart 3 shows selected ANZ Hybrids compared to the ANZ share price, which demonstrates the differing volatility.

Similarly, in the non-bank corporate debt universe, equity-like characteristics occur where there is a greater level of subordination. Senior and sub debt is similar in nature to that described above for banks, without the bank specific APRA enforced non-viability clause.

Offering greater yield, there are hybrid securities that have been issued where the issuer may defer distributions at their discretion, or if certain leverage and interest cover parameters are breached. These may or may not be cumulative.

The first call date allows redemption at the option of the issuer, with the maturity date being long date in excess of 30 years. Up to the call date, some rating agencies allow 50 per cent of the issue value to be considered equity for the purposes of viewing the company's leverage, affording a benefit in the calculation of the issuer's senior credit rating by the rating agency. At call date, this beneficial treatment from ratings agencies may discontinue, incentivising the issuer to redeem and/or roll the security, as it then becomes expensive debt. They may then look to issue equity or issue a new hybrid to fill the breach.

However, if conditions and earnings (and presumably the cost of debt) has increased for the issuer, they may elect to keep the security on issue past the call date.

Chart 4 illustrates the behaviour and correlation between various parts of the capital structure.

Blended portfolio

When looking at building an income portfolio designed to blend with ordinary equities and cash/term deposits, investors need to carefully allocate from the securities that are fairly priced for both their expected return and risk.

Also, they must determine appropriate weightings of these in

Chart 1: Bank Capital Structure

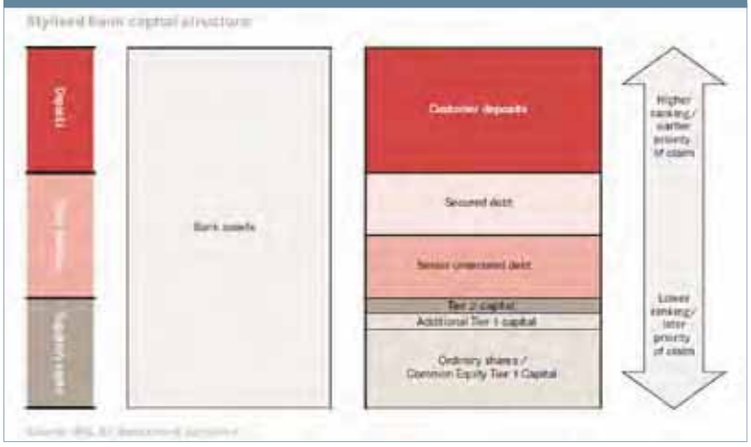

Chart 2: Bank capital requirements[2]

their portfolio. This will be driven by the return and risk objectives of the portfolio.

The key considerations are the type of instrument and the issuer, the mix of floating and fixed rate payable, and the expected maturity profile – which in the case of hybrids, also means the call date versus mandatory conversion date and whether they have a final conversion date, eg Perpetuals.

Once investors consider the expected yield to redemption/call date/final conversion, they can look at how the cash flows are likely to flow and determine how much short-term market risk they can take in the shorter term. This is the risk of price falling rather than not receiving face value at some future date. As equities have no such maturity date, debt and hybrid securities can be used to reduce some of the risk of drawdown that an equity portfolio contains.

This can be illustrated with an example.

Example

Turning back to the CBA PERLS VII (CBAPD), which was issued in September 2014, this security has a first call date of 15 December 2022 and mandatory conversion date of 15 December 2024.

Holding excess cash across a portfolio limits drawdown risk (capital loss), but also minimises the investor's rate of return.

The security pays a distribution of 2.80 per cent above the 90 day bank bill swap rate that is reset four times per year. At the time of writing, it is trading on the ASX at $92.11. At this price, we calculate the margin over swap is now 4.35 per cent (rather than the 2.80 per cent) above the 90 day bank bill swap rate.

In other words, the price, which has fallen to $92.11, implies that by purchasing here, with the accrued interest in the security and the term to the call date (7.6 years), will return a further 1.55 per cent than when it was issued. This also takes into consideration the fact that the security is trading at a discount to the $100 that will be paid if called in 7.6 years. This margin quoted includes the value of the franking credits paid.

If the security is not called at the call date but rather converted two years later, then the margin to the conversion date rises to 4.85 per cent. To determine what the actual yield to these dates would be, we could simply assume that the bank bill swap rate (currently at 2.15 per cent) flattens, rises or stays the same.

Alternatively, we could look to the interest rate swap market that gives us future expectations of interest rates. In this case, the swap rate for the 22 March 2024 call date is 2.73, implying rising interest rates. This makes the expected yield to maturity of the CBAPD approximately 7.08 per cent. As the price of the security falls or rises throughout its life, it is this margin and expected yield that investors look at to help them decide the value and willingness to hold in their portfolios.

