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A series of firsts

Dante De Gori CFP® talks to Susi Banks about his fresh approach as incoming CEO

THIS ISSUE

FPA PROFESSIONALS CONGRESS WRAP-UP / SOCIAL SECURITY ASSET TEST CHANGES
TERMINAL ILLNESS DEFINITIONS / THE YEAR AHEAD / FPA AWARDS 2015

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FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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A time for reflection

The dawn of a new year is often a time for reflection. This year, I reflect on a chapter that has provided challenge, change and new opportunities for our profession.

Over the last five and half years, and supported by the FPA Board and community, the FPA has played an integral role in advancing the financial planning profession. After much hard work, we now have a legislative tail wind behind us and I encourage you all to do what you can to nurture, protect and grow the profession.

Adapting to change

The FPA has built strong foundations, in the form of education, certification and a professional code of ethics and conduct that includes a structure for member accountability.

Whilst FPA members have committed to the high standards we have set, this was not reflective of the whole industry. In my mind, 2015 will be looked upon as the year that cemented the foundations and created a set of standards that will be applicable to every financial planner in Australia.

The introduction of degree entry requirements for new financial planners and the establishment of an industry code of ethics, supported by enshrinement of the terms Financial Planner and Adviser in law, will bring the industry together into a recognised professional framework. These are changes we called for the in FPA 10 Point Plan and I believe they will pay off for the profession, and consumers, in a big way.

By 1 July 2017, the new, Independent Council will set the education standards, financial planning curriculum, industry exam, a professional year and an industry standard Code of Ethics will be established, along with industry working groups.

On the life insurance front, 2016 will see the Life Insurance Framework (LIF) pass through parliament. After a three year transition, we will see the capping of upfront and ongoing commissions to 60% and 20% respectively, and introduction of a two-year responsibility (claw back) period will undoubtedly have a dramatic impact on the remuneration and business structures of risk advisers.

As all this change gets underway, there will be much that you have to cope with. Changes to remuneration structures, business structures and potentially additional educational requirements – all alongside looking after the clients you serve, in a challenging global economic environment.

I urge our community to see this change as short-term pain, for long-term gain – for our profession, and importantly, for the clients we serve. The FPA will of course be supporting members through this period of significant transition.

Heartfelt gratitude

In my last CEO message for Financial Planning magazine, I wanted to take the opportunity to express gratitude to all those who have worked tirelessly alongside me. The FPA team, FPA Board, our extensive community of committee members, Chapter Chairs and the vast number of FPA members who have taken the time to send in their feedback, attended FPA events and participated in surveys on important issues.

We would not be where we are today, without an inspired professional community, committed to securing the future. On the subject of the future - at the end of February, I will pass on the reins of the FPA to Dante De Gori. It has been a true honour to run the FPA for the last five and a half years, and I am proud to leave the next phase in such capable hands.

Thank you for your support. I hope you enjoy the edition.

Mark Rantall CFP®
Chief Executive Officer

It has been a true honour to run the FPA for the last five and a half years, and I am proud to leave the next phase in such capable hands.

EXCLUSIVE NEW OPTIONS TO HELP YOUR CLIENTS

BE READY FOR NEXT

With more baby boomers retiring each year it's important you're prepared to help more clients be ready for next. So when you're thinking about retirement income strategies and longevity, things just got a little easier…

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CommInsure challenger

21818/IFA/0116

FPA AND ING DIRECT **COMMENCES PILOT REFERRAL PROGRAM**

The FPA and ING DIRECT have commenced a pilot advice referral program to connect ING DIRECT Living Super customers with CFP® professionals within the FPA Professional Practice community. The nine-month pilot is modelled on the successful Cbus referral program and part of a commitment to build the FPA Professional Practice offering.

The pilot commences this year and will be available to ING DIRECT Living Super customers who have asked for comprehensive financial advice.

FPA CEO Mark Rantall, said "this agreement with ING DIRECT strengthens our ties with the superannuation sector and brings us one step closer to achieving the FPA's vision that through our members, we stand with Australians for a better financial future." Participation in the pilot referral program was decided based on the geographic requirements of the fund's members.

FORMER FPA CHAIR APPOINTED TO TAX **PRACTITIONERS BOARD**

Minister for Small Business and Assistant Treasurer, The Hon Kelly O'Dwyer, announced that the Tax Practitioners Board (TPB) has appointed former FPA Chair, Julie Berry CFP® to the Board.

The FPA has long advocated the need to have tax (financial) adviser representation on the TPB, to ensure there is a voice for financial planners. The appointment will ensure that the interests of the profession are represented, when it comes to the regulation of tax (financial) advice.

The Minister also announced that Mr Ian Taylor has been re-appointed as TPB Chair. According to CEO Mark Rantall, this will "provide continuity to the work of the TPB."

JULIE BERRY

UPCOMING **CHAPTER EVENTS**

February

Wednesday 17 February
3pm – 6pm
Western Australia Chapter
Sundowner Member Seminar

March

Friday 4 March
12:30pm – 6:30pm
Sydney Chapter Tennis Day

Friday 11 March
Ballarat
Chapter Golf Day

Monday 21 March
Western Australia
Future2 Foundation Golf Day

US STUDY HIGHLIGHTS
IMPORTANCE OF SOCIAL MEDIA

A study conducted by LinkedIn and the FPA Research and Practice Institute, a research entity of FPA in the US, has shown that social media and the growth of financial advisory firms are inextricably linked.

The study, "Communication Evolution: Financial Professionals and the Future of Thought Leadership and Social Media" highlighted that 67 percent of advisers see a direct or indirect link between social media activity and acquiring new business.

The study also says that advisers use different professional and social networks to meet different objectives. LinkedIn is seen primarily as a way to find new relationships, Facebook to maintain and deepen relationships, and Twitter to listen and learn from others.

The study included 1,242 financial advisers and 1,021 consumers, who use financial advisers and make or contribute to the financial decisions of the household. Of the consumers that participated, fewer than 5 percent of clients used professional or social networks to find their current adviser, however 21 percent say professional and social networks will be important going forward. That number doubled for clients under the age of 45.

THANK YOU
to our Chapter supporters

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- Magellan Asset Management
- MLC
- Paper Magic
- Perpetual
- Stirling Andersen
- Vanguard
- Watkins Coffey Martin
- Winston Capital Partners

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

ATO RELEASES SUPERSTREAM
INFORMATION PACK

The ATO has developed a suite of materials to help small businesses get ready for SuperStream, the new compulsory standard for making superannuation contributions. Employers with 19 or less employees must start using SuperStream by no later than 30 June 2016.

Designed to simplify employer contributions, SuperStream is a standard for processing superannuation data and payments electronically. The new system enables employers to process all transactions in a single transaction, even if they are going to multiple super funds. Contributions and rollovers can be processed more efficiently and the new system will also decrease the number of lost accounts and unclaimed money.

To find out more, and to access the information pack, visit the ATO website.

The FPA congratulates the following members

who have been admitted as CERTIFIED FINANCIAL PLANNER® practitioners.

ACT

Jodie Dickson CFP®
Veritas Wealth Solutions

Mitesh Patel CFP®
Callaghans Financial Services

NSW

Vince Zappia CFP®
NGS Financial Planning

Martin Wheeler CFP®
Lifetrack Financial Services

Stuart McDonald CFP®
National Australia Bank

David Hall CFP®
AGS Financial Group

Luke McCoy CFP®
Elevate Financial Solutions

Petar Caric CFP®
Advice 300 Pty Ltd

Joey Ng CFP®
Commonwealth Financial Planning Limited

Viera Safonova CFP®
National Australia Bank

Natasha Anderson CFP®
William Buck Wealth Advisers NSW

Sarah Broady CFP®
The Retirement Advice Centre

Justin Wilson CFP®
Strategyone Advice Network

Laura Hillier CFP®
Dixon Advisory

Evan Hill CFP®
Hill Stanley Andrews Financial

Mathew Keeley CFP®
William Buck

Martin McGrath CFP®
Financial Edge

Graham Southgate CFP®
Westpac

Katarina Filipovic CFP®

Michael Gillett CFP®
Country Wealth

QLD

Matthew Parrish CFP®
Menico Tuck Parrish Financial Services Pty Ltd

Justin Scattini CFP®
Ord Minnett Ltd

Brent Cerutti CFP®
Kelly Wealth Services

Darren Eising CFP®
Elemental Wealth Management

Craig Moore CFP®
Commonwealth Financial Planning Limited

Alexandra Smith CFP®
IPAC Securities Limited

Sunitha Chamala CFP®
BDO Private Wealth Advisers Pty Ltd

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Complete Financial Balance

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NAB Financial Planning Adelaide CBD P/L

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HSW Financial Advisers

Asha Burrows CFP®
The Payne Group

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People's Choice Credit Union

Andrew Barlow CFP®
William Buck Wealth Advisors

TAS

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Vostro Private Wealth

Harriet Gibb CFP®
Shadforth Financial Group

Timothy Fuller CFP®
Akambo Private Wealth

Sarah Lauren CFP®
First State Super Financial Services

Brett Muir CFP®
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Byfields Wealth Management

Joseph Miasi CFP®
Ultimum Financial Services

2016 : Looking into the future

We ask two financial planning professionals about their biggest challenges for 2016

DAVID FRENCH AFP®

Managing Director
CIPL (Holding) Limited T/A Capricorn Investment Partners and Pentad

As a professional:
The biggest would be recognising when it's time to look over the parapet. For more than a decade the FPA and the industry in general have been mired in changing legislation, introspection and self-flagellation. You can't run a successful and robust business without sound compliance and ethical standards, but it's worth remembering that in themselves, compliance and ethics is not the business. I think it's now time to start setting the agenda for the profession. One opportunity would be that financial planners become formally accredited to become the front office for Centrelink retirement and family payments – in the same way that accountants are essentially the front office for the ATO. Over time, few people have absolutely no contact with Centrelink, and this measure would provide mandated legitimacy to the profession in one hit.

Next, let's look at managing the regulator. ASIC's seeming kowtowing to industry funds, and the manner in which this is undertaken, including the recent guidelines for advising on SMSFs, is unacceptable and at worst, disingenuous. ASIC has been the subject of a number of unfavourable reviews, and needs to be held to account for its interpretation of the Corporations Act. It is time our profession recognised that.

Markets have become more volatile, and I am yet to meet a client who really enjoys it. We need to identify ways to achieve acceptable returns while reducing volatility. Some of this is about structuring client's affairs and some is investment based. Advisors increasingly need to move away from the fund's view of the world, and become personal asset managers.

