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Keep life interesting

Kelly Pillay CFP® on work/life balance

THIS ISSUE

CONSUMER AWARENESS / FPA PROFESSIONAL ONGOING FEES CODE
CENTRELINK AND GRANNY FLATS / TRANSFER BALANCE CAP

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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Making headway

Building consumer awareness and trust is a long-term journey, one that we are committed to for the long haul.

In the past months, we have grown the marketing team to allow us to place greater focus on consumer awareness and trust. We launched *Money & Life*, which generated 16,000 views in the two weeks since its launch, and we also saw a record month of 13,270 Find a Planner profile views during the month of February.

New advertising campaign

Starting on page 16, you can read about our latest consumer advertising campaign, due to start later this month. Building on the campaign from the past two years, we wanted to evolve the message to one that not only talks about the CFP® designation, but demonstrates how a CFP® professional can help everyday Australians achieve their hopes and dreams – whether that be starting a business or travelling the world in retirement.

Ultimately, we want to educate Australians that financial advice is about much more than just numbers.

This year, we're using high impact outdoor advertising as our main channel in capital cities, which is cost-effective in reaching high density areas. In regional areas, we will be rolling out an extensive print campaign, providing most areas with significantly more placements.

We've also produced a campaign toolkit to help you make the most of the campaign, and help us spread the message far and wide. We hope you love the campaign as much as we do.

Alongside this, there's a lot of work and investment behind the scenes in ongoing media relations, social media and paid Google search, to ensure we continue driving traffic to Find a Planner. If you haven't completed your Find a Planner profile, I recommend you do this soon.

Roadshow Registration opens

Hopefully you have already registered to join us at the 2017 FPA National Roadshow, which kicks off later this month and will once again visit 33 locations around Australia. As always, we are looking forward to updating you face-to-face on key pieces of legislation, and answering any questions you may have.

This year, we will also take a closer look at the new FPA Professional Ongoing Fees Code and provide you with some useful client engagement tools to implement the Code.

I would like to thank Platinum Asset Management for partnering with us on the roadshow. Their support enables us to continue providing the event free of charge to you.

For more about this year's roadshow, visit fpa.com.au/roadshow. And for more about the FPA Professional Ongoing Fees Code, head to page 18 for a special report.

Enjoy the edition.

Dante De Gori CFP®
Chief Executive Officer

Follow Dante on Twitter @ddegori10

ADVISER USE ONLY

THE INVESTMENT SPECIALIST SERIES

IN A COMPLEX LANDSCAPE

SURROUND YOURSELF WITH THE RIGHT INFORMATION

In an ever complex investment landscape, we find ourselves constantly bombarded with information. It takes the expertise, scale and experience of our specialist investment teams to help you navigate through these uncertain times – to determine what to listen to and what to ignore.

At Colonial First State, our focused teams of experts, across Global Listed Infrastructure Securities and Global Resources, aim to deliver the right information, at the right time for you and your clients.

Surround yourself with the right information and expertise. Talk to your Colonial First State BDM today to find out more.

Get the full story from the specialists
colonialfirststate.com.au/specialist

FORWARD TOGETHER

Colonial First State

Digital toolkit helps everyday Aussies navigate financial advice

ASIC is reminding FPA practitioner members about the benefits of an online resource it launched last year that helps prepare clients for their financial advice journey, by enabling them to better understand and feel more confident about the financial advice process.

ASIC's MoneySmart Financial Advice Toolkit is a free educational tool that has been designed to break down the complexity around the financial advice process. It assists consumers with their research and helps them evaluate the financial advice they receive.

The advice toolkit is separated into three sections:

1. Before you meet an adviser;

2. Meeting with your adviser; and

3. Evaluating and implementing financial advice.

Each section provides an overview of the financial advice process and gives independent guidance on a range of topics, including:

- Identifying financial goals and advice needs;
- Tips on choosing a financial adviser;
- Preparing to meet a financial adviser;
- Understanding your Statement of Advice; and
- Reviewing your financial situation.

Consumers can also use the toolkit to create a customised 'to do' list, which they can modify to suit their personal financial needs.

The toolkit also includes links to ASIC's Financial Advisers Register, where consumers can check a financial adviser's credentials, including their licence, authorisations, experience and qualifications, and whether they have ever been banned or disqualified from providing financial services.

"Australians face major financial decisions throughout their lifetime, many of which can be complex and confusing. Yet only about one in five Australians obtain financial advice. ASIC recognises the value that quality advice can deliver and wants to see this increase," says ASIC Deputy Chairman, Peter Kell.

"ASIC's advice toolkit is a practical resource to help Australians assess the quality of the advice they receive and make better financial decisions."

The advice toolkit is available on ASIC's MoneySmart website at www.moneysmart.gov.au

ASIC targets SMSFs in shadow shop

ASIC will target the SMSF sector in a shadow shop this year, in what it says will form part of its overall assessment of advice being offered in this sector.

The announcement was confirmed recently at the SMSF Association's national conference by ASIC deputy chairman, Peter Kell. Kell confirmed one area the regulator will be focusing on this year is lifting the standards of advice and focusing on areas where ASIC believes there might be risks of poor advice.

"As part of that, ASIC will have a major project this year on advice given to SMSFs," Kell said. "In particular, we will be looking at advice that has been given recently, such as advice around establishing an SMSF or advice that is currently active."

As part of that project, Kell confirmed that ASIC will be conducting a shadow shop of the SMSF advice sector, to ascertain the quality of advice that consumers are currently receiving.

Kell did not confirm when the shadow shop would take place, but said it was important for the regulator to assess the quality of advice being offered in the SMSF sector as part of its overall focus to lift advice standards across the industry.

Regulator updates FDS guidance

ASIC has updated Regulatory Guide 245 Fee Disclosure Statements (RG 245) to reflect regulatory and legislative changes since the guide was first published, including revisions to the FoFA reforms.

As well as some minor changes to remove outdated references, RG 245 has been updated to:

- reflect technical amendments to the FoFA legislation since the previous version of RG 245 was released; and
- clarify that the three limited no-action positions that were previously taken by

Continues on p8

Continued from p6

ASIC in respect of the obligations to prepare and give an FDS, are no longer available. These no-action positions were taken to assist the profession to make a smooth transition to meeting the FDS obligations, which have now been in force for some time.

To download RG 245 go to: download.asic.gov.au/media/4158857/rg245-published-22-february-2017.pdf

CFP® practitioners talk up MONEY & LIFE

On 1 March, members of the media were introduced to the FPA's new online destination for consumers, Money & Life.

On hand for the media launch were three participating CFP® practitioners – Adele Martin CFP® (Firefly Wealth), Cameron McAusland CFP® (MLC Advice) and Louise Lakomy CFP® (Crystal Wealth Partners).

Pictured (above) at the launch are, FPA chief executive officer, Dante De Gori CFP® with Adele Martin and Cameron McAusland.

Visit Money & Life at moneyandlife.com.au

CFP® practitioners hit 170,000 mark

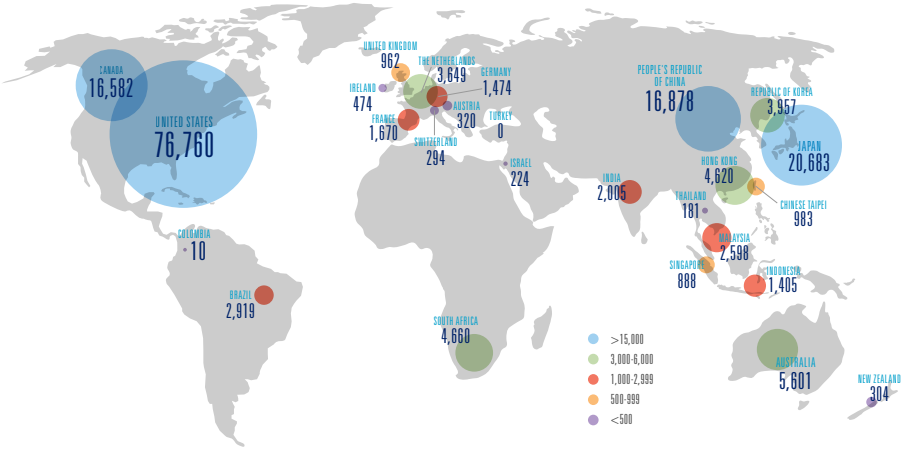
The Financial Planning Standards Board (FPSB), owner of the CFP® Certification Program outside of the US, has reported another year of strong growth in 2016, with almost 18,500 financial planners becoming CFP professionals.

This figure grows the total number of CFP professionals globally to just over 170,000, representing annual growth of 5.1 per cent.

"To establish financial planning as a recognised global profession, the FPSB has set itself an ambitious goal to have 250,000 CFP professionals in 40 territories by 2025," said FPSB chief executive officer, Noel Maye.

"With a global CFP professional growth rate of 5.1 per cent last year, the FPSB network has made great progress in increasing the public's access to competent and ethical financial planners, who work in their clients' interest."

Australia is the fifth largest territory with 5,600 CFP professionals.



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

NSW

Ivan Haramina CFP®
Local Government Super

Craig Davison CFP®
CK Advisory

Keiran James CFP®
Cutcher and Neale

VIC

Samantha Greene CFP®
O'Brien Accountants & Advisors

WA

Travis Edwards CFP®
Geographe Financial Group

Rachel Blake CFP®
HPH Solutions

National Roadshow **kicks off**

This year's annual FPA National Roadshow begins later this month in South East Melbourne on 26 April.

Over the following three months, the road show will visit 33 locations. The roadshow will feature updates from the FPA on:

- the FPA Professional Ongoing Fees Code;
- the new education and professional standards; and
- the Government's policy agenda, including a legislative update.

Members attending the roadshow can also gain insights from Platinum Asset Management on how to identify investment opportunities in global markets at a time of enormous change and disruption.

Places are limited, so FPA members are encouraged to register early. Non members are also welcome to attend. All roadshows are free of charge.

For more information and to book your place, go to fpa.com.au/roadshow

Save the date

Wednesday 26 April
South East Melbourne – 12pm–2pm

Thursday 27 April
Ballarat – 7:30am–9:30am
Geelong – 12pm–2pm

Friday 28 April
Bendigo – 7:30am–9:30am

Monday 1 May
Mid–North Coast (Coffs Harbour, NSW) – 12pm–2pm
New England – 12pm–2pm

Tuesday 2 May
Mid–North Coast (Port Macquarie, NSW) – 12pm-2pm
Western Division (Dubbo NSW) – 12pm–3:15pm

Wednesday 3 May
Western Division (Orange NSW) – 12pm–3:15pm

Thursday 4 May
Far North Coast – 7:30am–9:30am

Friday 5 May
Toowoomba/Darling Downs – 7:30am–9:30am

Monday 22 May
Tasmania Hobart – 12pm–2pm

Thursday 25 May
Western Australia – 7:30am–9:30am

Friday 26 May
South Australia – 12pm–2pm

Tuesday 30 May
Brisbane – 12pm–2pm
Sunraysia – 12pm–2pm

Wednesday 31 May
Melbourne – 12pm–2pm
Cairns – 12pm–2pm

Thursday 1 June
Gippsland – 12pm–2pm

Friday 2 June
Sydney – 12pm–2pm

Wednesday 14 June
ACT – 12pm–2pm

Thursday 15 June
Northern Territory – 7:30am–9:30am

Monday 19 June
Wide Bay – 7:30am–9:30am
Townsville – 12pm–2pm

Tuesday 20 June
Mackay – 7:30am–9:30am
Sunshine Coast – 12pm–2pm

Wednesday 21 June
Rockhampton – 7:30am–9:30am

Tuesday 27 June
Newcastle – 12pm–2:00pm
Riverina – 12pm–2pm

Wednesday 28 June
Albury/Wodonga – 7:30am–9:30am

Thursday 29 June
Goulburn Valley – 7:30am–9:30am
Gold Coast – 12pm–2pm
Wollongong – 12pm–2pm

** Breakfast or lunch is included. Registration is approximately 15 minutes before the start time.*

Restoring trust and confidence

Q: Will the recently passed Professional Standards and Education Framework Bill and the Life Insurance Remuneration Bill increase consumer trust and confidence in the financial planning profession?