Summary

Investors often focus on yield maximisation as their main investment objective. As a result, many investment portfolios hold a substantial allocation to high dividend equities. Such a narrow focus without consideration of encompassing the full universe of available and suitable investments may potentially result in an unexpected and permanent drawdown. By understanding the dynamics and relative returns and risks of the complete capital structure (debt and hybrids), and appropriately allocating to this sector, as well as individual securities, investors with clearly identifiable investment objectives are able to maximise the likelihood of achieving these objectives.

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Footnotes

1. Source: Shaw and Partners.
2. ANZ Treasury.
3. ANZ Treasury.

Chart 3: Trading prices of selected ANZ Hybrids compared to an adjusted ANZ Ordinary Share Price[3]

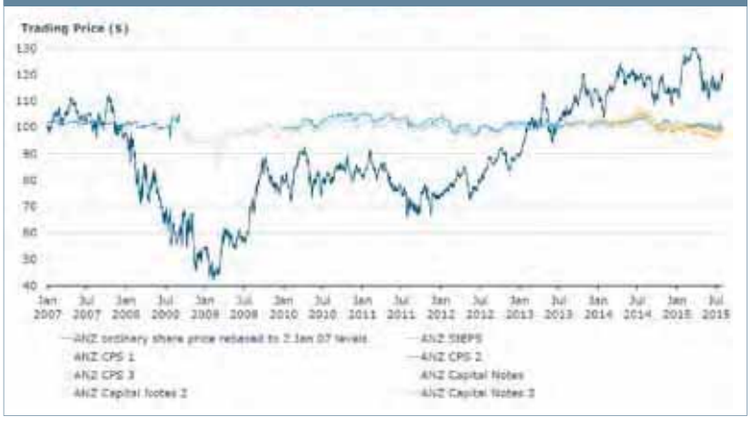

Chart 4: Equities vs Bonds vs Hybrids

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MLC TECHNICAL SERVICES

THIS ARTICLE IS WORTH
0.5 CPD HOURS
CRITICAL THINKING

Includes

- **Pensions before age 60**
- **Estate planning issues**
- **When a spouse is under Age Pension age**
- **When a client is terminally ill**

Re-contribution strategy – when is it worthwhile?

Background

The re-contribution strategy involves cashing out a portion of the taxable component of a superannuation benefit and putting the money back into super by making a non-concessional contribution (NCC). It essentially converts some (or all) of the taxable component of the benefit into the tax-free component. The purpose is usually to:

- generate a more tax-effective income stream by increasing the tax-free component of superannuation pension payments received under age 60; and/or
- reduce (or eliminate) the tax to be paid by non-tax dependants (usually financially independent adult children) on the death benefit amount after the client passes away.

To be eligible to use this strategy, the client needs to meet a condition of release and be eligible to make super contributions.

Table 1: Anti-detriment facts

What is an anti-detriment payment?
An anti-detriment payment is an additional amount that is included in a lump sum death benefit paid to eligible beneficiaries (see below). The payment is broadly designed to restore the deceased's death benefit to what it would have been if 'contributions tax' (ie, 15 per cent) had not been paid on taxable contributions.

Who can receive an anti-detriment amount?
An anti-detriment amount can only be paid to:

- a spouse or former spouse of the deceased;
- a child of any age; or
- the estate, if the fund trustee is reasonably satisfied the ultimate beneficiaries are one or more of the above.

When are they paid?
Anti-detriment payments are:

- only made on the taxable component of a lump sum super death benefit, including when a death benefit pension is commuted to a lump sum on the death of the pensioner (or reversionary pensioner) within the prescribed period;
- calculated based on a formula provided in ATO ID 2010/5 (the formula method) or by identifying the actual tax paid (the audit method); and
- tax-free if paid to tax dependants and taxed at 15 per cent (plus Medicare if applicable) when paid to non-tax dependants.

When are they not paid?
Super funds are not legally required to make anti-detriment payments. Also, they are not paid:

- on any insurance amount included in the death benefit;
- when a death benefit is paid as a pension;
- when a member takes a terminal illness benefit; and
- when a pension is commuted to a lump sum outside the prescribed period.

While it has been a popular strategy, it may not always be worthwhile. When considering a re-contribution strategy for a client, it's essential to assess the:

- potential tax savings, which will depend on a range of factors and, in many cases, may be negligible;
- possible anti-detriment implications as, by reducing the taxable component, the re-contribution strategy can potentially reduce the anti-detriment uplift that would otherwise be payable to eligible beneficiaries (see Table 1: Anti-detriment facts); and
- impact on eligibility for various income contingent Government benefits and payments.

When is a re-contribution worthwhile?

The answer to this question depends on the reason for wanting to do the recontribution and the client's specific circumstances.

Pensions before age 60

If the aim is to make a superannuation pension more tax-effective before age 60, it's essential to consider whether any tax would be payable on the pension payments without re-contributing.