PI premiums continue to increase and insurers' terms are now such that the practical worth of some PI insurance policies is in question. I am told that the FPA's efforts to negotiate on this matter have met with resistance. So what about the profession backing itself by setting up its own insurance arm?

As an adviser:
Studies have repeatedly shown that the majority of retail clients value trust above everything else. Funny thing is this trust can overshadow facts and that frequently gets clients into trouble. Our business started in 2001, as a professional fee for service firm and we have always relied on approachability, analysis and results to prove our worth – we like to think we earn clients' trust. Finding ways, on the basis of our professionalism and detail, to tap into the 75 per cent of people who do not use a financial planner is a focus.

We are two offices, one that is smaller but very sophisticated from an IT point of view (we built and run our own portfolio system and other software), and one is large but more traditional, itself being an amalgam of older style businesses. Over the past year we have seen amazing progress in merging the activities of these two offices, resulting in reduced fees for clients and increased margin for our business. We're very excited regarding our achievements to date and we'll be looking to continue that momentum into 2016.

Finding the time to get out there more. After more than 25 years in investment and financial services, you gain a certain amount of experience and resilience. Whether in adopting a fee for service model in 2001, or our approach to compliance and technology, we've generally been ahead of the curve. I think we can offer something to other firms and the profession as a whole. I'll be looking to pursue that aim.

WAYNE BARBER CFP®

Managing Director
Maximum Wealth Strategies

As a professional:
A major ongoing issue for the financial planning profession is the establishment of confidence and trust in the Profession with the wider community in general. There is a need to change for the better public perception of the financial planning profession as an ongoing objective to lift the numbers in the community who actively seek professional financial advice. A key message of reassurance and trust of the like needs to be delivered e.g. demonstrating that unacceptable behaviour within the profession will not be tolerated. To achieve such a shift in the public perception of our profession will take time, money and hopefully the absence of negative reports concerning financial planners.

2. There is a common benefit for all who want an active part of the financial planning profession going forward. Just as the benefit will be shared by all, the burden to achieve an improved outcome needs to be shared by all. Just as other professions have evolved to obtain a voice, there will come a day when the vast majority of professional financial planners will be part of a collective group i.e. a professional association.

Have your say. Join the debate on the FPA Members' LinkedIn Forum.

3. The recently adopted degree qualification standards for the financial planning profession, especially for those categorised as "transitional "currently holding recognised designations or working toward by 2019, will require universal acceptance within the profession and demonstrated to those outside the financial planning profession as being at the required standard.

As an adviser:

1. Adapting to change (somewhat of an understatement) has never been more relevant than today. To take advantage of the efficiencies offered by the adoption of new systems (technology) to effectively handle the significant increase in requirements to deliver a professional financial advice service to both existing and new clients. While identifying the most suitable solution for your business is time consuming the beneficial outcome should deliver a better and more efficient service to the client, i.e. more time in front of the client. The increase in requirements has taken quality adviser time away from the client.

2. On a broader scale looking at your current offering to existing and new clients and considering how to do things better. The combination of new regulation requirements, new technologies available, unknown impact and/or adviser adoption of Robo Advice and client communication options (social media). All of these issues will require choice and balance to achieve an acceptable return on investment of time and resources.

3. To continue to invest in one's own development, to allocate sufficient time to learn new skills for the benefit of the business (growth), clients and yourself. Seeking out and working with like minded professionals helps to maintain the enthusiasm and passion for the financial planning profession. Adopting the roll as an advocate for the financial planning Profession.

"I can't see the future but I know it's coming fast. It's not that hard to wind up knee-deep in the past" ('Coast of Carolina' lyrics by Jimmy Buffett).

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

It's business as usual at the FPA with the announcement that Dante De Gori CFP® will be taking the reins.

A SERIES OF FIRSTS

At 37 years of age, Dante De Gori CFP® will be both the youngest ever and the first internally-appointed chief executive officer of the Financial Planning Association of Australia. Dante will take over the position on 1 March when Mark Rantall steps down after five years at the helm. Dante talks to **Susi Banks** about his fresh approach while maintaining the clear vision that has served the FPA.

On his LinkedIn profile, Dante lists his main passions in life as the four Fs – Family, Food, Football and Financial Planning. And in another most joyful personal first, Dante will become a father for the first time in May.

The announcement that Dante will succeed Mark Rantall was made at the opening plenary of the 2015 FPA Professionals Congress in Brisbane in November. The surprise announcement to the thousand delegates attending has been widely supported by FPA members.

Dante, who will become the ninth chief executive officer of the FPA, says that inheriting a well-run organisation with a clear vision will aid him in improving the FPA even more for future generations. He sees the profession as "heading in the right direction".

And Dante says: "It's business as usual" at the FPA with the announcement that he would be taking the reins. He says he hopes to provide a fresh approach, while "appealing to the next generation of leaders within the financial planning profession".

"As the current GM of Policy and Conduct I am aware of all of the policy related issues impacting on financial planning and feel I am well placed to lead the organisation through these challenges" he says.

After a five-year stint at the FPA, first as General Manager Policy and Government Relations and for the past three and half years as General Manager, Policy and Conduct at FPA, Dante is already well-known by members and Government. His easy manner, technical competency and policy know-how have earned him an enviable reputation throughout the profession.

Big Regulatory Achievements

In terms of recent big regulatory achievements for the FPA, Dante points to the overall success of the FPA 10 Point Plan launched in May 2014, of which eight points have been adopted by the Government.

Not only did the FPA put together a blueprint for the future of the profession, but via a number of inquiries – such as the FSI and PJC Inquiry – those inquiries have adopted the FPA's recommendations and now, so too, has the Government.

Continues on page 14

The requirement for existing financial planners to have to complete a degree or equivalent by 1 July 2019, is neither practical, nor appropriate, as it does not recognise existing education, experience and CPD.

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Dante sees the two biggest achievements recently for the FPA as being:-

(1) The Government announcing the policy reform for education and professional standards, specifically that for new financial planners RG146 will become a Degree standard – this is a great outcome for consumers and for financial planners. It will not only help in building trust and confidence with consumers but also help in obtaining greater professional recognition and respect from other professions and industry.

(2) The Government announcing that the terms 'financial planner' and 'adviser' will be protected in law. The FPA has been advocating for more than ten years and this achievement has to be shared with all past FPA Board members and CEOs. This is one of those milestones that reflects the work of many people who made contributions to this over many years.

Challenges

Asked what he sees as the key regulatory and legislative issues and challenges for 2016, Dante cites the implementation of reforms; specifically the transition process and timeframe for existing financial planners. "Regarding the new education standards – the requirement for existing financial planners to have to complete a degree or equivalent by 1 July 2019, is neither practical, nor appropriate, as it does not recognise existing education, experience and CPD. The FPA has advocated for the new independent body to develop appropriate pathways and recognition of prior learning framework.

"This is going to get a lot of airplay in the first part of 2016. As I said earlier, the FPA has been advocating for a decade now – and definitely for the past five years that I've been here – the entry training requirement should be a degree qualification standard. At the moment it's not. What we're arguing is that the benchmark is too low. If you're providing advice to Australians on financial matters and effectively providing them with advice about how they can best create wealth, manage wealth and protect wealth, we think you need more than a diploma level qualification."

"But that's the benchmark going forward. What our concern is that it generally doesn't happen where you retrospectively apply new standards to everybody in the industry". Dante says the Government's policy is that the transition is done by 1 July 2019, and the list of appropriate degrees won't be developed until 1 July 2017. "So that gives you two years to do a bachelor's degree whilst working full time or running a business. I don't know anybody who could do it in two years. So that's why

I say it's inappropriate, it's not workable or practical", he says.

"We already have a degree requirement for new members which we implemented in 2013. But what we didn't do, is say that every existing member had to go back and do a degree."

Support

Dante says the FPA supports its members through all of these changes in a number of ways, including CPD, webinars, Chapter events, Roadshows and Congress.

Elaborating on what a 'roadshow' involves, Dante says over the past three or four years in particular it has been part of his existing role. "We have 31 Chapters and we spend two and a half months on the road each year meeting them all face-to-face. It's a great opportunity to meet members in person, but it also helps us to build useful tools. Recently it's been creating workbooks to equip our members on particular changes.

"Most recently we compiled a booklet to help members put their clients first. What does it mean to put your clients first? What does it mean under the law, what does it mean for the profession? We equip our members for changes in legislation as well as how we can help them meet their best interest duty."

"But also other tools, fact sheets, Q&As that are available in the Member Centre 24/7. For example if a change has happened or is about to happen – something the Government has foreshadowed – it might be easiest to do a quick four or five minute video to say this is what it means; this is what we know; and this is what we're going to do next."

ONE MINUTE WITH

DANTE

1.What book are you reading at the moment?

"From Dude to Dad" by Chris Pegula & Frank Myer

2.What are you listening to?

I love podcasting documentaries; BBC World Service and Fox Football.

3.What football team do you support in the Soccer World Cup – Italy or Australia?

Australia first; but if they're knocked out Italy. It's good having two teams.

4.What do you think of what's going on with FIFA and Sepp Blatter's eight year ban?

It's devastating. There's a saying: "The fish rots from the head…" But I think FIFA is a wonderful institution in what it has done for the game and I hope it survives.

"As well as videos, we host webinars and communicate weekly to our members via FPA Express; and also our website. All our members are required to do ongoing professional development. As part of that we either develop or source training content that we then offer them", he says.

And if that already sounds like an awful lot of work, Dante goes on to explain some of the other services the FPA provides for its members.

Keeping Up-to-date

He says a big part of the role is to keep up-to-date with what is going on and provide members with all they need to know. He says that it's great that there's a lot of political debate about policy ideas, but with all the too-ing and fro-ing it can be difficult for a small business operator trying to service his clients. 'What do I need to know? What does it mean right now? When do I need to adjust?' He says policy discussion is distracting when you are trying to run a business. "That's when we get involved; to try and influence that policy debate, based on what we think is in the best interests of consumers, and our members. Our job is to say that's an idea, but it's not actually legislation."

"The man on the street hears this and that; but a news story is not necessarily fact. There are a lot of announcements and debate before laws are passed and legislation implemented. So part of a financial planner's job is to be aware of the discussion, and be able to explain it to clients who feel concerned or confused.

He says the government has a number of reforms that are being progressed, and that is something that is more likely to have an outcome than something that is just being debated in the newspapers. "There's a critical job for financial planners to do as they have to inform their clients what is in and what's not" he says.