Cody Harmon AFP®

Financial Adviser, Meridian Wealth Management
Licensee: Meridian Wealth Management

Both Bills are a strong move in the right direction.

Firstly, with the Life Insurance Remuneration Bill, the removal of direct insurance sales by insurance companies will help ensure that clients get their insurances structured correctly.

More clients should now have an insurance 'needs' analysis done to ensure appropriate levels of cover, and they should be able to get strategic advice on structuring covers inside and outside of superannuation via flexi-linking or super-linking arrangements through their adviser.

Also, advisers can educate clients on features to increase the claims success rate and/or support level on claim (i.e. three tier definitions on income protection, rehabilitation programs on claim, nursing care benefits, etc). This should increase trust in our profession through higher quality insurance recommendations.

Secondly, with the Professional Standards and Education Framework Bill, this needed to happen.

As a profession, we cannot have people entering the profession armed only with a Diploma advising clients on some of the biggest decisions in their lives.

Formal education is a hygiene factor that enables people to advise.

Completing a degree requires discipline, cognitive ability, hard work and time management, which are all skills needed to succeed as a financial adviser.

Susie Erratt CFP®

Financial Planner, Advanced Financial Planning Solutions
Licensee: Financial Services Partners

I don't think the Life Insurance Remuneration Bill will resonate very much with clients. We have had to disclose how we get paid for many years in our Statements of Advice, so from a client's perspective, there's nothing new here.

It would gain more traction if the insurers passed on the savings they are making in the way of cheaper premiums but as yet, I don't hear any of them doing this.

However, I believe the Professional Standards and Education Framework Bill will bring greater consumer confidence to the profession. The days of being able to call yourself a financial planner after only four weeks of study are mercifully gone.

This battle has been much longer and harder than it needed to be and the line in the sand should have been drawn over 10 years ago, when the Diploma of Financial Planning was opened to multiple suppliers.

Provided the education part is provided by universities to AQF Level 7, consumers can have peace of mind that their planner has managed to pass a degree that is equivalent to the level of accountancy or law.

So now, every effort should be made to guard against reducing the rigour of the Bachelor of Financial Planning degree.

Anthony Poci CFP®

Financial Adviser, A&T Financial Services
Licensee: Charter Financial Planning

Financial Services is not new to legislative change, especially in recent times. As an industry, we are a resilient bunch! Following a number of high profile advice and product failures highlighted in the media, public confidence in the profession has been dented and anything that can be done to repair this should be welcomed.

As advisers, we are aware of the impact we can have on our clients' financial futures and the importance of seeking professional advice, so any measures that improve the trust and confidence in consumers are positives for everyone.

Following recommendations from the Parliamentary Joint Committee and the Financial System Inquiry, the two Bills will go towards instilling confidence that a person holding themselves out to be a professional adviser is adequately qualified, trained and experienced to give that advice.

In particular, the Professional Standards and Education Framework Bill sets a minimum benchmark for people entering our profession in regards to education requirements and equally, if not more importantly, industry experience. This means the requirement to not only have formal education qualifications, but also ensures a period of supervision is undertaken prior to becoming an adviser.

This should also put an end to the days of someone with little or no formal on job experience giving advice.

Ultimately, professionalism and ethics cannot be legislated or forced, but the new legislation goes far by ensuring a base level of knowledge.

Any action that will promote confidence and trust amongst consumers in financial planning is bound to be a positive outcome for the profession, as well as those clients who seek our advice and direction.

Damon Bensein CFP®

Head of Private Wealth, Elston
Licensee: EP Financial Services

We believe that education and being part of a professional body are key to building trust with our clients. While some of our peers will struggle with gaining the appropriate qualifications, we believe that education reforms are necessary for our industry to finally be seen as a profession.

We understand that there are many good advisers who don't have the required qualifications, however, those who are of a high quality are likely to embrace this change and take the necessary steps to make sure they do have the qualifications that our profession now requires as standard.

Raising the bar will naturally flush out those operators who are not of a sufficient standard that clients deserve and in doing so, this will improve the interaction and experience consumers have with financial planners.

It takes discipline, commitment and a desire to self-improve, in order to complete both tertiary and post graduate education.

In our experience, these are key characteristics in laying the foundation for advisers to provide the highest quality advice to clients and this has, in most instances, led to excellent relationships with our clients, which are built on trust and confidence.

For clients to have this trust and confidence, they need to know they are dealing with a suitably qualified professional.

Education is key to being professional and we are extremely pleased with the education reforms, which will help to continue to build the reputation of our industry as a true profession.

Wayne Leggett CFP®

Director, Paramount Financial Services Group
Licensee: Fortnum Financial Advisers

Given the unrelenting torrent of negative media coverage from which our industry suffers, most of it self-inflicted, it is little wonder that the level of mistrust of our profession is as high as it is, making the oft-quoted statistic that four out of five consumers do not utilise financial advice, completely understandable.

That said, over the last six months or so, I have noticed an interest in accessing our services at a level surpassing anything I have experienced in almost four decades as a financial adviser. In fact, as I was writing this opinion piece, I received an unsolicited request for an appointment from a long-term acquaintance.

While I suspect that the combination of economic uncertainty, changes to super and pension rules, and the increasing number of 'baby-boomers' getting ready to pull the 'retirement' lever are all contributing factors, the level and source of enquiries suggests that there are other factors at play.

Where declaring your chosen occupation as a financial planner was once a conversation 'killer', more often than not, these days, it leads to a genuine request for assistance and advice.

One can only imagine that the recent Professional Standards and Education Framework Bill and the Life Insurance Remuneration Bill, and the media attention they have created, have triggered an unprecedented lift in the confidence of the Australian public in the value of our advice.

If it isn't this, I'm at a loss to suggest what the cause might be.

Whatever it is, long may it continue!

Anne Graham CFP® LRS®

Managing Director/Senior Financial Planner, Sigma Wealth Management
Licensee: Securitor

It's going to take a lot for the financial planning profession to regain the trust and confidence of the public, and the recent changes to education standards and life insurance remuneration go a long way to achieving that goal.

By increasing the minimum standards and by default, the barrier to entry, those who commit to further and ongoing education are making a conscious long-term decision about their careers. They will be investing in themselves, their profession and their clients. Of course, education doesn't necessarily stop poor behaviour but I believe it will foster a stronger commitment to the profession and that better quality advice will be provided to clients.

Higher education requirements will help make the profession attractive for new entrants and hopefully, it will become a serious option for school leavers and those changing careers. It won't be an 'easy' option but nothing worth doing is ever easy.

The life insurance changes may not have the same impact on consumers in the short-term, as rising premiums seem to be front of mind. Moving away from reliance on commissions and toward fee for advice does send a message that the value provided is in the advice, not the transaction.

Education and experience are a great combination and complement each other. Clients will have confidence knowing their planner has committed resources to improving their education, so they can provide the best quality advice they can.

Research has shown that existing clients of financial planners have a positive view of their planner and hopefully, these changes will improve the perception amongst non-clients and encourage more Australians to seek financial advice.

Your business and TPB registration: Are you registered?

Do you know that in addition to being licensed or authorised with the Australian Securities and Investments Commission (ASIC), you must also be registered with the Tax Practitioners Board (TPB) if you provide financial advice that includes tax advice for a fee or reward?

While ASIC regulates financial services, the TPB regulates those who provide tax advice, even if that tax advice is in the context of a financial service. The TPB does this by registering and regulating tax (financial) advisers and enforcing the *Tax Agent Services Act 2009* (TASA), which includes a legislated Code of Professional Conduct (Code).

If you are offering tax (financial) advice you must be registered with the TPB as a tax (financial) adviser in order to provide this service legally. This applies to:

- Australian financial services (AFS) licensees
- authorised representatives (ARs)
  - individual ARs
  - corporate authorised representatives (CAR) – where an AR operates through a CAR structure, both will need to be registered
- employee representatives who may be required to be registered for the purpose of a company or partnership having a sufficient number of registered individuals – being registered tax (financial) advisers or tax agents.

It is a breach of the civil penalty provisions

contained in TASA for any entity (including individuals, companies and partnerships) to provide tax (financial) advice services for a fee or other reward, or to advertise that you will provide these services, unless you are registered with the TPB.

If you are a financial planner or adviser and have not yet registered with the TPB, you currently have two options available to register as a tax (financial) adviser:

- transitional registration (only available until 30 June 2017); or
- standard registration.

To register under the transitional option you only need to have sufficient experience to be able to provide tax (financial) advice services to a competent standard, which is generally the equivalent of 18 months or longer of full-time experience.

From 1 July 2017, all new registrations and renewals will need to meet the standard registration requirements. Standard registration requirements include:

- individuals meeting qualifications and experience requirements; and
- companies and partnerships meeting the sufficient number requirement.

If you are an AFS licensee or CAR you need to be aware that if you rely on other representatives (including employee representatives) to meet the sufficient number requirement, these representatives need to be registered before you can renew.

Go to the TPB website for more information about registering as a tax (financial) adviser – tpb.gov.au

QUESTIONS TO ANSWER

To be prepared to either renew or register with the TPB, you must be able to answer some simple questions to ensure you and your business are operating legally:

1. Are you registered with the TPB?
2. If no, do you, or your business, provide tax (financial) advice services for a fee or reward? If so, which of the two registration options (transitional or standard) will you select to become registered with the Tax Practitioners Board?
3. If yes, are you prepared for the renewal of your tax (financial) adviser registration under the standard option?

If you're unsure if you are registered, check the Tax Practitioners Board Register, as you may have been registered by your AFS licensee.

You are registered: Are you ready to renew?

It's an important year for those of you who notified to register with the Tax Practitioners Board as a tax (financial) adviser before 1 January 2016. Your registration expires in the period from July 2017 to January 2018 and you will need to renew your registration at least 30 days before it expires.

As an authorised representative, you must renew your registration directly with the TPB unless your AFS licensee advises that you are being included in a bulk renewal process. Apply to renew your registration by completing an online application.

If you are registered but unsure when your registration is due for renewal, you can check My Profile on the TPB website for your renewal date.

An invitation to renew a registration will be sent about 60 days before your current registration expires, to the latest contact details the TPB has on record for you. Renewal applications must be lodged at least 30 days before the registration expiry.

Once your fully completed renewal application is lodged, you remain registered until such time as the TPB makes a decision to approve or reject your application.

Your contact details

If you are already registered, it is a requirement of your registration to provide the TPB with your latest contact details, which means you will receive important TPB updates and also meet your registration requirements.

To review your contact information on the TPB website, check My Profile. You must also update your business and service address details held by ASIC. Allow up to seven days for details you have given ASIC to appear on the Tax Practitioners Board system.

What should you do next?