Between the age of 55 and 59, it is possible to receive taxable income payments from a superannuation pension of up to $49,753 without paying any tax in 2015/16, when the 15 per cent pension tax offset and low income tax offset is taken into account. This figure assumes the payments are made from a taxed superannuation fund and no other taxable income is received.

When assessing whether a re-contribution could help to manage tax on pension income, you should consider the amount to be invested in the pension, the client's other income sources and the tax components making up the benefit.

Examples 1 and 2 take a closer look at the first two of these considerations.

Estate planning issues

Where the super death benefit beneficiaries are non-tax dependants, a re-contribution strategy would enable them to receive the benefit tax-free.

However, consideration needs to be given to whether this would decrease or eliminate the anti-detriment payment for eligible beneficiaries, especially if the client has tax dependants who would receive the entire anti-detriment payment tax-free anyway.

Therefore, it is always worth doing the numbers before making a re-contribution recommendation, as examples 3 and 4 illustrate.

When deciding whether to re-contribute for estate planning purposes, you need to consider who will receive the death benefit, whether the fund makes anti-detriment payments and the magnitude of the anti-detriment uplift.

Continued on p30

Example 1: Large pension and no other income

Roger (aged 56) has a superannuation benefit of $1.2 million consisting entirely of the taxable component. He uses the money to start a pension and elects to receive the minimum pension of 4 per cent in year one, which is $48,000. He will not pay any tax on this income, as the numbers below illustrate. As a result, there would be little point using a re-contribution strategy if the sole aim was to manage income tax.

Pension balance at commencement	$1,200,000
Minimum annual pension (4%)	$48,000
Gross tax[1]	$7,147
Less low income tax offset	($280)
Less 15% pension tax offset	($7,200)
Net tax payable	**Nil**

Note: In this example, the offsets exceed the gross tax payable by $333. However, because both these offsets are non-refundable, the tax payable is nil.

Example 2: Smaller pension and considerable income from non-pension sources

Carson (aged 56) has a superannuation benefit of $200,000, which comprises entirely of the taxable component. He uses the money to start a pension and elects to receive income payments of $20,000 from the pension. He also receives taxable income of $60,000 per annum from other (non-pension) sources.

The table below compares the net tax payable in 2015/16 with and without re-contributing $195,000 (which is the low rate cap that applies in this financial year). As you can see, by using a re-contribution strategy, Carson could reduce his tax bill in the first year by $3,505. But it would also be important to assess the impact that the strategy would have when he passes away.

	Without re-contribution	With re-contribution
Pension income	$20,000	$20,000
Other income	$60,000	$60,000
Total income	**$80,000**	**$80,000**
Taxable income	$80,000	$60,500
Gross tax[1]	$17,547	$11,210
Less low income tax offset	$0	($93)
Less 15% pension tax offset	($3,000)	($75)
Net tax	**$14,547**	**$11,042**
Net income	**$65,453**	**$68,958**

Some rules of thumb are that a re-contribution strategy:

- may be worthwhile if your client is sure their death benefit will go to non-tax dependants;
- may not be worthwhile if your client has a spouse and adult children; and
- should generally not be considered if your client has a spouse or young children only.

Impact on Government benefits and payments
Withdrawing money from the taxable component before age 60 will increase your client's taxable income, even though no tax will be payable on taxable amounts up to the low rate cap (which is $195,000 in 2015/16).

This could in turn impact Government benefits and payments based on:

- assessable income, such as Government co-contributions, spouse contribution tax offsets and deductions for personal superannuation contributions; and
- taxable income, such as the low income tax offset, Medicare levy and surcharge, and Family Tax Benefit.

Related strategies

When a spouse is under Age Pension age
A popular social security strategy involves a client who is of Age Pension age cashing out some of his/her super and having the money contributed in the super account of their spouse who is below Age Pension age.

This strategy can enable the older spouse to get more Age Pension, as superannuation in the accumulation phase is not means tested when held in the name of a person under Age Pension age. It can also enable taxable money to be converted into tax-free money. Furthermore, the strategy could result in a Government co-contribution or spouse tax offset.

When a client is terminally ill
If a client is terminally ill and their spouse is aged less than the preservation age, the terminally ill person may want to cash out some (or all) of their superannuation (which would be tax-free, regardless of their age and the underlying tax components) and re-contribute the money as an NCC.

Example 3: Anti-detriment and a tax dependant beneficiary
Let's assume Carson from Example 2 dies and his super death benefit is paid to his wife. If his super fund calculates the anti-detriment amount based on the formula in ATO ID 2010/5, his wife would be entitled to an anti-detriment payment of approximately 17.65 per cent of the taxable component of his death benefit.