Dante De Gori is not only up-to-date with all the relevant issues affecting the FPA but he is in pole position to take up the role of chief executive officer. No doubt he will "hit the ground running".

"One of the best conferences I've attended"

– Phil Sgangarella CFP®

2015 FPA CONGRESS WRAP-UP

With a new TED style format, world-class speakers, workshops "built by planners, for planners" and a breathtaking performance by the Queensland Ballet, the 2015 FPA Professionals Congress did not disappoint.

Some of the exciting speakers included internationally acclaimed Li Cunxin, former dancer and stockbroker and author of the best-selling *Mao's Last Dancer*; award-winning journalist and broadcaster Jennifer Byrne, futurist Chris Riddell and thought leader Mark McCrindle.

Almost a thousand delegates from around the country attended the two and a half day event in Brisbane, and more than seventy five per cent of them downloaded the FPA Congress app to keep up-to-date on Congress information.

The new format of keynote sessions, featuring a mix of inspiring presenters and range of topics at the event's 24 workshops generated extremely positive feedback.

New Leader for the FPA

It was announced at the Congress that FPA CEO Mark Rantall CFP® was stepping down after five years at the helm to be replaced by FPA General Manager, Policy & Conduct, Dante De Gori CFP®. Mr De Gori will take over from Mr Rantall from 1 March 2016. The FPA board recognised Mr Rantall's achievements during his tenure by granting him life membership of the association. Mr Rantall was the first CEO of the FPA who was also a CFP® Professional; Mr De Gori will be the second.

Panellists speaking at the FPA Professional Practice workshop. From left to right: Dacian Moses CFP®, Andrew George CFP® and Tim Sullivan

Inspiring Speakers

Mr Rantall said he was honoured that Li Cunxin had agreed to be a keynote session speaker, sharing stories about how he has helped organisations shape their future, with an emphasis on giving back to communities.

Mr Cunxin, who is currently artistic director of the Queensland Ballet, previously spent 10 years as a stockbroker with Bell Potter Securities in Melbourne. He said that despite challenges, the growth of superannuation will underpin an exciting future for the financial planning profession. "Which industry gives you that guarantee?" he said.

The Queensland Ballet performed during the 'Future2 Gala Dinner', a charity dinner which is the signature social event of the FPA Professionals Congress. Also at the dinner more than $115,000 was awarded in grants to community not-for-profits.

Other speakers included best-selling author and co-founder of Earth hour, Nigel Marsh; Gruen Transfer panelist, advertising strategist and managing director of The Honeycomb Effect, Carolyn Miller and Vinh Giang, professional speaker, magician and South Australian Entrepreneur of the Year (2013).

Nigel Marsh said planners can shape their clients' futures – and their own – by showing greater courage and taking more risks. "If you aren't taking risks someone is going to shape your future for you," he said.

Award Winners

Outgoing CEO Mark Rantall said the candidates for the FPA Awards this year were outstanding. He said that many are making a real difference and worked to improve the circumstances of disadvantaged communities. He said that financial planners really do change lives – and not just those of their clients.

Winner of the FPA 2015 Future2 Community Service Award was Christopher Moore CFP® from

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"Attending an FPA Congress influences and drives you to strive for the best for your clients and your business. Most of all, it reminds you about what you do for society and makes you proud to be a financial adviser."

– Dean Van Zyl AFP®

The Future2 Wheel Classic riders arrive in Brisbane

Dante De Gori CFP® presenting at the FPA Professional Practice workshop

A packed plenary hall for the Keynote sessions

Congress delegates heading to their next workshop stream

Mao's Last Dancer Li Cunxin addresses delegates

Continued from page 17

Optimum LifeFocus Financial Planning in Adelaide. The award recognises members who contribute to improving the circumstances of the severely socially excluded or financially disadvantaged in a community service capacity, pro bono or volunteer role.

Mr Moore has significantly contributed to the community and a number of charities, whilst having a successful 40-year career in banking, finance and financial planning. Mr Rantall said Mr Moore "works tirelessly for the disadvantaged both at home as well as abroad".

Other award winners included Christopher Smith CFP® of Visis Private Wealth for CERTIFIED FINANCIAL PLANNER® Professional of the Year, described by Mr Rantall as having an "approach to financial planning built on a solid foundation of ethical decisions and commitment to placing clients' interests first".

The FPA Financial Planner AFP® of the Year Award was proudly claimed by John Molnar AFP® of ipac South Australia, who had demonstrated 'high professional and ethical standards' according to Mr Rantall.

The first ever University Student of the Year Award was awarded to Natalie Cross, who graduated with a Bachelor of Commerce from Griffith University. Ms Cross achieved the highest overall result in financial planning construction and review.

The Gwen Fletcher Memorial Award which recognises the highest-achieving candidates in the CFP Certification program was awarded to Sunitha Chamala of BDO Private Wealth Advisers.

Delegate Feedback

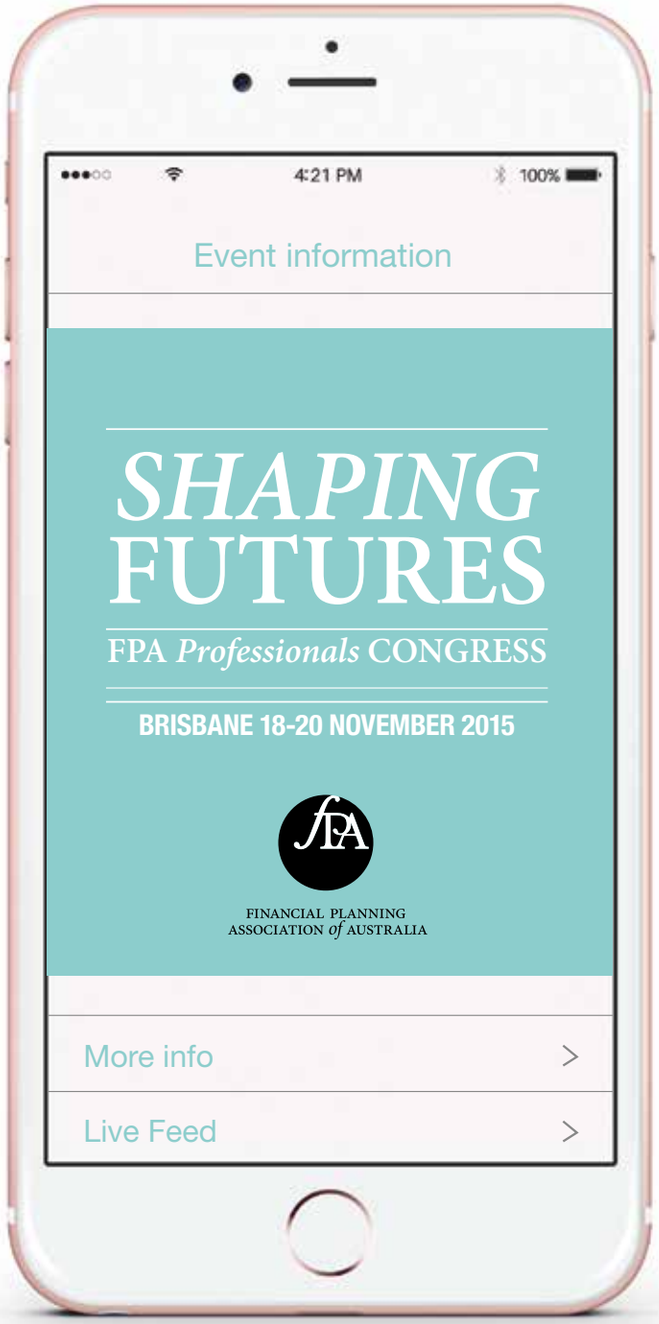
The majority of attendees were financial planners themselves and some of the feedback received about the FPA Congress included the following comments:

- "One of the best conferences I've attended" – Phil Sgangarella CFP®
- "Attending an FPA Congress influences and drives you to strive for the best for your clients and your business. Most of all, it reminds you about what you do for society and makes you proud to be a financial adviser" – Dean Van Zyl AFP®
- "Congress gave me the time away from the business to focus on the next phase and innovation, so we can continually improve and renew. I left feeling inspired, motivated and proud to be in the industry" – Svetlana Vrzovski CFP®

On social media the event created a buzz and trending in Australia on Twitter #FPA Congress was the fifth most popular topic.

Over $200,000 was raised for Future2 at this year's FPA Professionals Congress, Future2 Gala Dinner and Future2 Wheel Classic, reflecting outstanding commitment and effort from the FPA community.

In his final address to an FPA Professionals Congress as CEO, Mark Rantall urged the association's members to "nurture, protect and grow" the profession of financial planning in Australia. He said that everyone involved in financial planning "is merely a custodian of the profession for the time they are in it and have a duty to protect it for future generations".



75%

of delegates downloaded the app

"Congress gave me the time away from the business to focus on the next phase and innovation so we can continually improve and renew. I left feeling inspired, motivated and proud to be in the industry."

– Svetlana Vrzovski CFP®

FPA Chair Neil Kendall CFP® during the opening plenary

The Women in Financial Planning breakfast with Jennifer Byrne

Jennifer Byrne talks about her journey

Delegates dress in black and silver for the Future2 Gala Dinner

Excellence, integrity and knowledge

Christopher Smith talks about what it means to win the 2015 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award. Christopher responds to a number of questions asked by Financial Planning Magazine.

NAME: CHRISTOPHER SMITH

Position: Founding Partner
Practice: VISIS Private Wealth
Licensee: VISIS Private Wealth
Years as a financial planner: 15 years
CFP designation: November 2014

1. What does winning the FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award mean to you?

This accolade gives me a great sense of pride and achievement. This achievement is a personal reward for the years I have invested in the pursuit of excellence. Excellence in everything I do, and the results I achieve for my clients. Personally, it is recognition that the many years I have devoted to growing my practice and aspiring to the highest standards of service and quality advice are worth it.

Winning this award has also provided the evidence that the standard of advice and service we provide is the best in the country. The award has franked our suspicions that we are providing market leading advice and service to our clients as well as furthering the reputation of the wider profession.

The award also recognises the efforts that our team at VISIS Private Wealth puts in everyday to live our mantra of "with excellence, integrity and knowledge we ascend".

On a professional level, I hope that this award gives me a platform to raise awareness about the importance of further education in the industry and contribute to a better profession for future advisers, industry participants and other stakeholders, especially the public.