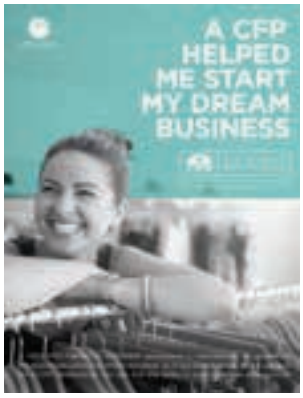
At the TPB, we are working to build a range of resources to help support you and your practice as a tax (financial) adviser. These include:

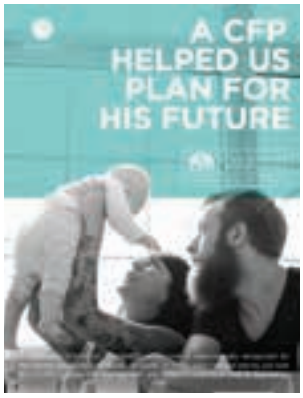
- **renewal kit for individual tax (financial) advisers;**
- **renewal kit for company and partnership tax (financial) advisers; and**
- **webinars for potential and registered tax (financial) advisers.**

Ian R. Taylor is Chair of the Tax Practitioners Board.

Consumer awareness campaign

A new FPA campaign is set to highlight the benefits of financial advice for everyday Australians.





Note: These creative examples are mock ups only. The creative is currently in production.

The FPA has launched a new consumer campaign designed to promote the benefits of financial advice by a CERTIFIED FINANCIAL PLANNER® professional. The campaign will commence from 24 April and will run until June.

Funded by CFP® professionals, the campaign will demonstrate the ways in which a CFP® professional can improve the lives of everyday Australians.

The advertising campaign includes different messages to target key lifestyle goals among Australians aged 35-65 years old.

According to FPA Head of Marketing, Fosca Pacitto, this year's campaign has been designed to dispel the myth that financial planning is just for the wealthy.

"The campaign will show how a CFP® professional has helped everyday people with tangible financial solutions that enable them to achieve their financial and lifestyle goals," Pacitto says.

As with previous years, the campaign continues to inform consumers about the international recognition of the CFP® designation, as well as the high education, professional and ethical standards that the mark represents.

Consumers will also be directed to the 'Find a Planner' tool on the FPA website, which will help them connect with a CFP® professional in their local area.

Outdoor advertising

This year, the FPA has added outdoor advertising to the channel mix. Outdoor advertising is extremely visible and has a very high impact and messaging recall by consumers. The advertising will appear at transit hubs and retail centres, where everyday Australians are going about their business.

"Outdoor advertising will allow us to reach Australians in highly frequented areas and also enable us to choose locations where large volumes of people either walk by or stand near. This will enable our messages to achieve cut through with consumers," Pacitto says.

Print advertising

The outdoor advertising will run across the major capital cities in addition to nationwide print advertising. Both mediums will run alongside the FPA's ongoing content, social media and search advertising efforts targeting the 35-65 year old demographic.

Note: These are example advertising placements only.

The print campaign will run across 51 publications and include more inserts than in previous years.

"We have worked hard to ensure the advertising reaches Australians nationally. We have taken into account the density of CFP® members within each region and with advice from our Chapter Chairs, we have chosen metropolitan and regional newspapers to best target large numbers of Australians," Pacitto says.

"Most areas will receive significantly more print placements than in previous years."

The FPA encourages members to get behind the campaign.

A toolkit, which will be available from 24 April, including social media resources, will help members take this new message about the benefits of using a CFP® professional to more Australians online.

TOOLKIT COMING SOON

CFP® professionals can download a campaign toolkit, containing social media assets, guides and the Good Advice lock-up. This will help bring the campaign to life locally.

The toolkit will be available to download from the FPA Member Centre from 24 April 2017.

NATIONAL REACH

This year's campaign will be run across the following channels:

NEWSPAPERS

ACT

Canberra Times

NSW

Sydney Morning Herald
Wagga Daily
Dubbo Daily Liberal
Western Advocate
Central Western Daily
Lismore Northern Star
Northern Daily Leader
Port Macquarie Express
Coffs Coast Advocate
Newcastle Herald
Manning River Times
Great Lakes Advocate
Illawarra Mercury
The Central Coast Express North
The Central Coast Express South
Daily Liberal

NSW/VIC

The Border Mail
Shepparton Adviser

VIC

The Age
Geelong Advertiser
Ballarat Courier
Daylesford Advocate
Bendigo Advertiser
La Trobe Valley Express
Dandenong Journal
Swan Hill Guardian

VIC/SA

The Wimmera Mail Times
Sunraysia Daily
Murray Pioneer
Barrier Daily Truth

SA

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The FPA Professional Ongoing Fees Code

From 1 July this year, FPA members can access relief from the opt-in laws by registering for the FPA Professional Ongoing Fees Code. After four years of development with ASIC, FPA General Manager Professional Standards, John Bacon spoke to Jayson Forrest about what the code means for the profession.

What is the FPA Professional Ongoing Fees Code?

John Bacon (JB): The FPA Professional Ongoing Fees Code (the Code) was approved by the FPA Board on 28 September 2016 as Practice Standard 7.6A under the FPA Code of Professional Practice.

ASIC has approved the Code, which provides participating FPA members with access to relief from the opt-in laws when engaging clients in an ongoing fee arrangement.

The FPA Professional Ongoing Fees Code takes effect from 1 July 2017 for FPA practitioner members who choose to register with the FPA to gain relief from the opt-in laws.

Members can access a copy of the Code and additional information at: fpa.com.au/fpaongoingfeescode

Why was the Code developed?

JB: The Code takes advantage of a provision that was negotiated at the time of the FoFA changes with the then Labor Government. The legislation provided that if you had a code approved by ASIC, it obviated the need for the opt-in arrangements, which ASIC could grant relief from.

The Code was developed to improve on the opt-in arrangements in the law for FPA practitioner members and clients.

Through the negotiations with the previous government over FoFA, FPA members consistently told us that the opt-in arrangements would hurt their engaged clients by forcing them out of ongoing service arrangements against the client's best interests.

We advocated that our members operating in a professional service arrangement with their clients should have access to relief from the 'one-size-fits-all' approach in the law.

Who is the Code for?

JB: The ASIC legislative instrument makes the relief available exclusively to CFP® professionals and Financial Planner AFP® practitioner members of the FPA. To participate in the code, these practitioner members must be a financial member of the FPA at the time of sign-up, must register for the Code and remain registered under the Code as a member of the FPA.

How does the Code benefit FPA members?

JB: The opt-in arrangements in the law recognise that there are disengaged consumers who are paying for services they don't need and also paying for services they don't receive. But the problem is the opt-in arrangements is a 'one-size-fits-all' solution.

John Bacon

It fails to recognise that there are good businesses operating and that there are practitioners doing absolutely the right thing by their engaged clients.

By commencing and continuing their client engagements in accordance with the code requirements, FPA members will gain more flexibility in how they manage their client engagements than allowed for in the opt-in law.

FPA members who apply and meet the eligibility criteria, will be registered on a public register. Those registered will not have to comply with the requirement in s962K of the *Corporations Act (Cth) 2001* to provide a biennial 'opt-in' renewal notice to their clients in an ongoing fee arrangement, and will instead utilise the arrangements under the code to renew such arrangements with their client every three years.

Chart 1: Best Practice Ongoing Fee Arrangements (OFA) deliver client value

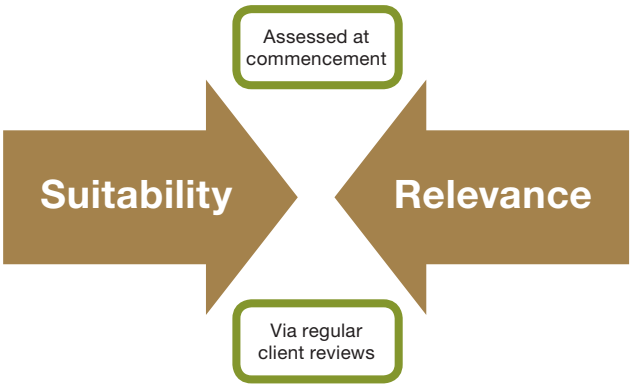
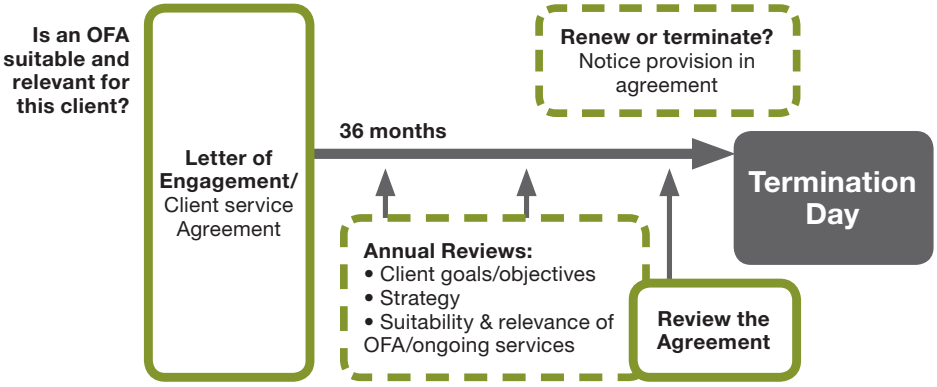


Chart 2: FPA Professional Ongoing Fees Code



How does the Code help consumers?

JB: It ensures they receive value from an ongoing service arrangement from the practitioner. This includes:

- The Code requires the FPA member to assess the suitability of an Ongoing Fee Arrangement before it is entered with the client, to regularly review its suitability with the client, and to reassess its suitability whenever the Ongoing Fee Arrangement is renewed.
- It establishes that an Ongoing Fee Arrangement must not continue without being reassessed for suitability at least every three years.
- It establishes specific obligations to transparently document the arrangement and the services with the client.

What is the Code registration process?

JB: CFP and AFP practitioner members can 'opt-in' to the benefits of the code via an online registration process being built to coincide with this year's membership renewal. To be eligible, you will need to:

- complete your 2017-18 FPA membership renewal;
- complete an e-learning package on the FPA Professional Ongoing Fees Code (free for FPA members);
- sign a registration agreement;
- have your AFS licensee authorise you to participate in the Code; and
- provide a copy of your template complying 'letter of engagement' that you will use with your clients under the opt-in Code.

There will be a public register of Code compliant members available on the FPA website that consumers can check.

What resources are available to help members be Code compliant?

JB: The FPA has already conducted a webinar on the FPA Professional Ongoing Fees Code on 15 March, which members can access on the FPA website.

The FPA website also has a dedicated page on the FPA Professional Ongoing Fees Code, which will include a wide range of information, tools and resources, including letter of engagement, FSG and Authority to Proceed wording templates.