By using the re-contribution strategy, the anti-detriment amount paid to his wife would reduce from $35,300 to $883. So, even though the strategy would help Carson to pay less income tax, the trade-off is a lower total death benefit for his wife.

	Without re-contribution	With re-contribution
Taxable component	$200,000	$5,000
Tax-free component	Nil	$195,000
Anti-detriment payment	$35,300	$883
Total	**$235,300**	**$200,883**
Tax payable by spouse	Nil	Nil
Net death benefit	**$235,300**	**$200,883**

Example 4: Anti-detriment and a non-tax dependant beneficiary
Let's now assume Carson's death benefit is paid directly to his non-tax dependant children, who would pay tax on the total taxed element of the taxable component of the death benefit (including the anti-detriment uplift) at 17 per cent.

The next table shows that when you take into account the anti-detriment payment, Carson's adult children would be $4,584 better off if he used the re-contribution strategy and the death benefit was paid directly to them.

	Without re-contribution	With re-contribution
Taxable component	$200,000	$5,000
Tax-free component	Nil	$195,000
Anti-detriment payment	$35,300	$883
Total	**$235,300**	**$200,883**
Tax payable by children	$40,001	$1,000
Net death benefit	**$195,299**	**$199,883**

The terminally ill person could then use the money to start a tax-free pension that could revert to the spouse where the tax-free status would be retained. Alternatively, the terminally ill person could retain the money in the accumulation phase where it could pass tax-free to all eligible beneficiaries, including financially independent children.

While an anti-detriment benefit will be forgone on the portion converted to the tax-free component, it is common that there is a significant insurance amount included in the death benefit and an insurance amount does not attract anti-detriment.

Tips and traps

- SMSFs are generally unable to make anti-detriment payments due to funding issues.
- Where the potential monetary benefit to be derived from using a re-contribution strategy is nominal, thought should be given as to whether the hassle of withdrawing the money and re-contributing it back to superannuation is justified.
- When the withdrawal is made, the payment will reflect the split between the tax components at that time. This means, for example, that if a client's superannuation benefit is 50 per cent taxable and 50 per cent tax-free and they withdraw $195,000, only half (ie, $97,500) will be taxable. On the flip side, if the same person wanted to withdraw a taxable amount of $195,000, they would need to withdraw a total of twice that amount (ie, $390,000).
- It's important to assess whether clients actually have scope within their NCC cap to re-contribute the desired amount. When doing this, make sure you consider whether the client has made any other NCCs this financial year and whether the three-year bring forward rule was triggered in this or the two previous years.

Instead of utilising some (or all) of the NCC cap by re-contributing money already in the superannuation system, some clients may be better off over the longer term by using their NCC cap to get new money into superannuation.

Mansi Desai is a Technical Consultant at MLC Technical Services.

Footnote

1. Medicare levy has been ignored.

QUESTIONS

1. A recontribution strategy can be used by:

a. Clients aged 55 or over.

b. Clients aged between 55 and 59.

c. Clients who meet a condition of release and are still eligible to contribute to super.

d. Any client.

2. While you should always do the numbers to check, a recontribution strategy is more likely to help clients to manage tax on pension payments between the ages of 55 and 59 if they:

a. Receive little taxable income from non-pension sources.

b. Receive considerable taxable income from non-pension sources.

c. Want the money to pass as a death benefit to their spouse when they pass away.

d. None of the above.

3. Where a super fund will make an anti-detriment payment when a lump sum death benefit is paid, a recontribution strategy:

a. Should never be considered.

b. Will not be worthwhile if the death benefit is to be paid to a non-tax dependant.

c. Will be worthwhile if the death benefit is to be paid to the spouse or young children.

d. May be worthwhile if the client is sure the death benefit will go to a non-tax dependant.

4. When the funds are withdrawn as a lump sum from the super fund:

a. The withdrawn amount will reflect the taxable and tax-free proportions at the time of the withdrawal.

b. It is possible to withdraw from the taxable component only, even if there is also a tax-free component.

c. The maximum amount that can be withdrawn is $195,000.

d. None of the above.

RACHEL LEONG

BT

THIS ARTICLE IS WORTH
0.5 CPD HOURS
CRITICAL THINKING

Includes

- **Stepped premiums**
- **Level premiums**
- **Hybrid premiums**
- **Unit-based premiums**

Premium structure: getting it right from the start

The structure of the insurance premium chosen for a client will dictate its initial cost, as well as the total cost over the lifetime of the policy.

In this article, we explain the types of premium structures available, the circumstances when they may be recommended, and the impact on clients.

Not all premium structures are available from all insurers. Retail insurers will generally offer level or stepped premium structures, with some offering a hybrid option. Group insurers may only offer unit-based premiums; or if fixed cover is available, it will most likely be offered under a stepped premium structure.

It's important to get the premium structure right from the start to maximise total savings over the life of the policy.