2. Why did you enter this year's FPA Awards?

I have always had a competitive spirit. I also have a never-ending pursuit of excellence approach to my trade. In our profession there are many ways to judge your success. These awards are a chance to benchmark yourself individually against the best advisers in the Australia.

3. How important is the CFP designation to you as a planner and for the profession?

I believe the CFP designation is the symbol of excellence in the profession. A CFP practitioner epitomises the values that our profession is built on and is something that all of our best and brightest advisers should aspire to achieve. Whilst I appreciate that there are many excellent advisers in our industry that have not completed the CFP education program, I believe that the level of education that comes with this level of study is a major achievement. The level of education however is merely a table-stake. The belief in what the CFP mark represents and adherence to the highest standards that make this profession what it is remains of paramount importance if we are to raise standard of advice in our country and the reputation of our industry.

4. As a CFP professional, what are the greatest challenges and opportunities facing you?

The greatest challenge I face personally is to achieve cut through with our communications and to reach out to the public in the face of an industry that at times struggles with delivering our message. The reputation of the profession has taken some damage over the recent years. Unfortunately this has led to a low engagement rate with the public. We need to re-engage with the wider community and regain the respect our profession requires to increase the number of people receiving good advice. The opportunity is to position the CFP designation as a respected and reliable brand and to leverage this to engage with consumers. Increasing education standards and recognising the value a CFP professional offers in providing advice and security to our clients' is imperative.

The greatest challenge I face personally is to achieve cut through with our communications and to reach out to the public in the face of an industry that at times struggles with delivering our message.

5. What advice do you have for any aspiring CFP professionals?

Find a good mentor and ask for help and listen. Surround yourself with like-minded aspirational professionals who are striving to achieve more and have the same core values and beliefs. Use this intelligence and take under advisement all that you hear and the advice you receive. Then decide for yourself which parts you will use to form yourself as a professional.

I believe understanding how to self-assess the standard of advice you want to provide and adhering to this at all times is critical.

Short term benefits never beat long term sustainability in our profession. See the long game and always put the client first.

6. Can you tell us the best piece of advice you've received?

I believe that what I am today is a composite of the people that have influenced me, and the advice I have been given. The advice or lesson that best resonates with me would be: whatever you do, do it well. Which for me has inspired an approach to my professional life coined as a "never-ending pursuit of excellence".

Staying on track

John Molnar credits his success for winning the 2015 Financial Planner AFP® of the Year Award to goals-based financial advice.

1. What does the Financial Planner AFP® of the Year Award mean to you?

The FPA is Australia's leading professional community for financial planners and to be recognised with the Financial Planner AFP® of the Year Award was a tremendous honour and a great achievement.

The FPA stands for a strong code of ethics and belief in high quality financial advice to help improve the wellbeing of all Australians. To me the Financial Planner AFP® of the Year Award helps me affirm that I am on the right path and making a difference.

2. Why did you enter this years awards

Entering the FPA awards was an opportunity for me to get more involved with my peers and the broader financial planning community. It was also an opportunity to benchmark my own skills as a financial planner and to affirm that I continue to provide high quality advice to my clients.

3. As a Financial Planner AFP® what are the three greatest challenges facing you?

Professional status recognition:
The financial planning profession is currently going through a massive change whereby we are coming of age; however, the public perception of financial planners still remains tarnished due to the actions of a few 'bad apples'. Good financial planning has the ability to change people's lives and it's important the public perception reflects this in order for the industry to be considered profession. I firmly believe this perception will improve over time but it will take communication and education to improve consumer confidence and build trust within the broader community.

Intergenerational financial planning:
There are a large number of Australian baby boomers approaching retirement and for many financial planning firms this is often their primary clientele and/or target market. The challenge we are now facing is the ability to effectively transition and expand our advice/service offering to include not only pre and post retirees but the next Generation (Gen X & Y – tomorrows clients). The younger generation have a whole different mindset with different needs and we need to be able to engage with them effectively and the first thing that comes to mind is technology and social media.

Underinsurance:
Life insurance is the foundation of any financial plan and yet Australia is one of the most underinsured nations in the developed world.

Reform and changes to meet consumer demand are currently underway within the insurance sector but underinsurance still remains. The one common denominator in all three challenges is 'Education' and as financial planners, I feel it's our role to inform, educate and empower our clients in all facets of their lives and insurance is no different.

NAME: JOHN MOLNAR

Age: 30
Education Qualifications: Grad Dip FS (FP), Adv Dip FS (FP), Dip FS (FP)
Position: Private Client Adviser
Practice: ipac SA
Licensee: AMP
Years as a financial planner: Seven years

4. What advice can you give the new generation of planning professions?

The soft skills:
There is a huge emphasis on education and technical skills within our profession, however I believe that soft skills are equally as essential.

A lot of what we do as financial planners is often considered intangible; therefore the ability to interact, understand, connect and influence clients on a deeper level helps build a long term trusted relationship. This is something I believe the client seeks and values; therefore is invaluable.

Know the type of professional you want to be:
We are fortunate in the financial planning industry to have a diverse multi-faceted range/areas of advice in which we can specialise in such as retirement planning, insurance, aged care, wealth creation. We can also break this down further to determine the type of client we want to specialise in i.e. pre or post retirees, Wealth accumulators. So understand who you want to be as a profession, know the clients you want to deal with and become that specialist within the industry.

Invest in yourself:
As the financial planning industry continues to evolve, we too need to continue to evolve with it and therefore we cannot become complacent. I am a strong advocate for ongoing professional development and continued education. This is key to becoming a successful financial planner especially when you know who your client is (and invest in yourself accordingly).

The right balance

Taking out the Gwen Fletcher Memorial Award for being the highest achieving student in Semester 2 of the CFP® Certification Assessment was a humbling experience for Sunitha Chamala.

1. Why did you decide to become a CFP professional?

From a very young age I was always taught that education is key to building a better future. So, for me, it felt only natural to want to attain the highest level of certification in Australia in my chosen profession. Our clients place a huge amount of trust in us to look after their financial well-being and provide quality advice that is truly in their best interests. I wanted to assure my clients of my commitment to ongoing education as well as the professional and ethical standards that are embodied in the CFP Certification Program.

As an adviser, the CFP mark represents access to greater opportunities. As a travel-obsessed GenY, the international recognition of the program means that there aren't any limits to where it could take you.

2. How did you manage to combine your work/life balance to complete your studies for CFP certification?

I have to admit that I initially underestimated the time involved in completing the program, particularly around a busy work and personal schedule. It was a real wake up call to learn that it took the previous winner of the Gwen Fletcher Memorial Award over 100 hours of preparation and study to successfully complete the program.

I found that starting early, joining a study group and blocking out a certain number of hours each week to complete my studies extremely helpful.

While the balancing act is certainly a challenge, you are ultimately rewarded with a meaningful designation.

3. What does winning the Gwen Fletcher memorial award mean to you?

It was a great honour to receive the Gwen Fletcher Memorial Award, particularly as there is a high calibre of excellence amongst the people undertaking the CFP Certification Program.

While I never had the pleasure of meeting Gwen Fletcher, in speaking to those that knew her well I can see how admired and respected she was. She had and continues to have a significant impact on shaping our profession.

I applaud the FPA for recognising and celebrating the high achievement of members through awards such as this, as it inspires and encourages advisers to excel in their studies and make valuable contributions to the overall profession. I was thrilled to be able to donate the prize money associated with the award to a charitable foundation close to my heart that provides underprivileged young women access to basic education that they would otherwise not receive.

4. What does it mean to be part of the new generation of planners entering the profession?

As the next generation of planners, it is our responsibility to continue to build the reputation of our profession, which will give more and more clients the confidence to seek advice. We are faced with demographic and cultural shifts as well as disruptive technology that are challenging the traditional advice model. I believe that by adapting to the changing environment, we are well positioned to grow the profession through the provision of high quality advice.

NAME: SUNITHA CHAMALA

Age: 26
Education Qualifications: Bachelor of Commerce (Accounting and Finance), DFP, ADFP, CFP
Position: Wealth Adviser
Practice: BDO Private Wealth Advisers Pty Ltd
Licensee: BDO Private Wealth Advisers Pty Ltd
Date of CFP Designation: November 2015
Years as a financial planner: Four years

Making a difference

For his community and charitable involvement, Christopher Moore CFP® was presented with the 2015 Future2 Community Service Award.

NAME: CHRISTOPHER MOORE

Education Qualifications: Diploma of Financial Administration, Banking and Finance
Position: Director
Practice: Optimum LifeFocus Financial Planning
CFP designation: 1998

1. Provide a brief outline of the charity you support and why you became involved?

My wife (Kerrie) and I founded Container of Hope in 2009. It all began after a trip to India and then visiting our son who was working in Vanuatu, we saw all the poor, destitute people and dilapidated medical equipment. The nursing home where Kerrie worked was cutting up and dumping hospital beds, which we unsuccessfully attempted to save. We were and are appalled at the ease with which useful things are thrown away in Western society.

So, a mate bought our first 40' storage container. We started collecting second hand items, and fundraised the money for shipping a container to Uganda. Today, we still continue this basic process: sourcing goods, collecting goods, sorting goods, packing goods into containers, and shipping them overseas. We provide up to $10,000 per project. The second half of 2015 was particularly busy for us, as we managed to send out eight containers to various countries in Africa. Our favourite part is getting a Distribution Report back with photos of the items in use!

2. What does winner the Future2 Community Service Award mean to you?

It is an honour to be chosen for this award out of so many applicants, but more than that, it means so much to have Container of Hope receive recognition. It's about spreading the word that financial planners can make a difference. All our work is volunteer – we pay no employees and everything we spend on making the projects happen is all from personal funds, with the exception of the buying and shipping of containers. All the money for these two exceptions comes from donations. As such, we can only function if people know about us – and this award has gone a long way to help with that.

3. How important is the Future2 Foundation for the profession?

That we not only help people with managing their finances but we are also deeply involved in giving back to our society and especially those less fortunate than ourselves.

4. What have you learnt by being involved with your community project?

God provides all we need if we do the job He has given us to do. The obstacles are endless but persistence wins over every time. It's great and fulfilling to be out helping people, but we are continually reminded that our work is endless – "the poor will always be with you". Our frustrations pale into insignificance to their need. Thus in the words of Winston Churchill, we will "Never, never, never give up".

A commitment to education

Brisbane-based Natalie Cross is the inaugural recipient of the 2015 FPA University Student of the Year Award.