These resources can all be accessed at: fpa.com.au/fpaongoingfeescode

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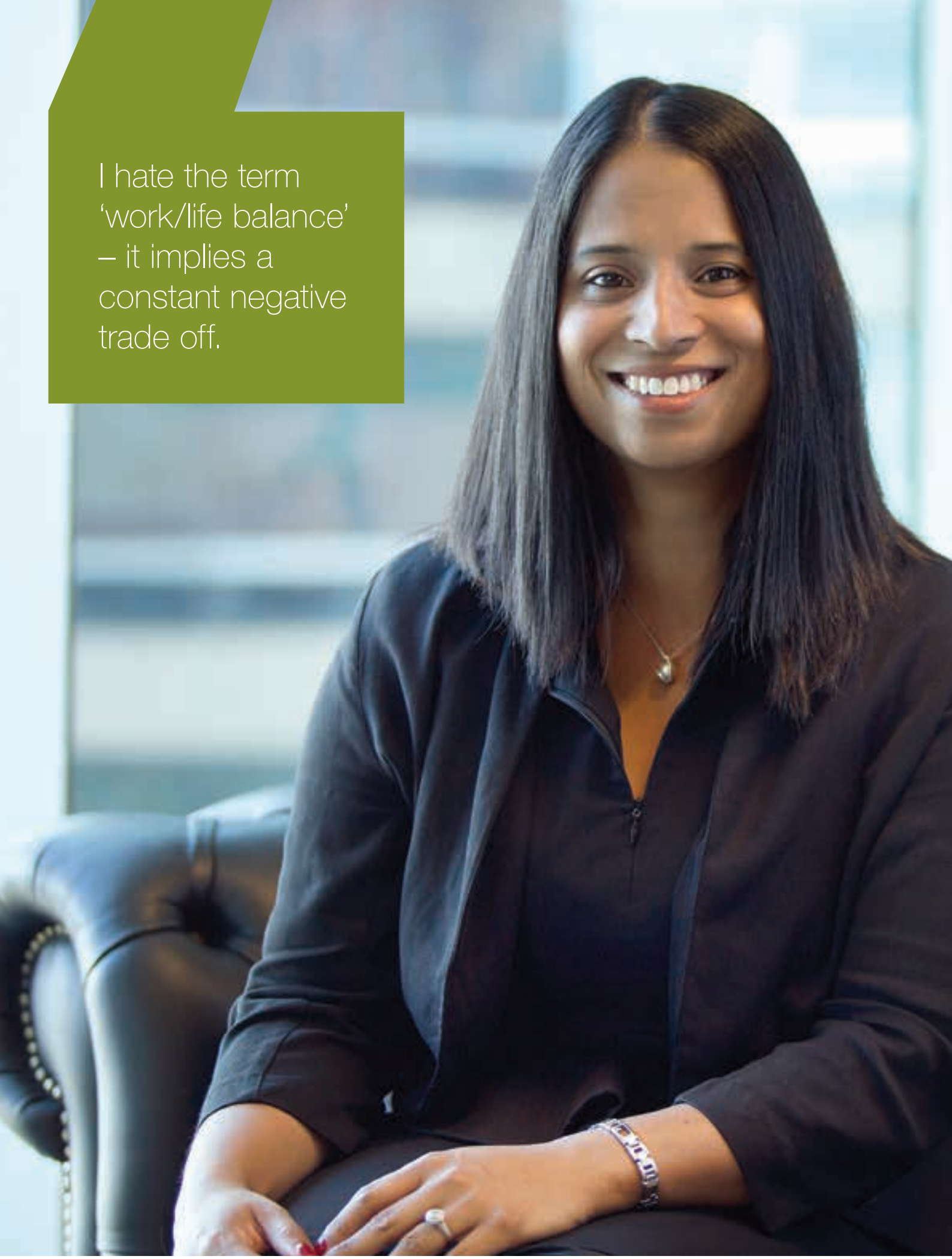
The FPA Professional Ongoing Fees Code will also be discussed as part of the format of this year's FPA National Roadshow.



I hate the term 'work/life balance' – it implies a constant negative trade off.

Keep life interesting

Scratch the surface of Kelly Pillay CFP® and you'll uncover a savvy operator who has been recognised as one of the Top 50 personal finance professionals in Australia. Jayson Forrest reports.

The first thing that impresses when talking to Kelly Pillay is the remarkable sense of confidence and self-belief this young Western Australian possesses.

In fact, these qualities were firmly on display to FPA members last year at the FPA Professionals Congress, when this 32-year-old CFP® practitioner shared a client case study that showcased the value of quality financial planning advice and the ongoing relationship created between client and planner.

These days, the word 'passion' is thrown about as freely as a political promise but in Kelly's case, there's no concealing her genuine zeal for financial planning and for making the planning process more accessible to everyday Australians.

It was this enthusiasm that motivated Kelly to branch out on her own and establish KLI Accountants and Wealth Managers (KLI Group) in 2014.

"I was working as a financial planner and accountant before, and I found clients were often confused when getting advice from multiple areas," she says.

Name:
Kelly Pillay CFP®

Position: Principal
Practice: KLI Accountants and Wealth Managers
Education Qualifications: CFP, BEc, BCom, MTax, Grad DFP
Years as a financial planner: 11 years
CFP designation: July 2007

"Typically, they would go and see their accountant and get a bit of advice, then they would talk to their business adviser or financial planner, and they would also seek advice from their friends and family. It's no wonder most people feel paralysed when it comes to making decisions about their financial wellbeing.

"So, for me, that type of multiple advice channel approach was not delivering the right outcome I wanted for clients," Kelly says. "So, I started looking at better options for the overall delivery of advice."

This led to Kelly spending time investigating Private Family Offices (see Breakout) operating in the US and Europe.

"I really liked the outcomes and level of service that this type of set-up was able to achieve for clients," she says.

"However, the services that most Private Family Offices provide are generally only available to very wealthy clients, because of the high level of service that goes into this offering. So, the primary reason behind me establishing KLI Group in 2014 was to try and develop a Family Office service that was available to the average Australian."

And so, in 2014, by blending the right balance of Family Office services, and by providing a total planning, accountancy and mortgage broking service offering, KLI Group was established – and Kelly hasn't looked back.

She feels that part of her success is due to her practice being independent and non-aligned, although she concedes that having her own AFSL does present its own challenges.

"For me, being independent is all about flexibility," she says.

Continues on page 22

"I had this view about establishing the perfect Family Office and I wanted to implement that ideal.

"I knew there was going to be quite a bit of trial and error in doing this, so I wanted to do it without having to convince somebody else about the merits of joining me on this journey. Going out on my own has provided me with the freedom to follow my own path."

"I kept thinking, how do we as professionals advise clients on how to have balance and live rewarding lives, if we're not doing exactly that ourselves."

While Kelly concedes there was the customary 'Oh God' moment prior to going it alone, having taken the initial leap, it's a decision she does not regret. And it's something she recommends other planners seriously consider.

"Getting your own AFSL is not as difficult as you might think. But, as an independent, there are a number of things we don't have access to that a dealer group would normally provide, such as research, newsletters, professional development and compliance," Kelly says.

"So, you will need to build all these things from scratch. That takes time but it's definitely achievable. For financial planners wanting to change or tailor their offering, then I'd definitely recommend you get your own AFSL."

Work/life balance

Kelly's own personal principles form the core of KLI's vision.

"KLI stands for 'Keep Life Interesting'," she says. "Our name is central to everything we do. Most planners work ridiculously long hours, I know because I've been one of them. We sacrifice so much for our business and clients. So, I kept thinking, how do we as professionals advise clients on how to have balance and live rewarding lives, if we're not doing exactly that ourselves."

Implementing this ideal has been a cathartic process for Kelly.

"We're only a small team, with a small number of clients, but we have very high contact with those clients. So, our work ethos has developed around how we achieve the best outcomes for our clients without compromising our own personal goals," she says.

"I hate the term 'work/life balance' – it implies a constant negative trade off. Work is a huge part of my life, so I see it more as how do I keep achieving at work while making time for all the other things I want to do. That can be growing a business or investing time and energy in a passion or ideal. For us, this ideal is working well."

So, does that mean Kelly has hit the sweet spot and actually achieved the right balance?

"I think it's always a work in progress," she says, "because the boundaries shift. But I'd say that I'm 100 times better than I was before I started KLI."

Two of the key learnings Kelly found in implementing this principle for the practice includes streamlining workplace productivity and client selection.

"I honestly believe that if you regularly spend 12 hours in the office in one stretch, you're probably not that productive. I like to work in shorter blocks, and change up my location. Technology has really allowed us the freedom to work from anywhere at our own chosen time," she says.

"I also think it's about choosing the right clients for your business, and working with clients who actually get you excited and interested. This has made it so much easier for me to be fully engaged with those clients in achieving their financial and lifestyle outcomes."

Personal achievement

At the age of only 32, Kelly has already amassed an enviable number of professional awards in recognition of her skills as a planner and as a mentor to other women.

These awards include:

- AFR Smart Investor Magazine Top 50 Masterclass 2013
- AFR Smart Investor Magazine Top 50 Masterclass 2012
- BPW (Business and Professional Women) Young Woman of the Year Western Australia 2009
- BPW (Business and Professional Women) Young Woman of the Year Australia 2016

But Kelly is quick to add that she is not an "awards chaser" and doesn't actively go out looking to win awards.

"I like to think that these awards are recognition that both my business and I are on the right path professionally," Kelly says. "There is a lot of pride that comes with winning these awards and they also serve to reinforce with our clients that as a business, we are at the top of our game professionally."

Challenges

But being on top of her game doesn't come without its challenges, which Kelly is quick to concede.

Kelly admits that the biggest challenge facing her practice are 'processes'.

"We've grown as a business very rapidly and we are constantly trying to do new things. That means as soon as we have a process developed and we get it down pat, it becomes useless for us. And so, we have to go back to the drawing board and either re-tweak the process or completely scrap it and start again. So, internal processes are a constant challenge for us."

It's also important for Kelly that the team at KLI live the motto – Keep Life Interesting – in the same way they tell their clients to.

"This means we encourage our staff to take their leave; that we aren't on fixed working hours, so staff have the flexibility to do the family things they need to do; and we will often discuss our own life plans and how we are managing our own money to achieve that. So, that creates a very comfortable and friendly culture in our practice. However, it does mean we have to work very hard to maintain that right balance of work and fun."

Kelly also adds that being a young team of professionals at KLI means that relating to the practice's older clients can also be challenging at times, but it's something the KLI team is overcoming.

"I'm only 32 years old, but I'm one of the older members of the KLI team and our clients are predominantly older. So, bridging that age and life experience gap between a 27-year-old and a 60-year-old can at times be challenging."

How does Kelly go about bridging that generational gap?

"A lot of it is about us spending more time on the adviser/client relationship. It's about spending more time chatting and talking to our clients. We don't always do meetings in the office. We often go out and meet clients over coffee or at their home. So, we go about doing this in a different way to try and put the client at ease, and find some common ground."

> If you believe in something, just do it ... you've got nothing to lose.

Success

It doesn't take long talking to Kelly for her enthusiasm around life to rub off on you. This young professional is definitely on the way to cracking the formula for keeping life interesting – both at work and at home.

But she claims there's really no secret to it.

"If you believe in something, just do it," Kelly says. "This was something that my Uncle instilled in me. If you're thinking about things and they keep going around in your head, then you've got nothing to lose. You just have to take the next step forward and keep taking a step after that. If you don't do it, you'll never know just how far you can go.

"And whether it works straight away or takes a couple of goes, at least it keeps life interesting."

What are Family Offices?

Family offices are private wealth management advisory firms that typically serve ultra-high-net-worth investors. They are different from traditional wealth management offerings in that they offer a total outsourced solution to managing the financial and investment side of an affluent individual or family. For example, many family offices offer budgeting, wealth management, insurance, charitable giving, family-owned businesses, wealth transfer and tax services.

There are two types of family offices: single family offices (SFO) and multi-family offices (MFO). Single family offices serve one ultra-affluent family, while multi-family offices are more closely related to traditional private wealth management practices, seeking to build their business upon serving many clients. In addition, the family office can also handle non-financial issues, such as private schooling, travel arrangements and miscellaneous other household arrangements.

Source: Investopedia

Is your mindset holding you back?

Career progress doesn't arise purely because of a financial planner's technical skills. Much of it is influenced by the mindset they adopt each day, writes Michelle Gibbings.