Stepped premiums

Stepped premiums increase as the client ages to reflect the higher likelihood of a claim. It is the most common premium structure used, as it's the least expensive option over the short-term. However, as the client ages, the annual cost can increase significantly and the total cost over the lifetime of the policy can be much higher compared to level premiums.

Level premiums

Level premiums are designed to remain the same from policy commencement up until the life insured reaches a predetermined age (eg, level to age 55), at which time the premium converts to a stepped structure.

In practise, there may be increases to level premiums over time. This may be a result of indexation of the sum insured, or increases to premiums due to changing assumptions and expenses of the insurer.

Therefore, while level premiums are not guaranteed to remain the same throughout the life of the policy, any premium changes will usually be made across the board – with stepped premium increases often being larger than level premium increases.

Level premiums are usually more expensive at policy commencement. This is because the increased risk of claim as the insured person ages has been factored in, with premiums being averaged over a period of time.

> **Example 1**
> Joshua, an accountant (non-smoker), obtains $500,000 of Term Life and $300,000 Living Plus cover at age 30. Table 1 shows the difference in premium paid at age 30, 45 and 55, under a stepped and level structure.

Advisers should take care to ensure that the correct cover is in place at the inception of the policy, as any amendments may result in level premiums being recalculated based on the insured person's current age. These amendments can include definition changes (eg, own occupation to any occupation TPD), changes to an Income Protection waiting or benefit period, or anything that may result in a new policy (eg, moving from a personally owned policy to a super owned policy).

There is also a variation to level premiums described as 'true level' in the industry. Under a true level premium structure, the additional premium charged each year due to indexation continues to

Table 1

	Age 30	Age 45	Age 55
Stepped premium[1]	$666	$1,758	$4,353
Level premium[1] (no indexation of sum insured)	$1,088	$1,088	$1,088

be calculated at the age of the insured person at inception of the policy. Under a standard level premium structure, the additional premium is based on the insured person's age when the increase occurs, which is generally more.

However, standard level premiums reflect the increased risk to the insurer more accurately as the insured person ages, and is therefore more sustainable. The risk of true level premium policies is that they may be more susceptible to re-pricing in the future.

Hybrid premiums

Some retail insurers will offer the option of a hybrid premium structure that allows the client to use stepped premiums for a portion of cover, together with level premiums for the remainder of cover.

This allows the premium structure to be aligned to short-term or long-term needs within a single policy (see 'short-term vs long-term needs' below).

Premium expense

When do total level premiums become less expensive than total stepped premiums?

The point at which accumulated level premiums are lower than accumulated stepped premiums depends on the actual premium payable. To properly assess this, advisers need to be able to make comparisons for each client. This break-even point will be affected by:

- the type of policy;
- the age of the client (note: the break-even point for a particular client is likely to be later when they are younger. This is because stepped premiums for a younger client are lower compared to when they are older. Therefore, it takes longer for accumulated stepped premiums to be more than accumulated level premiums.);
- the age that level premiums will cease (eg, level to age 65);
- the indexation of the sum insured;
- any loadings; and
- any additional options that have been added to the policy (eg, Double Living benefit).

Continued on p34

Table 2: Pros and cons

	Level premiums	Stepped premiums	Unit-based premiums
Cost and affordability	More expensive over the short-term compared to a stepped premium structure. However, less expensive over the long-term.	Less expensive over the short-term compared to a level premium structure. However, more expensive over the long-term.	Not comparable to stepped or level premiums.
Premium increases	Aside from indexation increases, the premium will remain the same over the life of the policy.	Premiums increase substantially as the client ages.	Premium remains the same for the life of the policy.
Level of cover	Stays the same for the life of the policy.	Stays the same for the life of the policy.	Decreases over the life of the policy.
Budgeting	The client knows what the premium will be as they age and can therefore budget for it. However, if a super policy is funded through mandatory contributions or super balance, there is no direct impact on the client's personal budget.	The client does not necessarily know what the premiums will be as they age and therefore, cannot budget for it. However, if a super policy is funded through mandatory contributions or super balance, there is no direct impact on the client's personal budget.	The client knows what the premium will be as they age and can therefore budget for it. Group cover is usually offered through super. If funded through mandatory contributions or super balance, there is no direct impact on the client's personal budget.
Policy retention	Promotes policy retention and continued cover. If the policy is retained, there is a lower level of exposure to some insurer remedies, if the duty of disclosure has not been complied with.	Does not promote policy retention. If a policy is replaced, there is a higher level of exposure to some insurer remedies, if the duty of disclosure has not been complied with.	Promotes policy retention and continued cover. If the policy is retained, there is a lower level of exposure to some insurer remedies, if cover is underwritten and the duty of disclosure has not been complied with.
Policy replacement and terms	Provides a disincentive to move to another policy, which may have better terms.	There are no barriers in moving to another policy, which may have better terms.	Provides a disincentive to move to another policy, which may have better terms.