1. Given the myriad of career options why did you choose financial planning?

I have always been an analytical thinker and interested in financial matters which is what led me to commence studying accounting. I then stumbled across financial planning through a study elective and realised I could make a positive difference in peoples lives. Also, after seeing a number of my friends and family struggle financially over the years I knew financial planning was the right path for me.

2. What was the most gratifying part of your studies?

Definitely my two year internship. It gave me an amazing opportunity to see how my studies would be applied in the real world. Working alongside experienced advisers gave me a chance to learn how to apply my knowledge to real client problems. It also gave me the opportunity to make valuable industry contacts that have been very supportive in furthering my career.

3. What advice do you have for new students looking to study financial planning?

If you are naturally analytical but have always had a passion for helping people then financial planning is a great career option. Look into opportunities to work with an industry mentor and become a student member of the FPA. Also, don't be in a rush to become an adviser because there is a lot to learn along the way.

NAME: NATALIE CROSS

Age: 22
University: Griffith University
Education qualifications: Bachelor of Commerce (Professional) – double major of Financial Planning and Accounting
Graduation: December 2014

4. How do you see your career developing over the next five years?

In five years I hope to have completed further studies and be a CERTIFIED FINANCIAL PLANNER® professional. I have been gaining valuable experience working as a Client Service Officer and hope to start paraplanning within the next six months.

5. Why do you think you were selected as university student of the year?

I think my commitment and hard work was reflected in my assessments and in my willingness to learn as much as I could during university. Also, by making the most of opportunities such as being involved in professional development workshops, working with an industry mentor and undertaking a two year internship. I feel that my University Student of the Year submission reflected my passion for financial planning and my achievements while studying at Griffith.

6. What are the challenges facing young people when it comes to financial literacy?

Understanding the value of what they can do now to change their future for the better. A lot of young people are more focused on having fun now rather than worrying about saving for their future.

To answer questions
www.fpa.com.au/cpdmonthly

KIM GUEST
COLONIAL FIRST STATE

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes:
- Increase in the asset free area
- Increase in the taper rates
- Entitlement to health care cards

Get ready: changes to the social security asset test

Important changes to the social security asset test, effective 1 January 2017, have passed through parliament.

For those clients who will see a reduction or cancellation of the Age Pension, it's important to review their retirement plans to ensure they have sufficient funds to meet retirement income needs.

Overview of changes

The following changes to the asset test will apply from 1 January 2017. They include:

- increase in the 'asset free areas' for both homeowners and non-homeowners.
- increase in the asset test taper for the pension asset test from $1.50pf to $3pf per $1,000 of assets over the asset free area. This results in a significant reduction in the upper asset test threshold.

For those who lose entitlement to the pension on 1 January 2017 as a result of the asset test changes, they will be automatically issued with a Commonwealth Seniors Health Card or Health Care Card.

Asset test changes in more detail

Increase in the asset free area
The asset free area (lower asset threshold) will increase from 1 January 2017 for people in receipt of pensions and allowances.

Table 1 compares the current asset free areas with the thresholds at 1 January 2017.

The increase is comparatively larger for non-homeowners, with the asset free area $200,000 higher than homeowners. This increase is in recognition of the fact that non-homeowners do not benefit from the asset test exemption on the principal home.

Allowances
For people in receipt of an allowance, such as Newstart, the asset test threshold will be the same as the pension asset free area from 1 January 2017.

The increase in the asset threshold will result in more people being eligible for an allowance. For example, the asset test threshold for a single homeowner will be $250,000.

Currently, the asset free area for pensions and the asset test threshold for allowances do not align due to a previous legislative change freezing the allowance asset test. For example, the allowance asset test for a single homeowner is currently $202,000, whereas the asset free area for a pensioner homeowner is $205,500.

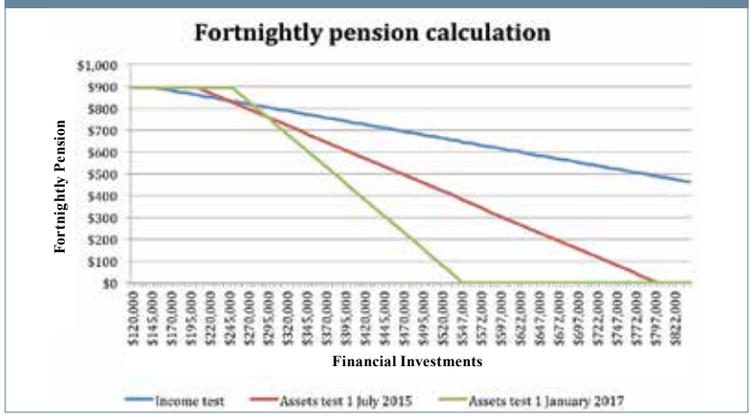
Increase in the taper rates
For pensions, the asset test taper rate (the amount by which a person's pension entitlement decreases under the assets test) will increase from $1.50pf to $3pf per $1,000 of assets over the lower threshold.

This is a return to 2007 levels and results in a substantial reduction in the upper assets test threshold.

Table 2 compares the current and new asset test thresholds from 1 January 2017.

What is the impact of the changes?
There are both winners and losers as a result of the asset test changes. The winners are a group of people with lower levels of assets between certain

GRAPH 1: SINGLE HOMEOWNER



Assumptions: Deeming rates 1.75% and 3.25%, maximum rate of Age Pension and income threshold as at 1 July 2015.

thresholds, whereas the losers are an even larger group of people with higher levels of assets.

Winners
When determining the impact of the changes on someone with lower levels of assets, both the assets and income test needs to be considered.

In many cases, people with lower levels of assets are actually income tested, rather than asset tested, as the deemed income on their financial assets results in a reduction in Age Pension. For these people, the increase in the asset free area will not result in an increased Age Pension entitlement.

However, once their financial investments exceed a certain point, they become asset tested and benefit from the asset test changes.

Graph 1 demonstrates the impact of the changes on a single homeowner.

Points to note:

- If we assume the client has financial investments subject to deeming:

  - the income test (blue line) determines their rate of Age Pension between $155,000 to $240,000 of financial investments, resulting in no increase in Age Pension entitlement as a result of the asset test changes.

  - the new asset test thresholds only impact the rate of Age Pension for financial investments between $245,000 and $295,000 (red line). The biggest increase in Age Pension occurs at $275,000 of financial investments, resulting in an increase of $712pa.

  - once assets exceed $295,000, the client receives a reduced Age Pension under the new assets test (green line).

- If we assume the client does not have financial investments subject to deeming but rather assets that do not produce assessable income (e.g. grandfathered account based pension):

  - clients with assets between $205,000 and $290,000 receive an increased Age Pension with the biggest increase at $250,000, resulting in additional Age Pension of $1,736pa.

Table 3 outlines the levels of financial investments where a client receives a benefit from the asset test changes. The calculations assume the client assets are financial investments subject to deeming.

Losers
Those with higher levels of assets will see a reduction or cancellation of the Age Pension, as a result of the changes to the taper rate.

Referring to Graph 1, which looks at the impacts on a single homeowner with financial investments subject to deeming, we can see that they receive a reduced Age Pension under the asset test changes once their assets exceed $295,000.

The largest reduction in Age Pension applies to those with assets equivalent to the new asset test cut-off of $547,000. They receive a reduction in the Age Pension of $9,848pa.

Table 4 outlines the levels of financial investments where a client receives a reduction in Age Pension as a result of the asset test changes.

Health care cards
Where a client loses entitlement to an income support payment on 1 January 2017 as a result of the asset test changes, they will automatically be granted a health care card.

For those over Age Pension age, they will receive the Commonwealth Seniors Health Card. For those under Age Pension age, they will receive a low income Health Care Card. For veterans, if they lose entitlement to the service pension on 1 January 2017 as a result of the asset test changes, they will retain the Veterans' Affairs Gold Card.

The usual income tests that apply to the concession cards will not apply if they are granted the card on 1 January 2017 as a result of the asset test changes. This income test exemption will apply indefinitely.

Pensioners who are overseas at 1 January 2017 but would otherwise qualify for a card, will be automatically issued such a card upon their return, provided they return within 19 weeks of leaving Australia.

Pensioners who are overseas at 1 January 2017 but return to Australia after 19 weeks, will also qualify for a card if they have a

Continues on page 30

TABLE 1: COMPARISON OF CURRENT AND NEW ASSET FREE AREAS

	Asset free area 1/7/2015	Asset free area 1/1/2017	Increase
Single Homeowner	$205,500	$250,000	$44,500
Single Non-Homeowner	$354,500	$450,000	$95,500
Couple Homeowner	$291,500	$375,000	$83,500
Couple Non-Homeowner	$440,500	$575,000	$134,500

TABLE 2: COMPARISON OF CURRENT AND NEW ASSET TEST THRESHOLD

	Asset free area 1/7/2015	Asset free area 1/1/2017	Cut off limit 1/7/2015	Cut off limit 1/1/2017
Single Homeowner	$205,500	$250,000	$779,000	$547,000
Single Non-Homeowner	$354,500	$450,000	$928,000	$747,000
Couple Homeowner	$291,500	$375,000	$1,156,500	$823,000
Couple Non-Homeowner	$440,500	$575,000	$1,305,500	$1,023,000

Continued from page 29

nil rate of pension on 1 January 2017 as a result of the asset test changes. However, the card will not be automatically issued. They will need to claim the card on their return.

It's important to note that this is a once-off assessment on 1 January 2017. For example, if a client reaches Age Pension age in February 2017 and claims Age Pension but receives a nil entitlement, as their assets exceed the new asset test thresholds, they will not be automatically issued with a Commonwealth Seniors Health Card. If they apply for the card, they will be subject to the usual income tests.

If they lose entitlement to the Age Pension, what about grandfathering of account based pensions?

Unfortunately, if a client loses entitlement to the Age Pension on 1 January 2017 as a result of the asset test changes, they will lose grandfathering on any existing account based pensions.

To be eligible for grandfathering, the client must be continuously in receipt of an income support payment since 1 January 2015. If they have a break in entitlement for any reason, including the asset test changes, the account based pension will no longer be grandfathered.

For example, if a client is cancelled on 1 January 2017 and then reapplies for the Age Pension in 2019 as their assets have reduced, their account based pension would be subject to deeming.

Retirement funding implications

For those who will see a reduction in Age Pension as a result of the asset test changes, there are several implications for retirement funding. Firstly, retirement plans and projections will need to be reviewed to ensure clients can still meet their retirement income goals.