Everyone's mindset is unique. This is because our mindset is shaped by our experiences, creating assumptions and expectations about how things are and should be. It is through this lens of our past experience that we interpret the world we live in and what is happening around us.

It is this interpretation that drives our internal state, and ultimately our thoughts, emotions and behaviour.

As author and philosopher, Aldous Huxley said: "Our experience is not what happens to us, but what we make of what happens to us."

Consequently, our mindset is an important part of who we are – impacting our beliefs, thoughts and behaviour.

The danger is that our mindset can limit us, and in ways we may not be consciously aware of. It can put in place roadblocks and obstacles that make it much harder to achieve our career objectives. Or worse, lead us down a path where our 'faulty thinking' creates 'faulty choice' and ultimately, delivering a 'faulty outcome'.

Common pitfalls include: ignoring information that doesn't fit with our established view of the world (commonly known as 'filtering'), and applying an opinion on 'something' to 'everything', even though that opinion may be based on a single incident (commonly known as 'overgeneralising').

It's therefore important to be critically aware of the mindset you are taking into situations, particularly when dealing with complex situations and challenging clients.

If you don't, you may find your mindset prevents you from securing your desired outcome.

Know your mindset

A quick way to check your mindset is to ask yourself the following question: Do I believe I know everything I need to know already, or do I believe there is still so much to learn?

How you answer those questions will help you determine if you have a fixed or growth mindset. These terms were coined by the world renowned Stanford academic, Carol Dweck.

She found that people who have a fixed mindset see intelligence as static – a fixed trait. As a result, they want to always look smart and appear as though they have all the answers. They believe that success is based on talent alone – not work. This means they can avoid challenges and give up more easily. They also ignore feedback, which they see as criticism, and feel threatened by the success of others.

In contrast, people with a growth mindset believe that intelligence can be developed through hard work and effort. Consequently, they are more eager to embrace learning, take on challenges and persist, despite setbacks. They love learning and usually display higher resilience. They are also more willing to learn from others and receive feedback.

Constant learning is the new normal

Running a successful financial planning practice and servicing the varying needs of clients isn't easy. Particularly in a sector that has undergone, and is continuing to experience, unprecedented levels of change.

Success requires the financial planner to adopt a growth mindset, and be willing to constantly learn new ways of doing things, and to not get fixated on the past. It demands new skills, so that they continuously stay relevant in the profession.

Of course, many financial planners will already feel as though they've gone through many, many years of new professional development requirements and new ways of working.

Unfortunately, this need to learn isn't coming to an end, and it's not something that can be ignored. Continuously developing at both a technical and leadership/behavioural level is critical.

This development can come from a range of sources and cover a range of topics. The most significant thing is to make the learning relevant for your needs. Research shows that people learn most rapidly when the learning is relevant to them, and when they take responsibility for their own learning.

And yet, as we get older, we can become more reluctant to try new things and do things differently. We can become more stuck in our ways, reluctant to change and to adopt new ideas or new ways of working. We can also become more cynical, thinking: "I've seen this all before."

However, this mindset isn't going to help you thrive in today's complex, ever changing world.

If you want to be at the top of your game, you need to be abreast of the latest thinking and ideas from your profession, and also from complementary professions.

Additionally, you need to be willing to take yourself outside your comfort zone. When you feel uncomfortable doing something, it is your brain's way of telling you that you are learning something new. So, it's a good sign – not a bad one!

Get deliberate

Research from a team of psychologists in Germany in the 1990s showed that deliberate practise – not talent alone – was a factor in becoming an elite performer.

They looked at the practise habits of violin students from childhood through to adulthood.

> Success requires the financial planner to adopt a growth mindset, and be willing to constantly learn new ways of doing things, and to not get fixated on the past. It demands new skills, so that they continuously stay relevant in the profession.

What they found was that whilst the students all started studying at the same time – age five – by the time they were 20, the elite performers had averaged more than 10,000 hours of practise, while the less able performers had only 4,000 hours of practise.

Of course, this is not to say that it's practise alone that will make you a successful financial planner, but what it does reveal is that practise and deliberate learning are crucial elements in determining your success.

When you are deliberate about learning, you are proactive, rather than sitting back and waiting for someone to tell you what you need to learn to progress your career.

A key step in this is to undertake a career audit and work out what gaps currently exist in your knowledge base and skill set. Once you know the gaps, the logical next step is to work out how to close the gap.

Here are six ideas to get you started:

1. **Buy a book** on a topic that you have always wanted to know about, and is different to your day job.

2. **Check out the range of free learning** that is available from providers, such as Edx and Coursera. These mass online open courses (or MOOCs) provide access to a vast array of fantastic learning.

3. **Go to a lecture** on a subject that will broaden your field of view.

4. **Subscribe to online news**, so you can get up-to-date information and knowledge from around the world.

5. **Meet new people and continue to broaden your network.** Meeting new people, who have different ideas and views, can spark creative ideas and challenge how you think about concepts.

6. **Find a mentor** in the profession who you can learn from.

Adopting a growth mindset and getting deliberate about your learning may be the next building block to help your career prosper in the year ahead.

Michelle Gibbings is a change and leadership expert, author and founder of Change Meridian. Michelle works with global leaders to help them accelerate progress in complex environments. For more information: www.michellegibbings.com or contact michelle@michellegibbings.com

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

Centrelink and 'granny flat' interests

BROOKE LOGAN
UNISUPER

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes

- Establishing and valuing granny flats
- The 'reasonableness test'
- More than one 'granny flat right'
- Moving into aged care

When we hear the term 'granny flat', we envision a self-contained unit attached to a private home. Often, this may be rented out or used by an elderly relative.

A granny flat interest may be quite different than the 'real estate' description above. When used in the context of social security, the term 'granny flat right' is used to assess living situations where money, assets or the title to one's home have been transferred in exchange for a right to a lifetime accommodation in a private residence. The person obtaining the granny flat interest does not have legal ownership of the property they live in.

In most cases, this is an informal family arrangement created to provide support for an elderly person. However, there are no age or family relationship rules or requirements.

Centrelink's 'granny flat' exceptions are designed to encourage people to stay out of supported care. They may, however, leave openings for financial detriment or abuse.

A granny flat right or interest only exists during the person's lifetime and is not part of their estate.

Establishing and valuing granny flats

A granny flat right can be created in a number of ways. The value of a granny flat interest will generally be the amount paid (or assets transferred) in exchange for the interest. Let's consider some examples:

1. Doreen transfers $80,000 to her daughter, Lynne, for the right to live in her home. The value of the granny flat interest is prima facie $80,000.
2. Max transfers $100,000 to his son, Tom, to pay for expenses to modify Tom's home and build a stand-alone granny flat in exchange for a lifetime right to live there. The value of the granny flat interest is $100,000.
3. Lucy pays $400,000 to her nephew and niece, Bryce and Wendy, to purchase a new home. She moves into this home with them with the right to permanent accommodation. The value of the granny flat interest will be $400,000.
4. Travis transfers title of his home to his daughter, Katie, and receives a lifetime right to continue living in that home. Katie and her family may or may not move in with Travis. Katie will pay stamp duty on the transfer and may commence to be subject to capital gains tax if the property does not become her principal residence. The value of the granny flat interest will be the market value of the home of $500,000.

If the client only transfers part of the title of their home to another person, a granny flat right has not been established. This is because the client still has legal title to the property. The transfer will be assessed under normal gifting rules and the client remains a homeowner, with their share of the home an exempt asset.

Where the granny flat needs to be valued differently

In some cases, the *Social Security Act 1991* prescribes that a granny flat interest should be valued at a different amount to the amount paid. This is known as the 'reasonableness test'.

The reasonableness test could be used when a person transfers title to their home or pays for construction of the premises but at the same time transfers additional assets, such as cash. In this circumstance, we need to compare the value of the home or construction with the amount determined under the reasonableness test.

The reasonable value of the granny flat interest (i.e. the amount not considered a deprived asset) will be the greater of the two amounts.

Under the reasonableness test, the value of the granny flat is calculated as follows:

Reasonable Value = Combined annual partnered Age Pension rate (on the date the granny flat interest was created) multiplied by an age based conversion factor (based on the age next birthday of the client or younger member of the couple, if relevant)

Example 1 - Lucy

Let's now assume Lucy, age 75, bought the $400,000 home for Bryce and Wendy but also gave them $100,000 in cash – a total of $500,000 – in return for the life interest in the house.

- Reasonableness test value = $34,382.40 x 12.78 = $439,407

The value of the granny flat interest is therefore $439,407, calculated under the reasonableness test because this is greater than the $400,000 cost of the new home.

$60,593 (i.e. $500,000 less $439,407) is a gift and subject to deprivation. The deprived asset is counted as an assessable asset for five years and subject to deeming under the income test.

Example 2 - Clayton

Clayton, age 85, sells his home for $500,000 and moves in to his daughter Abi's home, paying her $190,000 for a right to accommodation for life. The value of the granny flat interest is the amount paid, unless this is greater than the reasonableness test. Any amount greater than the reasonableness test amount will be considered a gift.

- Reasonableness test value = $34,382.40 x 6.60 = $226,923

As the amount paid of $190,000 is less than the reasonableness test value of $226,923, the value of the granny flat interest is $190,000.

The reasonableness test may also be applied where:

1. a person vacates their granny flat right within five years of its creation. This is discussed later in the article; or

2. a person uses the granny flat rules to gain a social security advantage. In this case, the value under the reasonableness test will be applied.

Determining whether the client is a homeowner

When a person has a granny flat interest, special rules apply to determine whether they are a homeowner or non-homeowner for social security income payments. This is determined by comparing the 'entry contribution' to the 'extra allowable amount'.

The 'entry contribution' is determined as follows:

- If the client was not assessed under the reasonableness test, the entry contribution is the amount actually paid; or
- If the client was assessed under the reasonableness test, the entry contribution is

  - the value of the granny flat interest – if assessed as paying more than the reasonableness test amount, or

  - the amount actually paid – if assessed as paying less than the reasonableness test amount.

The 'extra allowable amount' is the difference between the Age Pension homeowner and non-homeowner asset value limits at a point in time. Based on current Centrelink thresholds, this is equal to $200,000.

Table 1 below summarises the implication of the entry contribution for Centrelink homeowner status.

Example 1 - Lucy

The value of Lucy's entry contribution is $439,407. This is more than the 'extra allowable amount' of $200,000. Therefore, Lucy is a homeowner and not eligible for Rent Assistance.

Example 2 - Clayton

The value of Clayton's entry contribution is $190,000. This is less than the 'extra allowable amount' of $200,000. Therefore, Clayton is a non-homeowner and may be eligible for Rent Assistance.

Example 3 - Travis

Travis transferred title of his home to his daughter, Katie. The value of the home ($500,000) exceeds the extra allowable amount of $200,000 and Travis remains a homeowner, with the value of his home an exempt asset.

Continues on page 28

Table 1

Entry contribution	Homeowner status	Asset test treatment entry contribution	Rent assistance
Less than or equal to extra allowable amount	Non-homeowner	Assessable asset	May be payable
More than extra allowable amount	Homeowner	Exempt asset	Not payable

Note: Home owner status is assessed separately for illness separated couples.

Having more than one granny flat right

A client can create more than one granny flat right. Provided the total amount paid does not exceed the reasonable amount (and the amounts paid are proportionate to the time to be spent at each place), deprivation will not apply.

Example

Ernie, age 81, intends to split his time between living with his daughter, Willow, in Brisbane for nine months of the year and with his son, Tyler, in Melbourne for the remaining three months.

He pays Willow $180,000 and Tyler $60,000 for a lifetime right to live with each of them.