Unit-based premiums

With unitised cover, premiums remain fixed, but cover decreases as the client ages. This will vary with each group insurer, however, cover will generally start to decrease for clients aged in their thirties. This can mean there is often very little cover in place by the time the client reaches their fifties.

Example 2
Carla receives three units of Term Life cover upon becoming an Australian Super member. This equates to $300,000[3] of cover. Premiums will remain the same throughout the life of the policy. However, the level of cover will reduce to $159,300 at age 40 and $40,500 at age 55[3].

Comparative summary of pros and cons

Table 2 provides a high-level summary of the pros and cons of level, stepped and unit-based premiums.

As mentioned above, the client may not be able to choose a premium structure if insurance is obtained under a group offer, which means that retail cover will generally provide more choice.

That being said, the best premium structure will depend on each client's individual circumstances.

A stepped premium structure may suit a client who:

- is younger and unable to currently afford level premiums;
- is likely to move to a new policy in the short-term, for example, the client currently has a hazardous occupation, but they are retraining for an office-based role;
- is close to the expiry age of the policy;
- does not require certainty about what the premium will be in the future; or
- has short-term insurance needs.

Conversely, a level premium structure may suit a client who:

- is in a position where they can afford the immediately higher cost;
- is likely to retain the policy, for example, the policy is owned inside super;
- is much younger than the expiry age of the policy;
- would like more certainty on how much the premium will be in future; or
- has long-term insurance needs.

Short-term vs long-term needs

A hybrid premium structure allows cover for short-term needs to be paid through a stepped premium structure, and cover for long-term needs to be paid through a level premium structure.

Short-term needs

'Short-term needs' describe a requirement for cover that is for a limited time. We will now discuss some examples of short-term needs.

The most common scenario is when children grow up and become financially independent. While it may be assumed that this will happen at age 18, we should consider the reality of this. Many young people, although technically adults, are not in a position to support themselves financially and still depend greatly on their parents. Many will be gaining a tertiary education, or working in their first job while still living at home.

Another client base that may have a need for short-term cover are those reaching retirement age. The closer they are to retiring, the less time they have to reach the critical break-even point where the cumulative cost of level premiums exceeds the cost of stepped premiums. Therefore, it may make more sense to recommend a stepped premium structure in this scenario.

Small business owners who have key employees may also wish to cover them in the short-term. This could include lump sum Term Life, TPD and/or Living (Trauma) cover, and could also cover a temporary loss of business revenue through Key Person Income insurance. Stepped premiums may be the most suitable in this instance if it's unlikely that the key employee will stay in the business long enough to recoup the higher amounts of level premium paid in the initial phase of the policy.

Long-term needs

'Long-term needs' describe a requirement for cover that is ongoing. That is, there is no defined period that the cover is required for. We will now discuss some examples of long-term needs.

A client's long-term need may be access to a high standard of medical treatment, or even alternative treatment not available in Australia. It is unlikely that a client's need for cover for this purpose will change over time.

The same can be said for clients who do not wish to live on only 75 per cent of their income if they were to qualify for Income Protection payments. If they choose to 'top-up' their income to 100 per cent through an additional amount of TPD or Living cover, this is a requirement that persists.

Once again, the client's retirement age has bearing on what premium structure is most suitable. If retirement is some time away, and the policy doesn't expire before then, a level premium structure may be suitable.

For business owners looking for a funding mechanism for their business succession (buy/sell) arrangement, insurance provides an ideal solution. While the amount of cover may vary according to the value of the business, the need for cover remains consistent. Therefore, level premiums may be a good option for buy/sell arrangements.

Example 3 demonstrates how stepped and level premium structures can be used in a single policy, to address both short-term and long-term cover requirements.

Example 3
Rosemary, age 45, is married with two children, Philip (age 19) and Penelope (age 25). Philip is living at home and pursuing his law degree at university. Penelope moved

out of home two years ago, is married, and working as an architect.

Rosemary's financial adviser, Terry, reviews her insurance arrangements every 12 months to ensure her cover is keeping up with her changing circumstances. While Rosemary has had her Term Life, TPD, Living and Income Protection policies for several years, for simplicity, we will only discuss her TPD cover.

Her current level of TPD cover is $1 million, comprised of cover for:

- debt $350,000 (long-term need);
- home modifications $50,000 (long-term need);
- lost future income to pay ongoing living expenses of $350,000 (long-term need), of which $100,000 covers children's expenses (short-term need); and
- top-up income in addition to Income Protection benefits payable of $250,000 (long-term need).

Rosemary's cover for long-term needs amounts to $900,000, of which Terry recommends using a level premium structure. Cover for short-term needs is for $100,000, of which Terry recommends using a stepped premium structure. A hybrid premium structure is used that allows both stepped and level premiums to be used in one policy.