For pre-retirees, they may need additional retirement savings or need to consider delaying retirement for a few years.

For those already retired, they may need to review their retirement income goals and adjust their level of drawdown from existing investments.

Example: Single Homeowner

To illustrate how the asset test changes may impact a client's retirement plans, let's look at an example of a single homeowner who reaches Age Pension age and retires on 1 January 2017. They have $10,000 in household contents and an account based pension subject to deeming.

The question is how much do they require in an account based pension to meet their retirement income needs, assuming they live for 25 years in retirement? We will compare the amount required under the current asset test rules and the new asset test rules from 1 January 2017.

Table 5 compares the amount required in an account based pension for different levels of required income.

As you can see from Table 5, the client requires a substantial increase in retirement savings to meet their income needs when the new asset test thresholds are taken into account.

Here is the same comparison for couple homeowners.

Example: Couple Homeowners

A couple who are homeowners reach Age Pension age and retire on 1 January 2017. They have $10,000 in household contents and account based pensions subject to deeming. Let's assume they live for 25 years in retirement.

Table 6 compares the amount required in account based pensions for different levels of required income under the current asset test rules and the new asset test rules from 1 January 2017.

Strategies

Strategies that reduce assessable assets for pension

TABLE 3: WHO WILL BENEFIT FROM THE ASSET TEST CHANGES

	Increase in Age Pension where financial investments between…	Level of financial investments that results in largest increase	Largest Age Pension increase
Single Homeowner	$245,000 to $295,000	$275,000	$712pa
Single Non-Homeowner	$500,000 to $550,000	$530,000	$605pa
Couple Homeowner	$310,000 to $460,000	$405,000	$2,087pa
Couple Non-Homeowner	$565,000 to $710,000	$655,000	$2,070pa

Assumptions: All assets are financial investments subject to deeming. Deeming rates 1.75% and 3.25%, maximum rate of Age Pension and income threshold as at 1 July 2015.

TABLE 4: WHO WILL RECEIVE A REDUCED AGE PENSION?

	Reduction in Age Pension where financial investments between…	Level of financial investments that result in largest reduction	Largest Age Pension reduction
Single Homeowner	$295,000 to $779,000	$547,000	$9,848pa
Single Non-Homeowner	$550,000 to $928,000	$747,000	$7,859pa
Couple Homeowner	$460,000 to $1,156,500	$823,000	$14,195pa
Couple Non-Homeowner	$710,000 to $1,305,500	$1,023,000	$12,206pa

Assumptions: All assets are financial investments subject to deeming. Deeming rates 1.75% and 3.25%, maximum rate of Age Pension and income threshold as at 1 July 2015.

purposes will be even more effective as a result of the asset test changes.

Under the current rules, if we reduce assets by $1,000 for a client who is asset tested, we achieve an additional $39pa in Age Pension, which is a return of 3.9% (assuming their assets exceed the lower threshold). However, under the new rules, if we reduce assets by $1,000, we achieve an additional $78pa of Age Pension, which is a return of 7.8%pa.

These strategies may be effective at reducing assessable assets:

- contributing to superannuation in the name of a spouse under Age Pension age;
- improving or purchasing a more expensive principal home;
- gifting within allowable limits;
- gifting five years prior to Age Pension age;
- funeral bonds and prepaid funerals;
- long-term annuities with a depleting asset value.

To ensure impacted clients are aware of the upcoming changes and have time to adjust their retirement plans, you may want to consider reviewing these clients as soon as possible.

Kim Guest, Senior Technical Manager, Colonial First State.

TABLE 5: SINGLE HOMEOWNER, REQUIRED RETIREMENT SAVINGS

Income required p.a. (including Age Pension)	Account based pension balance required (current asset test rules)	Account based pension balance required (new asset test rules)
$40,000	$270,193	$406,480
$45,000	$371,245	$545,024
$50,000	$480,506	$665,844
$55,000	$593,634	$766,505

Assumptions: All figures in today's dollars. At the end of 25 years, capital exhausted. Income indexed at 3%pa, net growth of 7%pa on account based pension, Age Pension indexed at 3.5%pa, rates and thresholds indexed at 3%pa, deeming rates 1.75% and 3.25%.

TABLE 6: COUPLE HOMEOWNER, REQUIRED RETIREMENT SAVINGS

Income required p.a. (including Age Pension)	Account based pension balance required (current asset test rules)	Account based pension balance required (new asset test rules)
$55,000	$513,022	$470,293
$60,000	$602,268	$590,691
$65,000	$692,106	$726,299
$70,000	$782,369	$867,925

Assumptions: All figures in today's dollars. At the end of 25 years, capital exhausted. Income indexed at 3%pa, net growth of 7%pa on account based pension, Age Pension indexed at 3.5%pa, rates and thresholds indexed at 3%pa, deeming rates 1.75% and 3.25%.

QUESTIONS

1. George is a single homeowner who reaches Age Pension age in February 2017. When he applies for the Age Pension, his assets exceed the upper threshold and he is not entitled to the Age Pension. Which of the following is correct?

a. He will automatically be entitled to the Commonwealth Seniors Health Card and the usual income tests will not apply.
b. He will automatically be entitled to the Low Income Health Card and the usual income tests will not apply.
c. He will not be automatically entitled to a health care card. He will need to apply for a Commonwealth Seniors Health Card and the usual income tests will apply.
d. None of the answers provided.

2. Lyn is in receipt of the Age Pension and has a grandfathered account based pension. On 1 January 2017, she loses entitlement, as a result of the changes to the assets test. Which of the following is correct?

a. If she reapplies for the Age Pension at a later date, her account based pension will remain grandfathered.
b. If she reapplies for the Age Pension at a later date, her account based pension will not be grandfathered but rather subject to deeming.
c. If she reapplies for the Age Pension within 28 days, her account based pension will remain grandfathered.
d. None of the answers provided.

3. Which of the following strategies may assist in reducing assessable assets?

a. Purchasing an account based pension.
b. Gifting five years prior to Age Pension age.
c. Contributing to superannuation if over Age Pension age.
d. Purchasing an investment property.

4. For asset tested clients, which of the following is correct regarding the effectiveness of asset test reduction strategies once the changes to the pension assets test are implemented on 1 January 2017?

a. For every $1,000 reduction in assets (assuming assets exceed the lower threshold), we achieve an additional $39pa in Age Pension.
b. For every $1,000 reduction in assets (assuming assets exceed the lower threshold), we achieve an additional $78pa in Age Pension.
c. For every $1,000 reduction in assets (assuming assets exceed the lower threshold), we achieve an additional $3.90pf in Age Pension.
d. For every $1,000 reduction in assets (assuming assets exceed the lower threshold), we achieve an additional $7.80pf in Age Pension.

To answer questions **www.fpa.com.au/cpdmonthly**

To answer questions
www.fpa.com.au/cpdmonthly

KATHERINE ASHBY
BT FINANCIAL GROUP

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes:
- New definition of terminal medical condition
- Tax treatment of terminal illness benefits
- Terminal illness and insurance

Expanded Terminal Illness definitions

Earlier in 2015, the Federal Government altered superannuation law to allow access to superannuation benefits if an individual has less than 24 months to live, rather than the previous 12. This change not only applies to superannuation monies, but also any insurance proceeds which are also payable.

Terminal illness is a defined term, separately in SIS legislation, but also insurance policies, so the wording will need to be updated. But in doing so, insurers can open up access to benefits sooner, and this changes the life insurance needs analysis for clients.

Background

The then Assistant Treasurer, Josh Frydenberg, announced the changes to the Terminal Medical Condition condition of release in May, and the Bill was passed through the Federal Parliament in June 2015. On 29 June 2015, the *Tax and Superannuation Laws Amendment (Terminal Medical Conditions) Regulation 2015*, received Royal Assent.

The regulations took effect on 1 July 2015. The amendments allow members to access their superannuation if two medical practitioners have certified they have a terminal medical condition that is likely to result in their death within 24 months of certification. The previous life expectancy period was 12 months. The new definition is as follows:

> 6.01A Meaning of *terminal medical condition*
>
> For Schedule 1, a **terminal medical condition** exists in relation to a person at a particular time if the following circumstances exist:
>
> (a) two registered medical practitioners have certified, jointly or separately, that the person suffers from an illness, or has incurred an injury, that is likely to result in the death of the person within a period (the **certification period**) that ends not more than 24 months after the date of the certification;
>
> (b) at least one of the registered medical practitioners is a specialist practising in an area related to the illness or injury suffered by the person;
>
> (c) for each of the certificates, the certification period has not ended.
>
> *Source: Superannuation Industry (Supervision) Regulations 1994*

The change came about as a result of lobbying from groups, such as the Breast Cancer Network of Australia. They lobbied for access to superannuation for terminally ill Australians, in order to provide access to life extending or preserving drugs, end of life wishes, and to help with day-to-day expenses.

"Enabling Australians with a terminal illness to more easily access their superannuation will help to ease the financial burden on families at this most difficult time," Josh Frydenberg said.

"It's an example of where a small change can make a big difference and that is why we have decided to act." he said.[1]

Taxation

The taxation treatment has remained the same. Terminal illness benefits are treated as a 'pre-payment' of death benefit and thus are tax-free, or more accurately, 'non-assessable non-exempt income' (Source: *Income Tax Assessment Act 1997 – Section 303.10*).

This has important implications, as it may mean that an individual is able to access their superannuation tax-free, as opposed to a taxable (under age 60) permanent disability benefit. Access to superannuation under the permanent incapacity condition of release requires the calculation of a disability super benefit. This will include a taxable and tax-free portion, with the taxable portion taxed at 22 per cent. Therefore, accessing superannuation under the Terminal Medical Condition condition of release may provide significant tax advantages.

This is also the case for clients who would otherwise pay a death benefit from super to a non-tax

dependant. The tax rate would be 32 per cent on a portion of the lump sum paid from super. Further, any accumulated super balance will be included in the calculation. If a client is terminally ill, an alternative is to receive a tax-free Terminal Medical Condition lump sum instead.

Terminal illness and insurance

In 1989, after volunteering at an AIDS hospice and seeing residents in palliative care, Canadian Ron Barbaro invented the first terminal illness benefit, which over the past 26 years has subsequently been adopted by almost every life insurance company and exported around the world.

In Australia, most retail, direct and group insurance policies will include a terminal illness benefit. Initially, the payment was often capped at a lower amount than the sum insured, and while this still exists in some group and direct policies, it is no longer a feature of retail policies. On October 1 2015, BT became the first insurer to update the terminal illness definition to reflect the expanded time period of 24 months.