- Reasonableness test value = $34,382.40 x 8.80 = $302,565

The total amount paid of $240,000 is less than the reasonableness test, so there is no deprivation.

If Ernie has instead paid his two children a total of $340,000, this would exceed the reasonable amount. In this case, as he will spend most of his time with Willow, her home will be considered his principal home and the amount paid for the granny flat interest with Tyler will automatically be considered a gift and subject to deprivation rules.

Home care packages

Clients living in a granny flat arrangement may be eligible to access a Home Care Package regardless of how the granny flat interest was established. This offer assists them to live at 'home' for longer and may include:

- transport for shopping and appointments;
- home maintenance or modifications;
- assistance with domestic jobs, such as cleaning and washing; and
- assistance with personal care, such as washing and dressing.

To be eligible, the client will need to be assessed by the Aged Care Assessment Team (ACAT). The amount the client pays for the Home Care Package is means tested and comprises a Basic Daily Fee (currently $9.97 per day), plus a potential income tested fee (up to $10,416 per annum for self-funded retirees).

Moving out of the granny flat and into aged care

Once a person moves into an aged care facility, they will generally become a non-homeowner at the time their granny flat interest ceases. Assuming the granny flat interest was in place for at least five years, the value of the granny flat interest will not be an assessable asset.

Placing a loved one in a granny flat and then into aged care just a few months later is a strategy that has been used to try to circumvent Centrelink asset assessment and minimise aged care fees. However, it will not work if the need for care could have been anticipated.

If a person moves out of the granny flat within the first five years of creating the interest and a move to aged care could have been expected at the time the granny flat interest commenced, the full amount transferred for the granny flat may be treated as a gift and subject to deprivation for five years (from the commencement of the granny flat interest).

This may increase the means tested care fee payable by increasing the asset and income components when calculating the Means Tested Amount (MTA). This rule exists to avoid people manipulating the rules and artificially creating a granny flat right to reduce assessable assets.

The deprivation rules do not apply if a person is temporarily absent from the home for up to 12 months. If the temporary leave is due to loss or damage to the home, this period may be extended for up to two years.

Example

Justine, aged 80, undertook an assessment by ACAT to determine whether she may be entitled to any services to help her stay at home. She received ACAT approval, which indicated she was eligible for residential aged care.

However, Justine chose not to move into aged care and instead sold her home and paid $250,000 to her son, Adrian, to construct a granny flat at his home, where she would live. She was assessed as a home owner and received Age Pension of approximately $11,000 per annum.

Her health rapidly deteriorated and after one year, it was decided she needed to move into aged care.

At the time of ceasing the granny flat arrangement, Justine had $400,000 in cash and shares.

As Justine will now be a non-homeowner, her Age Pension is estimated to be $18,800 per annum. She is assessed to pay a means tested care fee of $12.48 in addition to the basic daily care fee of $48.44.

However, Centrelink will review Justine's assessment, as she moved out of the granny flat within the first five years. As she was approved for aged care at the time of commencement, Centrelink may decide the $250,000 is a deprived asset.

Inclusion of the deprived assets would increase Justine's means tested fee by $8.97 per day to $21.45 and reduce her Age Pension to an estimated $7,200 per annum.

Importance of a legal agreement

The granny flat arrangement allowed by Centrelink is an excellent opportunity to provide solutions for elderly parents looking for a stable home and family support in their retirement.

A granny flat interest can be created even if nothing is in writing. However, it is recommended that a legal document is drawn up by a solicitor to have evidence

and outline the terms of the arrangement. This can help to prevent problems in the future if one or both party's personal circumstances change. No matter how close a family may be, a falling out or disagreement can occur, leaving the child wanting the parent out and the parent seeking return of their money.

Therefore, there needs to be provision for what happens if things turn sour or the parent needs money for a bond to go into an aged care facility.

The agreement should:

- confirm the client has security of tenure;
- state any responsibilities of the client – for example, liability for upkeep of the property or payment of rent; and
- outline how the client will be compensated if the property owner cannot maintain the life interest.

Impact on estate planning

A client should review their estate plan when the granny flat right is established. The amount used to create the granny flat right may be a significant portion of the client's estate. This amount no longer forms part of the client's estate. The right only exists during their lifetime.

This means that upon the death of the client, any property or money handed over for the granny flat interest will not be distributed in accordance with their will.

It is therefore a good idea to make sure wills and enduring powers of attorney are updated, so assets will be fairly distributed amongst the children.

Brooke Logan, Advice Technical Consultant, UniSuper.

QUESTIONS

1. Claire pays $100,000 for construction of a granny flat attached to her son Oliver's house, so that she can live with him. For Centrelink Age Pension purposes:

a. Claire is a homeowner and the $100,000 is an exempt asset.

b. Claire is a non-homeowner and the $100,000 is an exempt asset.

c. Claire is a homeowner and the $100,000 is an assessable asset.

d. Claire is a non-homeowner and the $100,000 is an assessable asset.

2. Usain, age 83, pays his daughter, Roxanne, $300,000 for a lifetime right to live in her spare bedroom. The 'reasonableness test' value is $263,025. The granny flat interest will be valued as:

a. $300,000 and deprived asset of $36,975.

b. $263,025 and deprived asset of $36,975.

c. $263,025 and there is no deprivation.

d. $281,512 and there is no deprivation.

3. Zara, age 90, ceases her granny flat arrangement after living with her daughter for eight years and moves into an aged care facility. Her granny flat interest was valued at $400,000. At the time of moving into aged care, for aged care and Centrelink purposes:

a. Zara will be a homeowner and the $400,000 granny flat interest an exempt asset.

b. Zara will be a non-homeowner and the $400,000 granny flat interest an assessable asset.

c. Zara will be a non-homeowner and the $400,000 granny flat interest an exempt asset.

d. Zara will be a homeowner and $50,000 of the granny flat will be an assessable asset.

4. A granny flat legal agreement should:

a. confirm the client has security of tenure.

b. state responsibilities of the client, such as upkeep of the property or payment of rent.

c. outline how the client will be compensated if the property owner cannot maintain the life interest.

d. all of the above.

5. Adele, age 80, purchases a home for her niece, Marnie, for $500,000, with a lifetime right to live with Marnie and her family. She also pays Marnie an additional $100,000 in cash. Which of these statements is true?

a. Adele's granny flat interest is valued at $500,000 for Centrelink purposes.

b. Adele's granny flat interest is valued at $600,000 for Centrelink purposes.

c. The reasonableness test will need to be applied to determine the value of Marnie's granny flat interest for Centrelink purposes.

d. Adele cannot establish a granny flat interest because Marnie is not her child.

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

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

The transfer balance cap

CRAIG DAY
COLONIAL FIRST STATE

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes
- Transfer balance caps
- Transfer balance accounts
- Commutation authorities
- Transitional rules

As part of the super reform package that received Royal Assent on 29 November 2016, the Government has re-introduced an effective reasonable benefit limit, otherwise known as the transfer balance cap.

While it is arguable whether the new transfer balance cap rules are simpler than the old reasonable benefit limit rules, there is no dispute that the rules are complex and will impose significant additional knowledge and due diligence requirements on advisers looking to provide retirement income stream advice, both now and into the future.

$1.6 million transfer balance cap

From 1 July 2017, a new transfer balance cap will apply to limit the amount of benefits a client can transfer from the accumulation phase to the tax-exempt retirement phase.

Income streams that will count against the transfer balance cap include all 'retirement phase income streams', which include superannuation pensions and annuities, other than transition to retirement income streams and deferred superannuation income streams.

Broadly, the balance of existing retirement phase income streams at 30 June 2017, as well as the initial value of new income streams commenced on or after 1 July 2017, will be measured against the transfer balance cap. Any amounts in excess of the cap will need to be rolled back to accumulation phase or withdrawn from the super system.

General transfer balance cap

The general transfer balance cap for 2017-18 will be set at $1.6 million and will be indexed annually in line with increases in the Consumer Price Index in increments of $100,000.

Personal transfer balance cap

The personal transfer balance cap determines the amount that a client can transfer into retirement phase income streams. The personal transfer balance cap initially equals the general transfer balance cap in the year the client first commences a retirement phase income stream.

However, over time, the personal transfer balance cap may differ from the general transfer balance cap due to proportional indexation. Proportional indexation will be based on the value of any increase in the general transfer balance cap and the unused proportion of the client's personal cap (based on their highest balance).

Example

Glenda retires on 1 July 2017 and immediately commences a $1.2 million account based pension. As Glenda commenced her first retirement phase income stream in 2017-18, her personal transfer balance cap is equal to the general transfer balance cap of $1.6 million.

In this case, Glenda will have used 75 per cent of her personal transfer balance cap and will have an unused cap proportion of 25 per cent.

On 1 July 2019, the general transfer balance cap is increased by $100,000 to $1.7 million due to indexation. Assuming Glenda has not commenced any other retirement phase income streams in the interim, her personal transfer balance cap will then be increased by $25,000 ($100,000 × 25 per cent) to $1.625 million. In this case, Glenda will then have $425,000 of her personal cap remaining.

Note: Once a member has fully utilised their

transfer balance cap, they will not be entitled to any indexation.

Transfer balance accounts

To determine when a client has exceeded their personal transfer balance cap, a transfer balance account system will be implemented that will work like a general ledger, with amounts credited and debited depending on a client's circumstances.

Amounts credited to transfer balance accounts

The following amounts are required to be credited to a client's transfer balance account:

- The value of all of a member's existing retirement phase income streams as at 30 June 2017.
- The commencement value of new superannuation retirement phase income streams commenced on or after 1 July 2017.
- The value of reversionary superannuation income streams as at the time the individual becomes entitled to them. *(Note: A modification applies to defer the time at which a credit arises, see below for more information.)*
- Where a member has exceeded their transfer balance cap at a time, an amount of notional earnings on the excess amount will apply.

The value of retirement phase income streams that will be credited to a member's transfer balance account will depend on the type of income stream paid.

For account based income streams (other than market linked income streams):

- where the income stream commenced prior to 1 July 2017, it's the value of the income stream account balance on 30 June 2017; or
- where the income stream commenced on or after 1 July 2017, it's the commencement value on the start day.

For certain non-commutable defined benefit income streams (known as capped defined benefit income streams[1]), the value of the income stream is determined by multiplying the member's annual income entitlement by a pension valuation factor.

- For lifetime pensions or annuities, it's the client's annual income entitlement × 16.
- For life expectancy pensions and market linked income streams (including term allocated pensions), it's the client's annual income entitlement × the number of years (rounded up to the nearest whole number) in the remaining term.

Note: Not all defined benefit pensions and annuities will qualify as capped defined benefit income streams. To determine whether a pension or annuity will qualify as a capped defined benefit income stream, you should contact the product provider.

Timing of credit for reversionary pensions

Where an income stream automatically reverts to a nominated beneficiary on the death of the original recipient, the value of the pension as at the time of death will count as a credit to the beneficiary's transfer balance account.

However, to give the beneficiary time to arrange their affairs, the credit will be deferred and will not arise in the beneficiary's transfer balance account until 12 months from the date of death.

This rule applies where a pension reverted to a member's beneficiary on or after 1 July 2016.

For example, where a pension reverted to a member's beneficiary on 1 January 2017, a credit will not arise in the beneficiary's transfer balance account until 1 January 2018.

Conversely, where a member dies with a non-reversionary pension, or in the accumulation phase, and their beneficiary elects to receive the death benefit in the form of an income stream, the value of the death benefit pension will count as a credit at the time of commencement.