When Philip moves out of home and becomes financially independent, Rosemary reduces her cover by $100,000, which is the portion of cover funded through stepped premiums. The cover under a level premium structure remains, and Rosemary's total premium cost over the lifetime of the policy is minimised.

Conclusion

The decision to use a stepped or level premium structure should be based on a number of factors, including the purpose of cover and importantly, the clients' personal circumstances.

There are advantages and disadvantages to each premium structure, however, if the policy is expected to continue for the medium to long-term, the total aggregate cost of level premiums will eventually be lower than total stepped premiums. In cases where there is a shorter-term need for insurance, it may be more suitable to recommend stepped premiums.

Making the right decision at the outset is important, as changes to policy or premium structure can impact the total cost to the client over the life of the policy.

Rachel Leong, Product Technical Manager, Life Insurance, BT.

Footnotes

1. BT Protection Plans premium rates as at 1 August 2015.
2. Based on BT Protection Plans premium rates as at 10 August 2015.
3. Based on the Australian Super 'Insurance in your super' guide issued 1 July 2015.

QUESTIONS

1. The benefits of stepped premiums are:

a. The accumulated cost is lower in the short-term. The premium remains the same over the life of the policy (assuming no indexation), and this structure does not provide a disincentive to moving to another policy which may have better terms.

b. The accumulated cost is lower in the short-term, and this structure does not provide a disincentive to moving to another policy which may have better terms.

c. The accumulated cost is lower in the medium to long-term. The premium remains the same over the life of the policy (assuming no indexation), and this structure does not provide a disincentive to moving to another policy which may have better terms.

d. The accumulated cost is lower in the short-term, and this structure provides a disincentive to moving to another policy.

2. The benefits of level premiums are:

a. The accumulated cost is lower in the short-term. The premium remains the same over the life of the policy (assuming no indexation), and this structure promotes policy retention.

b. The accumulated cost is lower in the short-term. The premium remains the same over the life of the policy (assuming no indexation), and this structure does not provide a disincentive to moving to another policy which may have better terms.

c. The accumulated cost is lower in the long-term. The premium only increases due to age but not because of health changes, and this structure promotes policy retention.

d. The accumulated cost is lower in the long-term. The premium remains the same over the life of the policy (assuming no indexation), and this structure promotes policy retention.

3. A hybrid premium structure allows a:

a. stepped premium to be used on a portion of cover, and a level premium to be used on a portion of cover, within a single policy.

b. stepped premium to be used on a portion of cover, and a level premium to be used on a portion of cover, over multiple policies.

c. level premium to be used over multiple policies.

d. premium rates to be used that is between level and stepped premium rates.

4. Level premiums may be most suitable for clients:

a. who require more certainty about what premiums will be in the future and can afford the initially higher cost.

b. have long-term insurance needs.

c. are likely to retain the policy for the long-term.

d. all of the above.

Leader of the future

Avril Henry talking about the 'Leader of the Future'.

The **Sydney Chapter** held a Women in Financial Planning Lunch on 16 September, with members and guests hearing from widely acclaimed speaker, Avril Henry, who spoke about the 'Leader of the Future'.

Avril's presentation centred on what it takes to lead the workforce today and what it will take to lead in the future. She also spoke about the characteristics to be a leader of the future.

Avril said globalisation, technology and change have all created uncertainty for the future, which will present new and unique challenges for leaders who will be leading a more multi-generational, culturally diverse and gender equal workplace.

She said people today have much higher expectations of their leaders and their organisations than ever before. Leadership can and must be learned to enable agile, sustainable organisations that can survive and thrive in the future.

Avril said it was essential to understand what motivates each generation, which will enable greater attraction, recruitment and retention of both good employees and good clients.

The Chapter thanks the major sponsor of this event, BOQ Specialist.

On the green

The **Sydney Chapter** Future2 Foundation Golf Day was held on 2 September at Stonecutters Ridge Golf Club, with over 65 planners and fund managers in attendance.

The day provided competitions for golfers of all skill levels, with 18 holes of Ambrose or Stableford, for players who have an official PGI Handicap under 20.

Competition was strong amongst the teams, with first place prize going to the Hill Capital team – Tim Amor, Tom French, Brigette Leckie and Ian Markus.

The Chapter congratulates all the winners on the day and thanks all participants for attending. The Chapter is also grateful for the support of the day's sponsors, including the major sponsor, Perpetual.

Golfers enjoyed their day at the Stonecutters Ridge Golf Club: Brigette Leckie, Stuart Dunn, Tim Amor, Ian Markus and Tom French.