In 2014, the insurer of BT Protection Plans paid 24 per cent of term life insurance claims due to terminal illness, rather than death. This is consistent with the trends in the wider Australian community. Rather than suffering an injury or condition that causes immediate death, more Australians are suffering a terminal illness prior to death.

Definition

While the timeframe, and amount payable, are both important considerations, one of the most vital parts of a terminal illness insurance definition is the likelihood of death occurring. Definitions will normally use one of three options: 'likely to die', 'highly likely to die' or 'will die'. The most common are the first and last, and each has a very different legal meaning.

In an appeal in the Galaxy Homes case (Galaxy Homes Pty Ltd v National Mutual Life Assn of Australasia Ltd [2013]), the court considered a terminal illness definition that said: "Terminal Illness means any illness which, in our opinion, will result in the death of the person insured within 12 months, regardless of any treatment that might be undertaken."

The Full Court considered other possible words, such as 'likely' and 'highly likely', and noted that they required a lower level of certainty than 'will result in'. The Court said that it was open to the insurer to choose the higher level of certainty that it did, saying: "The insurer here has chosen the word 'will' and therefore, in our view, raised the bar above 'likely' and 'highly likely'. In other words, a requirement of very high probability, approaching certainty, was intended."

Medical certification

The difference in wording not only brings challenges in claim assessment, but also for medical professionals providing certification. Given the large difference in meaning between 'likely' and 'will', medical professionals may have greater difficulty providing certification for a 'will die' definition.

Sarah Penman runs a free program at the Cancer Council that provides access to financial experts to help people with cancer. Since March 2010, the Cancer Council has helped 3,589 cancer patients get early access to their superannuation. Penman sees the difficulty that is often faced by doctors and individuals in providing the 12 month likely to die certification.

"Too many doctors don't want to distress their patients and instead write that it is possible the patient may die, or that their prognosis is terminal but this is not good enough to allow access to superannuation," she says.

"It's an awful situation. The doctor is trying to save the patient and at the same time, asked to sign a document that says the opposite," she says.[2]

This anecdotal experience not only highlights the difficulties in wording, but also the reluctance of doctors to provide certification when the definition is narrow. Expanding the timeframe to 24 months allows definitional leniency to assist in this process.

Strategy

The next, and perhaps most important, consideration when looking at expanded terminal illness definitions is the needs analysis. In a client conversation, when it comes to death benefits, we've always asked clients: "If you weren't here, what would your family need?" We're now also able to say: "If you have two years to live, what do you want those two years to look like?"

While each individual is different, a death benefit sum insured calculation may now take into account:

1. Palliative care
Over 147,000 Australians die each year, and of those, over 61,000 people (or 42 per cent) received palliative care prior to passing away.[3]

2. Specialist medical treatments
Often a trauma sum insured will include amounts for medical expenses, but another consideration could be life extending drugs. One of the primary reasons cited by the Breast Cancer Network of Australia (BCNA) for seeking earlier access to superannuation is to afford drugs that are not covered by the Pharmaceutical Benefits Scheme (PBS) but can improve life expectancy and quality of life.[4]

3. Accommodation and/or transportation to and/from medical facilities
If located in a regional area, funding for accommodation and/or transportation may assist with access to medical facilities.

4. Replacement income for a family member who has now become a full-time carer
If faced with less than two years to live, many people would like to spend as much time as possible with family members, particularly

Continues on page 34

QUESTIONS

1. What is the tax treatment of a superannuation withdrawal under the terminal illness condition of release?

a. 16.5 per cent tax.
b. 22 per cent tax on the taxable portion.
c. Tax-free.
d. Tax-free only if paid to a super dependant.

2. A life insurance needs analysis, when considering terminal illness, may take into account which of the following items?

a. Life enhancing or extending drugs.
b. Palliative care.
c. Replacement of income.
d. All of the above.

3. The definition of terminal medical condition under superannuation law requires which of the following:

a. A general practitioner to certify that the individual will die within 24 months.
b. Two specialist medical practitioners to certify that the individual is likely to die within 12 months.
c. Two medical practitioners, including one specialist, certify that the individual is likely to die within the next 24 months.
d. A specialist medical practitioner to certify that the individual will die within the next 12 months.

4. Insurance definitions of terminal illness always match the superannuation definition for Terminal Medical condition. True or false?

a. True.
b. False.

To answer questions **www.fpa.com.au/cpdmonthly**

Continued from page 33

a spouse. The sum insured could include a lump sum to allow that person to seek work. Remember, the lump sum is tax-free, whereas income is taxable, so only their net annual income need be included.

In addition, funds could be used to fulfil the client's life-long dreams, as well as creating lasting memories for their family. All of this comes at great expense and may be unattainable without the payment of insurance proceeds.

Linda Young, a BCNA member living with secondary breast cancer, said the change was a huge step for women like her.

"Changing the provision from 12 months to two years will mean that I can access funds to allow me to spend time with my three young children, take a holiday together and do things with them that I won't always be well enough to do," Linda said.

"It also means that when the time comes when I can no longer care for myself, I can pay to have round-the-clock care at home rather than have to go to hospital, which is really important to me. Accessing my superannuation is the only way that I can make this possible."[5]

Case Study

Fred is a 45-year-old engineer. Following his financial adviser's recommendation, Fred applies for a Term Life policy with the following cover:

- Life: $1,000,000
- TPD (with buyback): $700,000

Fred is diagnosed with Motor Neurone Disease (MND) at age 49. MND has a life expectancy of 1-5 years, with 10 per cent of people living 10 years.

Three months after diagnosis, he ceases work and six months after diagnosis, his TPD benefit of $700,000 is payable. Fourteen days later, his Life Cover is reinstated under the TPD buyback benefit. Three months later, Fred is certified as "highly likely to pass away within the next 24 months". The $1 million term life sum insured is now payable.

The funds allow Fred and his wife to take a holiday together while he still can. They've also allowed his wife to cease work to be both his companion and later, his carer. They both have the peace-of-mind that their financial affairs are in order, and that money is available for whatever medical expenses will come their way in the coming years.

Existing clients

Additional considerations for the death benefit sum insured are not limited to new clients. Advisers should utilise the annual review to re-examine existing policies for up-to-date definitions, and adequate sums insured. If increases are required, clients may be eligible to utilise a benefit, such as Guaranteed Future Insurability, to increase the policy without a need for further medical underwriting.

Facing terminal illness is a traumatic event for the individual and their family. Life insurance provides financial benefits, but also the invaluable feelings of certainty and peace-of-mind at what is otherwise a devastating time. Bringing this certainty forward by 12 months will make an enormous difference for many clients, ensuring their cover is accessible when they need it most.

Katherine Ashby, Senior Product Technical Manager, BT Financial Group.

Footnotes

1. http://www.news.com.au/lifestyle/health/victory-for-cancer-patients-and-the-terminally-ill-will-see-them-access-superannuation-earlier/story-fneuzlbd-1227338962580
2. Courier Mail, 'Thousands of cancer patients are being denied access to their superannuation', April 19, 2015.
3. Australian Institute of Health and Welfare 2013.
4. Breast Cancer Network of Australia.
5. Breast Cancer Network of Australia, Media Statement, May 2015.

WOMEN AND MONEY

Bridging the gender gap in finances and superannuation. Susie Banks reports.

From better financial literacy for women, the challenges facing Gen Y, Baby Boomers and Retirees regarding superannuation, to some interesting ideas about teaching super in school; the Sunsuper Women and Money Summit in December featured lively discussions about these and a variety of other subjects.

Facilitator Effie Zahos, editor of Money Magazine, hosted a panel of women which included: Senator Jenny McAllister, NSW Labor Party Senator and chair of Economic Security for Women in Retirement enquiry.

The ten panellists brought a wealth of expertise and many combined decades of experience to the discussion. The three main topics on the table were super equality, women's relationship with money and financial planning strategy and tips for women.

Super equality – raising the bar for women's super

Women retire on about fifty per cent less Super than men in Australia. And seventy one per cent of women don't know how to access their super. Understandably women feel scared and unsure about how much they're going to have in retirement.

The panel agreed that if women are to be financially literate, education is crucial. When women understand something they respond. For example the first responders in disasters are women – such as in the Queensland floods.

It was also pointed out that superannuation isn't taught at school. That we get taught about government and law, "why not super?"

Anne Fuchs of Sunsuper said that there is an entrenched inequality around women and money, "but it doesn't surprise me, even though it saddens me. Women need to be paid more super but it also needs to be recognised that women are doing long hours of unpaid work every day".

In terms of having a family the advisers stressed that the more you can get into super before you have a break from the workforce is very important and crucial that young women are educated about this.

Psychology of money/ Women's relationship with money

When it comes to how women and men think about money differently, research has shown that three of the biggest factors when it comes to finances, men put super first, the family home second and children third. Whereas women put the family home first, children second and super third.

The panel also said that there still existed the dysfunctional "Cinderella Complex" no matter what the age, even in younger women. The idea that the woman would meet a man and everything would be okay, all their problems would be solved and they'd never have to worry about money again.

Financial planning strategy – important financial tips for women at each age

The most important takeaway of the summit regarding financial planning for women was that it is imperative to get good advice from a financial adviser that they trust.

BACK ROW: JENNY BROWN, SARAH RIEGELHUTH, JENNIFER PORTER, DI CHARMAN, ELEANOR DARTNALL, DEBORAH KENT
FRONT ROW: KATE MCCALLUM, ANNE FUCHS, EFFIE ZAHOS, SENATOR JENNY MC ALISTER AND ANNE GRAHAM.

Some women, especially those between the ages of 40 and 50 say they are embarrassed going to an adviser for the first time and may say things such as "don't tell me off because of my financial situation." But everybody's situation is different and people have different goals.

Super – why young women should pay now, play later

If young women could be persuaded to put a lot of money in super early on; they would get to the age of 35 with several thousand dollars in superannuation. That money well-invested means they may never need to put money into their super again.

But the advisers said it was hard to impress upon young adults the importance of putting money into super early; although they stressed it is crucial so the younger generations wouldn't be in the mess that Baby Boomers are finding themselves in at retirement.

A lot Baby Boomers have had a life of fun and excess and they don't have enough money in super. They don't come in for advice until they're very old and it's a real problem. They will be at retirement age but only have $100K in super. They might have million dollar mansions but they are too expensive to live in and the stamp duty is not going to make it viable. They need to be "put on a tight rein" to make sure they can maximise their super savings.