Amounts debited from transfer balance accounts

The following amounts will act as debits from a client's transfer balance account:

- The value of any lump sums commuted from a retirement phase income stream (including where the commutation results in a negative transfer balance account value).
- The value of any structured settlement contributions.
- The value of any replenishment debits approved by the ATO.
- The value of a retirement phase income stream that ceased due to failure to comply with the pension and annuity standards or the trustee's failure to comply with a commutation authority.

It is important to note that pension payments and negative investment returns do not count as debits. Therefore, the value of a client's retirement phase pension, such as an account based pension, could be quite different from the value of their transfer balance account where a client's account balance has changed due to positive or negative investment returns and/or pension payments eroding the balance.

Impact of a rollover on a client's transfer balance account

Where a client fully or partially commutes a retirement phase income stream, the value of the commutation will be debited from their transfer balance account and can result in a negative transfer balance account value.

This ensures that a client is able to rollover the full value of any retirement phase income stream to another provider, even where their pension balance has grown due to investment returns and now exceeds their personal transfer balance cap.

Example

Diego commenced an account based pension with $1.6 million on 1 July 2017,

Continues on page 32

Table 1

Year	Credit/Debit	TBA Balance
2017-18	Credit $1.60 million	$1.60 million
2020-21	Debit $1.75 million	-$150,000
2020-21	Credit $1.75 million	$1.60 million

fully using up his personal transfer balance cap. In 2020, his account based pension balance has grown to $1,750,000 due to strong investment returns. He then commutes his pension and rolls over the lump sum to another provider and commences a new account based pension.

In this situation, Diego's transfer balance account would have the following entries as shown in Table 1 above.

Consequences of exceeding the transfer balance cap

Where a client exceeds their personal transfer balance cap, the ATO will issue a determination specifying:

- the amount of the excess plus a notional earnings amount that will be required to be commuted and removed from the retirement phase; and
- the name of the fund the ATO will issue a commutation authority to.

In addition, the client will also be required to pay excess transfer balance tax on the amount of notional earnings.

Notional earnings on an excess transfer balance amount will be calculated at the General Interest Charge rate for the period, starting when the client commenced to have an excess amount and ending when the amount is removed from retirement phase[2]. Excess transfer balance tax will apply to notional earnings at the following rates:

- For assessments during the 2017-18 financial year – 15 per cent.
- For assessments from 1 July 2018 – 15 per cent for the first assessment and then 30 per cent for subsequent assessments.

Impacted members will have 60 days to respond to the determination and can either advise the ATO that the amount has already been commuted or nominate a different fund to receive the commutation authority.

Commutation authorities

Where a fund is issued with a commutation authority, the trustee must generally comply and commute the amount specified in the notice within 60 days. A superannuation provider may only choose not to comply with the commutation authority if the income stream is a capped defined benefit income stream (as these income streams are non-commutable) or where there is insufficient balance to pay the commutation amount.

During the 60 day period, there is an expectation that the fund will make reasonable efforts to contact the member to seek instructions, i.e. do they want the excess amount cashed out of super or rolled back to accumulation, and which investment option does the member want commuted?

Where a fund fails to comply with a commutation authority, the entire income stream will cease to be in retirement phase (and no longer qualify for the earnings tax exemption) from the start of the financial year in which the fund failed to comply with the commutation authority and all later financial years. In this case, the client's transfer balance account will be debited by the value of the income stream.

It will therefore be extremely important for SMSF trustees to take action and comply with the commutation authority and commute the specified amount within the required timeframe.

Transitional rules

It is important to note that transitional rules apply between 1 July 2017 and 31 December 2017 for clients who exceed their transfer balance cap by less than $100,000.

Where a client has an existing retirement phase income stream at 1 July 2017 and they breach their transfer balance cap by $100,000 or less, the excess amount will be disregarded.

However, this transitional rule will only apply where the excess amount is removed from the retirement phase by the end of the six month period (i.e. by 31 December 2017).

The transitional rules will be particularly useful for clients who are unsure of the total balance of their retirement phase income streams at 30 June 2017. For example, clients with multiple account based pensions may not be able to instruct their fund to simply commute any balance over $1.6 million on 30 June, as each pension may have a value of under $1.6 million.

In this situation, a member may need to estimate the total value of their different retirement phase income streams on 30 June 2017 to determine the amount of the excess they will need to commute. The member will then need to confirm the actual value of their retirement phase income streams on 30 June 2017 to confirm if the amount of the commutation was sufficient to reduce the value of any excess to nil.

Pre 1 July action required

Clients who are members of large funds with retirement income stream balances over $1.6 million will therefore need to take action in the lead up to the end of the financial year to reduce the combined value of their income streams to no more than $1.6 million by 30 June 2017 (or $1.7 million under the transitional rules).

However, where a client is a member of an SMSF, they may not know the value of their retirement phase income streams until several months after the end of the financial year when the fund's annual return is completed.

In this case, members will need to estimate the amount that needs to be commuted by 30 June 2017 and once the actual balances are known, make further commutations if necessary.

For an in depth summary of the transfer balance cap rules, as well as the other super reforms, please see the FirstTech super reform fact sheets available on FirstNet Adviser at www.colonialfirststate.com.au

Footnotes

1. Capped defined benefit income streams include complying lifetime pensions commenced either before or on or after 1 July 2017, or the following types of income streams commenced prior to 1 July 2017 – complying lifetime annuities, complying life expectancy pensions and annuities, complying market linked pensions and annuities.

2. For the purposes of calculating the amount of notional earnings that must be removed from the pension phase, notional earnings will be calculated at the General Interest Charge rate for the period starting when the client commenced to have an excess amount and ending the earlier of when the determination is issued or the date of rectification.

Craig Day is Head of Colonial First State's FirstTech.

QUESTIONS

1. On 30 June, Trevor (age 83) was in receipt of the following superannuation income streams:

1. an account based pension valued at $200,000;

2. a lifetime capped defined benefit income stream paying $25,000 per annum; and

3. a term allocated pension valued at $1 million paying $200,000 per annum with a remaining term of six years.

What will be the value of his transfer balance account on that date?

a. $1.2 million.

b. $1.6 million.

c. $1.4 million.

d. $1.8 million.

2. Janet is receiving an account based transition to retirement income stream (TRIS) on 30 June with an account balance of $600,000. In respect of her TRIS, what will be the value of the credit to her transfer balance account on 30 June?

a. Nil.

b. $600,000.

c. $300,000.

d. $1.2 million.

3. Which of the following transactions will count as a debit for the purposes of calculating a member's transfer balance account on a particular date?

a. The value of any lump sums commuted from a retirement phase income stream.

b. The value of any structured settlement contributions which the member then used to commence a retirement phase income stream.

c. The value of any replenishment debits approved by the ATO.

d. All of the above.

4. If Sally commenced an account based pension for $1.6 million on 30 June 2018 and the value of the general transfer balance cap was increased due to indexation to $1.7 million one day later on 1 July 2018, what would be the value of Sally's personal transfer balance cap on that date?

a. Nil.

b. $100,000.

c. $25,000.

d. $75,000.

5. Harriet has an account based pension that she pays from her SMSF. In the week before 30 June 2017, Harriet estimated that her account based pension would have a value of $1.8 million on 30 June 2017. If Harriet only commuted $180,000, how long would she have after 30 June 2017 to withdraw the $20,000 excess under the transitional rules?

a. 12 months.

b. 3 months.

c. 6 months.

d. 60 days.

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

Complaints and Discipline Report

1 October 2016 to 31 December 2016

Disciplinary Activity Summary

In the October to December 2016 quarter, the FPA received one new complaint, finalised 13 complaints and had three ongoing complaints. Of those ongoing complaints, the Conduct Review Commission Disciplinary Panel (the Panel) issued its determination and reasons in respect to two, finding all alleged breaches proven.

The Panel has now imposed sanctions in respect of both matters, resulting in both members being expelled from membership. One of these matters is discussed below and the other will be discussed in a subsequent report. Panel determinations can be found on the FPA website at fpa.com.au/professionalism/professional-accountability/. The remaining ongoing complaint is in the investigative phase.

CRC Determinations 2016_02 (Breaches) and CRC 2017_01 (Sanction)

These determinations are the culmination of the FPA's investigation, and the Panel's independent consideration of alleged serious breaches of the FPA Code of Professional Practice (the Code) by AFP® member, Darren Tindall.

The investigation originated from a complaint made by another member of the FPA (the Complainant), who was one of two directors of the small self-licensed financial planning practice that had authorised Mr Tindall until recently, prior to the complaint. It should be noted that complainant refers to the person who makes a complaint to the FPA rather than the extent of the material evidence they may have.

The complaint arose after the other director (the Director) located, during a file review, a hard copy print-out of an online insurance application for one of Mr Tindall's clients (the Client). The print-out revealed that personal insurance policies Mr Tindall had led the director and the complainant to believe were in place before he met with the client had instead been obtained since becoming a client of Mr Tindall's. An electronic copy of the application was subsequently located in Mr Tindall's deleted emails.

The FPA's investigation revealed that the client first met Mr Tindall at a stand at a local field day in October 2013, where they briefly discussed exploring the client's personal insurance needs. The client was unsure about what superannuation and personal insurance they held at the time.

Later in the same month, there was an initial meeting where the client disclosed, and Mr Tindall recorded, specific detail of the client's pre-existing medical conditions, including a serious congenital cardiac condition that resulted in recent surgery. The client was significantly underinsured and had concerns about the financial situation their spouse may be left with. The client took some records to the meeting in relation to superannuation accounts held with two separate funds, one with default death and TPD insurance in the amount of $226,000 and the other (U fund) without any insurance.

A few days later, the client 'dropped in' to see Mr Tindall, at the request of Mr Tindall. Both directors were away for a few days on leave. It was the client's evidence that Mr Tindall ushered the client into an office and outlined his idea to apply, on behalf of the client, for $500,000 in death and TPD insurance through the existing U fund, by pretending the client was not sick, then immediately have that insurance taken over by another insurer.

Furthermore, it was the client's evidence that Mr Tindall:

- gave re-assurance that it would not be a problem and that's why people seek professional help;
- obtained logon details to the client's superannuation accounts (with consent) prior to their meeting that day;
- logged onto the client's U account and may have already logged in before the meeting;
- at all times controlled the keyboard and obtained $500,000 death and TPD insurance, as well as income protection, for the client within the existing U fund account, by deliberately giving false answers to some medical questions; and
- Mr Tindall later recommended and facilitated the roll-over of that insurance (and U superannuation) to another fund.

The breaches alleged by the FPA relied not only on the client's version but also by documentary evidence and evidence given by four other witnesses. All witnesses, including the client, were separately interviewed by the FPA investigators and all made signed witness statements.

Additionally, it was also alleged by the

FPA that Mr Tindall had sent an email to a former colleague in the financial services industry that said, "Hi Mate, You tell me if I made the right decision." The email included a spreadsheet with confidential information of 59 current clients of Mr Tindall's licensee, including client names, as well as confidential revenue related information of the licensee. It was alleged that this was without the knowledge of Mr Tindall's licensee and contrary to conditions of collection and disclosure.

Mr Tindall denied any knowledge of or involvement in the U insurance application and of non-disclosure in rolling-over that insurance to another insurer. Mr Tindall did not deny sending the email and information, however, did not admit that doing so amounted to a Breach of the Code.

Accordingly, all allegations of breach were heard before the disciplinary panel over one full day and three part days. Mr Tindall was given the opportunity to be heard and also granted leave to be legally represented and for his legal representative to cross examine the FPA witnesses.