Upcoming Chapter events

1 October
Townsville: Chapter Coffee Meeting

5 October
Geelong: Member Lunch – 'Alternatives are the answer to your diversification dilemma'

14 October
ACT: Member Lunch – 'Global investment opportunities, and estate planning and management'

16 October
Far North Coast NSW: Member Seminar – 'Estate planning with investment bonds and fixed income markets'

19 October
South Australia: Future2 Foundation Golf Day

23 October
Western Australia: Young Professionals Networking Lawn Bowls

28 October
Tasmania: Member Seminar – 'Failure of Financial Advice'

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For a list of upcoming FPA events in your local Chapter, go to www.fpa.asn.au/events/

Elev8-ing young professionals

The **Sydney Chapter** recently held its young planner and student networking event – Elev8.

Close to 100 young and 'young-at-heart' professionals attended the event, with a strong representation of financial planning students. Elev8 provides an opportunity for young professionals to come together in a casual, relaxed environment to meet and be entertained by passionate, non-professional speakers, presenting on topics that inspire, excite and challenge those who attend.

Attendees were entertained by six individuals who provided quick, engaging eight minute presentations that went directly to the heart of some great ideas.

The inaugural Gwen Fletcher Memorial Award winner and Dixon Advisory practitioner Erin Shields CFP® spoke about the challenges young planners face in overcoming potential biases and doubt when working with older clients. She said young planners should not be daunted by age differences when working with older clients, and to practice what you preach in your recommendations, and importantly, to back yourself as a professional.

Mentor, consultant and facilitator, Keith Peel gave a thought-provoking presentation on behavioural finance and why some people achieve their financial goals, while others fail.

In a highly engaging presentation, Christian Lotter CFP® spoke about his motivation and journey to attain the globally recognised CFP® mark, and how this designation has helped him, his clients and the wider profession.

Other speakers included Ryan Eather (Archon Property) and Serena Peddle and Laura Casaceli (Inspired Adventures).

Elev8 is about engaging with young professionals who want to hear from other 'grassroots' professionals about fresh ideas and concepts on better ways of engaging with clients, and transforming their own business and themselves.

Erin Shields (Dixon Advisory), Lonni Aylett (Ord Minnett Financial Planning), Allison Macfarlane (FPA Sydney Chapter committee).

The Kaplan crew: Aleeya Hamza, Angela Pellitteri and Luis Medina.

Yap Ngan and Hiroko Ishikawa.

John Dacker (Shadforth Financial Group), Troy Ottens (Shadforth Financial Group) and Tim Laurence.

From BOQ Specialist: Michael Fernandez and Leighton Packer.

Josh Robertson and Michael DeBomford.

Attending from Kaplan were: Carly Francis, Alasdair McDonald and Alycia Tuttlebee.

Simplifying online services for seniors

Planning for your clients' retirement is a lengthy process that involves a number of considerations about their financial circumstances. The good news is, the Department of Human Services is introducing more online options to make it quicker and easier for seniors to do their Centrelink business.

If your client is currently receiving an eligible income support payment, they will be able to simply transfer to the Age Pension without needing to complete the full claim form.

So how does it work?

Once your client is within nine weeks of Age Pension eligibility, they will receive a letter from the Department, either in the mail or online – if they have registered to receive letters this way.

The letter will include an invitation to apply for a transfer to Age Pension online through a simpler process than beginning a new paper claim from scratch.

If your client was already over 65 years of age before this new process was introduced, and they are eligible for the Age Pension, they can still complete the transfer online. To check if they are eligible, go to humanservices.gov.au/agepension

The eligible income support payments are:

- Austudy
- Carer Payment
- Disability Support Pension
- Newstart Allowance
- Parenting Payment
- Partner Allowance
- Sickness Allowance
- Special Benefit
- Widow Allowance
- Widow B pension
- Wife Pension

To take advantage of the streamlined process, your client will need to be registered for a Centrelink online account via myGov at my.gov.au

This is a great opportunity to encourage your clients to get started with myGov if they haven't already, and once they've transferred to the Age Pension, they'll be able to make use of other time-saving features.

If your client receives the Age Pension, and plans to go overseas, they may need to contact the Department and find out if their travel will affect their entitlements.

The Department of Human Services has simplified the process, so now pensioners can notify us of their overseas travel using their Centrelink online account through myGov, without needing to visit a service centre or call us.

They can add, view and update overseas travel details and answer a few simple questions to see information tailored to their circumstances about how travelling outside of Australia may affect their payment, and any recommended action they should take before they depart.

There are some exceptions, including if your client is paid under the terms of a social security agreement with another country or has returned to Australia within the last two years after having lived overseas and became a recipient of the Age Pension during this period.

Commonwealth Seniors Health Card holders can travel overseas for up to 19 weeks before their card is cancelled.

For more information about overseas travel and your client's obligations to notify the Department of Human Services, visit humanservices.gov.au/paymentsoverseas or humanservices.gov.au/olderaustralians to learn about services available for seniors.

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