Biggest mistake of the self-employed

And a word of advice for the self-employed. Women will often run a small business themselves. And one of the sins of a small biz owner – they do not put a cent into super. But super is their biggest asset. It's the only asset protected from creditors; so if things go pear-shaped they will still have it.

Complaints and Discipline Report

– July to November 2015 –

The FPA is committed to informing members and the community of the trends and outcomes of complaints and disciplinary action in the financial planning profession. It is important for members and the community to be confident that the profession takes a strong position on the protection of the reputation of financial planners by responding to breaches of its professional expectations.

As well as communicating the activities of professional accountability, our goal is to assist members in appreciating the types of complaints received, to encourage members to consider their own practices, and to provide guidance for complaint protection.

Disciplinary Activity Summary

In the 5 months from July 2015 until November 2015, the FPA received 10 new complaints, finalised 13 investigations and has five ongoing investigations. Of those ongoing investigations, a new hearing date is to be set for a Disciplinary Hearing after the initial hearing date of 30 November 2015 was vacated. The Conduct Review Commission (CRC) issued Determination CRC 2015_1 on 31 July 2015 – a summary of which follows in the Case Study and a full copy of which can be found on the FPA website. The CRC also agreed with the FPA in another case that a particular Member had no case to answer and that the disciplinary investigation be dismissed.

COMPLAINTS AND DISCIPLINE REPORT

July to November 2015

Investigations ongoing as at 30 June 2015	8
New investigations	10
Investigations closed	13
Investigations ongoing as at 30 November 2015	5
Members suspended	0
Members expelled (CRC)	1
Members Terminated (Constitution)	3
Other Sanctions (CRC)	0
Referred to Professional Designations Committee for Sanction	0

Determination CRC 2015_1 (Conflicts of Interest)

Background:

In June 2014, the FPA became aware that practitioner Member Mr. Robert Tomasello's authorisation had been revoked by his Licensee because he had borrowed money from a client. The FPA wrote to Mr. Tomasello seeking further information and a copy of the loan agreement.

The FPA subsequently initiated a complaint against Mr. Tomasello to investigate its concerns that in September 2010 Mr. Tomasello, on behalf of his former financial planning business, iAdvise Financial Services Pty Limited ("iAdvise") had entered a private loan agreement to borrow $990k from a client so that Mr. Tomasello could build a house.

The complaint also alleged exacerbating factors:

- Mr. Tomasello was now unable to repay the loan;
- Mr. Tomasello's business – which was to provide security – had been placed into administration and then wound up; and
- Mr. Tomasello had prepared the loan agreement and to his understanding the client did not obtain legal advice before entering the agreement.

Mr. Tomasello sought to resign from the FPA. The FPA advised Mr. Tomasello (correctly) that the FPA could not accept his resignation since his conduct was the subject of a current investigation, and that he remained bound by the Constitution and any regulations.

Mr Tomasello did not respond to questions asked of him once the FPA initiated the complaint, did not respond at all to the Notice of Disciplinary Breach and did not attend the Disciplinary Hearing.

Full Matter:

In 2008 Mr. Tomasello and his wife sold their Sydney home, intending to build a new house nearby. The Tomasellos' had invested some $500,000 via a mortgage broker pending the funds being needed for the development. In December 2009 the broker advised the funds had been lost. By early 2010 the Tomasellos' new house was at the lock-up stage but incomplete in fit-out.

Also, the income being received from the financial planning business had dropped significantly. According to Mr. Tomasello, he and his wife were faced with selling the house in the state it was or borrowing to complete it; however, they were unsuccessful in their attempts to borrow from their bank or brokers.

Mr. Tomasello had an elderly client who had over $2M in investment funds, much of which was held in a trust. The client relationship had commenced in 2007. Mr. Tomasello says the two beneficiaries had powers of attorney in respect of the elderly client, who by this time was aged 78 and in deteriorating health.

In circumstances that Mr. Tomasello did not clearly remember, he discussed his financial difficulties with the attorneys. At that stage the elderly client had entered a nursing home.

Mr. Tomasello drew up a loan agreement, which he left with the attorneys, but as far as he knew they did not discuss it with an accountant or solicitor. The attorneys advised they had discussed things with the elderly client, who was prepared to loan the funds.

The loan agreement was executed with the named parties to the loan being the trust and iAdvise, with Mr. Tomasello stated to be "acting as the agent of iAdvise". Elsewhere Mr. Tomasello has said he was the borrower.

The loan agreement included terms that:

- each amount advanced was to be repaid 36 months after the date of advancement;
- the interest rate was 6%;
- interest in respect of an advance was payable upon the repayment of an advance;
- the loan was secured against iAdvise.

The loan did not provide for interest to be compounded.

Loan funds were drawn down as invoices were received from the builder. According to the Schedule, the first repayment would have been due in September 2013. The elderly client died in November 2012.

On 20 December 2012, iAdvise resolved that it be wound up in liquidation. The report to creditors by the liquidator did not list any loan to iAdvise amongst its liabilities. There was no evidence available as to whether the deteriorating state of affairs of iAdvise had been communicated to the elderly client, his attorneys, or his estate.

There was neither payment of interest nor repayment of capital when the repayments became due. Various negotiations to sell the house were unsuccessful and eventually it was sold by way of mortgagee sale in 2014. Sometime after the mortgagee sale, Mr. Tomasello says he repaid approximately $380,000 of the loan, but now had no assets.

Whether there was a loan from a client in breach of Rule 7.35 of the Code

Rule 7.35 states:
A Member must not borrow money from a client.

This Rule does not apply when:

(a) the client is a member of the Member's immediate family; or

(b) the client is an institution in the business of lending money and the borrowing is unrelated to the professional services performed by the Member.

The Panel considers the purpose of Rule 7.35, as one of the three Rules by which a member is not to borrow from, lend to, or commingle assets with a client, is to avoid conflicts of interest arising.

Conflicts between the member's interests and those of the client will arise whether or not a loan is personally in the name of the member, or directly made by a member or an entity in which the member has an interest.

The Panel agreed with the FPA's submissions that the overwhelming evidence was that the funds were for the personal use of Mr. Tomasello and that Rule 7.35 is not limited in its application to situations where a loan is in a member's own name. Were it otherwise, the purpose of the Rule would be undermined. The Panel found that Mr. Tomasello borrowed the money from his client.

Whether there was a breach of Ethics Principle 1 – Client First

The FPA submitted that:
Ethics Principle 1 goes to the heart of the trusted adviser/client relationship and that it highlights that the member's primary professional obligation is to the client.

• the personal gain or advantage of Mr. Tomasello was not only in obtaining and use of the loan proceeds; but also that the loan was on better terms than would have been obtained elsewhere. The FPA pointed to the low interest rate compared to the RBA indicative rates of the time, given the risk of the investment.

• Mr. Tomasello had not acted honestly within the meaning of Ethics Principle 1, in that he had not been forthcoming to the clients as to what an appropriate rate of interest would have been given the underlying risks of the investment.

By Ethics Principle 1 the duty of a planner is to maintain the primacy of the client's interests. The operative part of Ethics Principle 1 is the phrase "Placing the client's interests first". Implicit in this Principle is the recognition that conflicts of interest may occur. At the most general level it provides a means of assessing how to approach a potential conflict of interest, and deal with one that has occurred.

If a planner is not honest, or favours their own interests, the "client first" principle is breached. However, a failure to keep the client's interests foremost can occur even when the planner is honest and not placing their own interests ahead of those of the client.

Any circumstance where the client's affairs and those of the planner are not kept separate will raise the spectre of a breach of Ethics Principle 1. In this regard Ethics Principle 1 is backed up by Rules 7.34 to 7.36 requiring client assets to be kept separate.

Mr. Tomasello not only failed to keep separate the two sets of affairs, he actively pursued financial support from his client. It was not an arms-length transaction. The Panel found that Mr. Tomasello failed to prioritise his client's interests and placed his own personal gain an advantage ahead of that of his client. The Panel found the breach of Ethics Principle 1 proven.

The Panel was not prepared to find that Mr. Tomasello had failed to act honestly; rather, the evidence showed an inability to make appropriate judgments, and an unawareness of the appropriate moral compass to be held by a member of the FPA.

Failure to provide reasonable assistance:
The Panel also found that Mr. Tomasello had failed to provide reasonable assistance to the FPA, as alleged. Reasonable assistance has been addressed in detail in other recent Complaints & Discipline Reports.

Sanctions:

The FPA submitted that the evidence demonstrated Mr. Tomasello had no appreciation or understanding of the minimal ethical requirements to be a financial planner and for the protection of the public it was appropriate to sanction Mr. Tomasello by expulsion from the FPA.

The Panel found that for the protection of the community and the profession expulsion was the appropriate sanction.

Member Guidance on Conflicts of Interest:

The Practice Standards of the FPA Code, particularly PS 7.4 Professional Judgment, and PS 7.5 Conflicts of Interest and Prioritisation, provide extensive commentary and guidance on how to prioritise the client's interests, and how to identify, avoid and manage conflicts of interest.

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To update these details, please advise FPA Events on 02 9220 4543 or events@fpa.com.au

CFP® CERTIFICATION PROGRAM

an inside look

The CFP® Certification Program is a modern day course, designed for ultimate flexibility and freedom.

Created by Australia's most respected financial planners and academics, the program will empower you to deliver best practice financial advice.

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FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

Program outline

CFP 1
FPA PROFESSIONALISM

- Professionalism - Introduction
- Professionalism and Ethics
- The CFP® Practitioner - Client Relationship
- The CFP® Practitioner - Stakeholder Relationship

CFP 2
APPLIED STRATEGIES 1

- Introduction to Strategy Development
- Applied Structures
- Risk Management Strategies
- Debt Management Strategies
- Salary Packaging Strategies

CFP 3
APPLIED STRATEGIES 2

- Leaving the Workforce: Issues and Strategies
- Superannuation Strategies
- Pension and Benefit Strategies
- Estate Planning Strategies
- Strategies for Expatriates

CFP 4
INVESTMENT STRATEGIES

- Advice Process to Portfolio Construction
- Asset Allocation and Risk
- Investment Strategies and Structures
- Investment Managers and Products
- Alternative Investments
- Exchange-traded Products
- Applied Decision Making

CFP CERTIFICATION ASSESSMENT

- Financial Plan Case Study
- Supervised Client Meetings
- Three Hour Multiple Choice Exam
- Experience Record Submission