In its written Determination the Panel stated:

"The Panel does prefer the evidence of the client to that of Mr Tindall concerning the making of the online insurance application. The Panel considers the client, who was subjected to extensive questioning, did her best to recollect events. In contrast, Mr Tindall was an evasive and unconvincing witness, whose evidence was at times inconsistent or implausible. Instances of inconsistency and implausibility have already been recounted. However, the Panel disagrees that the issue simply comes down to credit. The Panel has also been assisted by the documents available to it concerning the surrounding circumstances. The Panel considers the client's recollection of events is consistent with the evidence of the surrounding circumstances; Mr Tindall's much less so." … "The Panel is satisfied on the balance of probabilities that Mr Tindall made the online application for insurance."

In finding all breaches proven on 21 December 2016, the CRC found that in respect to both the online insurance application and the insurance roll-over, Mr Tindall engaged in an act of a misleading, deceptive, dishonest and fraudulent nature (Rule 7.2), failed to conduct himself in accordance with a high standard of professional conduct or ethical conduct (PS7.1), and failed to provide professional services with integrity (Ethics Principle 2). The Panel also found a breach of Ethics Principle 7 (Confidentiality), for which the CRC panel noted *Mr Tindall's regret at having sent the information appears to be based only on having subsequently been subjected to the disciplinary proceedings.*

The Panel imposed sanctions intended for the protection of the public: immediate expulsion, fines totalling $16,000, as well as determining that Mr Tindall pay the FPA $12,423.39 in reasonable costs and expenses.

Mr Tindall did not avail himself of his right to seek a review (appeal) of the findings of breach or of the sanctions imposed, and in fact, Mr Tindall's submissions accepted that he should be expelled from membership.

Importantly, the protection of the public has been facilitated through a professional regulatory model, including:

- the complainant meeting professional responsibilities (and all that goes with it) as an FPA member to report the matter to the FPA to investigate; and
- the FPA Disciplinary Regulation allowing for the investigation and subsequent disciplinary proceedings to proceed, notwithstanding the member had submitted his resignation to the FPA shortly after the FPA received notice from the complainant of the intention to lodge a complaint.

COMPLAINTS AND DISCIPLINARY REPORT

Complaints ongoing as at 01 October 2016	**13**
New Complaints	1
Complaints Closed	11
Complaints ongoing as at 31 December 2016	**3**
Members Suspended	1
Members Expelled (CRC) • Shylesh Sriranjan	1
Members Terminated (Constitution) • James Gibbs • Andrew Tambyrajah	2
Other Sanctions (CRC)	0
Referred to Professional Designations Committee for Sanction	7

Guidance, reassurance or dilemmas

You may contact the FPA's Professional Accountability team directly, either by email at professional.standards@fpa.com.au or by telephoning Mark on (02) 9220 4523 or Kate on (02) 9920 4520.

Tassie challenges

This year's Future2 Wheel Classic will provide more riding options and activities for participants than ever before.

This year's ride will follow a scenic seven day route, winding through Tasmania's unique World Heritage wilderness. The Wheel Classic will start in Devonport on 16 November and finish in Hobart on 22 November, in time for the start of the FPA Professionals Congress.

Unlike previous years, riding distances this year will be short but the terrain will make it challenging.

However, for those not into cycling, Future2 has organised some unique challenges that take advantage of the Tasmanian wilderness.

For further information visit www.future2foundation.org.au or email events@fpa.com.au

The complexities of super

It what were both sold out events for the **Sydney** and **Melbourne Chapters**, FPA members flocked to an in-depth breakfast (Sydney) and lunch (Melbourne) presentation on the impending superannuation changes by Colonial First State Head of FirstTech, Craig Day.

The presentation focused on the impacts to clients and planning strategies, as a result of the looming 1 July changes to the superannuation system.

In an absorbing presentation, Day outlined how the changes will impact pre-retiree and retiree clients, with key topics discussed including:

- What the new rule changes mean to planners and their clients;
- The key actions planners need to take in the lead up to 30 June; and
- The new strategy options to consider post 1 July, including:

  - Non-concessional contributions cap;
  - Transition to retirement pensions;
  - Transfer balance cap;
  - SMSFs and SAFs;
  - Death benefit pensions and transfer balance cap; and
  - CGT relief for assets moved to accumulation phase.

CommInsure Head of Annuities, George Lytas, then provided an interesting session on retirement product strategies that could be considered as a result of the July 1 super changes, which address retiree longevity and estate planning needs.

Below left (L to R): Rob Martello (Sydney Chapter), Craig Day (CFS), George Lytas (CommInsure) and Alison Macfarlane (Sydney Chapter). Below right: Speaker Craig Day with some of the attendees.

Upcoming Chapter Events

TUESDAY 4 APRIL
Newcastle
Member Breakfast Seminar
Topic: Developing ethical capabilities
Speaker: To be confirmed from The Ethics Centre

FRIDAY 7 APRIL
Far North Coast NSW
Member Seminar
Topic: The Meaning of Money and FPA Update
Speakers: Keith Peel, founder of Positive Wealth, and Ben Marshan, FPA Head of Policy and Government Relations

WEDNESDAY 26 APRIL
South East Melbourne
FPA National Roadshow

THURSDAY 27 APRIL
Ballarat
FPA National Roadshow
Geelong
FPA National Roadshow

FRIDAY 28 APRIL
Bendigo
FPA National Roadshow

Register now by emailing events@fpa.com.au

We look forward to seeing our members at their next local Chapter event. For upcoming events in your local Chapter, **go to fpa.com.au/events**

Client engagement and ongoing service model

On 28 February, the **Brisbane Chapter** hosted its first member seminar for 2017 at the Tattersalls Club. The topic of the seminar was Client Engagement and the Ongoing Service Model, which proved popular topics for the members attending this event.

The Bestlife Foundation, a recipient of a Future2 'Make the Difference! Grant' (see page 37), was also presented with its $10,000 grant cheque from Future2 – the foundation that supports disadvantaged young Australians.

Left: Brisbane Chapter chair Steven O'Donoghue CFP® presenting the Future2 cheque to the BestLife Foundation.

Living their best life

BestLife Inc is a 2016 Make the Difference! Grant recipient, receiving $10,000 for its sleepover program. *Financial Planning* spoke to Kath Coory about what winning the grant means for young people living with disabilities in Brisbane.

BestLife is helping young Australians lead enriching lives.

GRANT RECIPIENT: **BestLife Inc**

GRANT AMOUNT: **$10,000**

ENDORSED BY: **David Larman CFP®, Bailiwick Group**

FPA CHAPTER: **Brisbane**

What is the BestLife sleepover program?

Kath Coory (KC): BestLife is a unique weekend sleepover program for young people living with a disability. BestLife sleepovers not only provide fun and friendship, they also set young people up on their pathway to independence.

BestLife provides the highest quality support to our young people who are profiled and matched into small compatible groups of five or six attending regularly every month.

This matching and regularity ensure that friendships can be supported and developed, that children learn independent living skills and are set up on their pathway to independence.

How are you utilising the $10,000 Future2 grant?

KC: The funds will directly support 20 children, enabling them to attend sleepovers with their friends throughout the month of May.

How is the grant making a difference to the lives of young people living with disabilities?

KC: Desperate isolation and a complete lack of opportunity to experience a regular childhood is the reality for the majority of young people living with a disability. BestLife addresses these problems head on for young people.

Because of BestLife, our children are building lifelong networks, breaking the isolation that frequently comes to those living with a disability, and finding joy in the chance to experience a regular childhood.

Specifically, children also learn to be part of a household, to plan and prepare meals, and complete domestic chores. Parents are often surprised and pleased to see photos of their child doing daily tasks, like laundry and vacuuming!

By participating in the program, their family life improves, and parents (and siblings) are kept from breaking point, by giving them some respite.

BestLife is a small not-for-profit developed by families to meet the real needs of children. Consequently, building our community of supporters is crucial to our future success. So, please consider liking our Facebook page, making us your annual charity of choice and sharing our story with your networks.

Kath Coory is a consultant to BestLife Inc.

Striking the right chord

David Larman's decision to endorse the BestLife sleepover program was based on a conversation he had with another parent from his daughter's hockey team. This person had heard about Future2 and asked David to endorse their grant application. "BestLife provides a unique service to families with children who have special needs, and the thought of a parent's concern for the social growth and independence of their child, struck a chord with me," David said.

So much so, that the company David works for, Bailiwick Group, also selected BestLife as its donation recipient for 2016.

Changes to eligibility for Energy Supplement

Recent changes to the eligibility criteria for the Energy Supplement may affect some of your clients.

From 20 March, there have been some changes to the eligibility for the Energy Supplement criteria. The good news is, people who receive an income support payment aren't affected.

The changes only apply if your client gets Family Tax Benefit or has a Commonwealth Seniors Health Card. How they are affected will depend on when they started getting the supplement and with which payment or card.

The changes will affect these two client groups in slightly different ways, but the key date to note is when your client became eligible for Family Tax Benefit or the Commonwealth Seniors Health Card.

The changes will only impact people who became eligible for the Energy Supplement from 20 September 2016. Individuals receiving Family Tax Benefit and who meet this criteria have stopped receiving their Energy Supplement from 20 March 2017.

If Commonwealth Seniors Health Card holders claimed from 20 September 2016 and within six weeks of their income support payment stopping, they will remain eligible, unless there is a break in their eligibility.

If your client claimed from 20 September 2016 but more than six weeks after their income support payment stopped, their eligibility has stopped on 20 March 2017.

If your client was eligible for Family Tax Benefit or the Commonwealth Seniors Health Card as of 19 September 2016, they will continue to receive their Energy Supplement, unless there is a break in their eligibility.

The change happened automatically, and there's nothing your client needs to do. If your clients have been affected by these changes, they will receive a letter from the Department of Human Services.

If they receive Family Tax Benefit or an income support payment like Newstart, they will continue to receive the Energy Supplement.

People who are no longer eligible for the Age Pension but who qualify for the Commonwealth Seniors Health Card, will need to claim the Commonwealth Seniors Health Card within 42 days of becoming ineligible for the Age Pension to keep on receiving the Energy Supplement. If they miss the 42 day deadline, they will no longer receive the Energy Supplement.

To find out more about the Energy Supplement, go to humanservices.gov.au/energysupplement

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Wednesday 14 June

Albury Wodonga
Wednesday 28 June

Ballarat
Thursday 27 April

Bendigo
Friday 28 April

Brisbane
Tuesday 30 May

Cairns
Wednesday 31 May

Far North Coast
Thursday 4 May

Geelong
Thursday 27 April

Gippsland
Thursday 1 June

Gold Coast
Thursday 29 June

Goulburn Valley
Thursday 29 June

Mackay
Tuesday 20 June

Melbourne
Wednesday 31 May

Mid-North Coast (Coffs Harbour)
Monday 1 May

Mid-North Coast (Port Macquarie)
Tuesday 2 May

New England
Monday 1 May

Newcastle
Tuesday 27 June

Northern Territory
Thursday 15 June

Riverina
Tuesday 27 June

Rockhampton
Wednesday 21 June

South Australia
Friday 26 May

South East Melbourne
Wednesday 26 April

Sunraysia
Tuesday 30 May

Sunshine Coast
Tuesday 20 June

Sydney
Friday 2 June

Tasmania (Hobart)
Monday 22 May

Toowoomba/Darling Downs
Friday 5 May

Townsville
Monday 19 June

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Thursday 25 May

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Tuesday 2 May

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Wednesday 3 May

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Monday 19 June

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Thursday 29 June

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