SEPTEMBER 2018

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MONEY & LIFE

The magazine for FINANCIAL PLANNING PROFESSIONALS

ALEX SHEEN AND CHANGING THE WORLD THROUGH PROMISES

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THE INADEQUACY OF RETIREMENT PLANNING

\+ SEQUENCING RISK | LONGEVITY AND PLANNING | CONGRESS 2018
HEALTH AND WELLNESS | RETIREMENT LIVING OPTIONS

FINANCIAL PLANNING ASSOCIATION of AUSTRALIA

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FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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Paper + Spark is the custom publisher of Money & Life (www.moneyandlife.com.au) for the Financial Planning Association of Australia (FPA). We are a specialist digital content marketing and social media agency with deep Financial Services consumer and B2B experience. We create brand, digital, social and content strategy that leads to reaching the right audience at the right time via the right channel to keep you agile and relevant in a fragmented media landscape. Because purposefully agile/great brands stand for something, while never standing still.

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FOCUS

RETIREMENT READY

Australia's population has just ticked over to 25 million. Adding to this, people are living longer than ever before. According to the World Health Organisation, the average life expectancy of Australian females is 85 years and 81 for males. That's an additional 35 years of living, compared to a century ago.

Given all this, retirement planning is undoubtedly more important than ever before. Getting good advice and having a plan will help ensure the golden years are spent on relaxation and enjoyment in the way we each decide.

This month's magazine looks at the retirement planning space and how you prepare and advise your clients.

New thinking and understanding has also emerged on the spending habits of consumers during retirement. For this reason, we've partnered with Milliman on its research to monitor and improve our collective understanding of Australian retirees, which is captured in the *Milliman Retirement Expectations and Spending Profiles*.

UPDATE ON FASEA

We've just finished yet another round of consultation with the Financial Adviser Standards and Ethics Authority (FASEA) on the proposed framework for the education, training and ethical requirements for our profession.

Given the significance of this, I want to thank you for your considered and sustained feedback on the various guidance papers. We've been inundated with responses to our questionnaires and a lot of time and effort has been devoted by those who sit on FPA committees. Your feedback has been instrumental in the final submissions lodged by the FPA with FASEA.

What's clear is the vast majority of FPA members support the improving of standards and acknowledge the role this will play in building confidence and trust in our profession.

However, there's a strong call for practical solutions that will ultimately benefit clients through affordable advice.

This month, we expect to start getting some certainty, as FASEA communicates the standards in their final form.

2018 FPA CONGRESS

We are preparing another outstanding program of international and Australian speakers for this year's FPA Professionals Congress taking place in Sydney from 21-23 November.

Every year, the Congress brings our profession together to communicate and share ideas, cultivate networks and connect with top business leaders and subject matter experts.

This year's program will address current issues, such as the new FASEA framework and the impacts of the Hayne Royal Commission, as well as insights and learnings into how to develop your business and your technical and personal skills.

Enjoy this edition.

Dante De Gori CFP®, CEO

Follow Dante on Twitter @ddegori10

News

RESEARCH SPOTLIGHTS THE INVISIBLE MONEY GENERATION

As part of last month's *Financial Planning Week* (20-26 August), the FPA commissioned national research to uncover and better understand the next generations' readiness for money and what the future of that might look like.

The *Share the Dream* research is aimed at helping parents and teachers understand the **Invisible Money Generation**, their attitude to money and what this means in a world of rapidly evolving technology and greater online usage.

"The hard reality is many of us simply don't know when or how to talk to our kids about money because the technologies, language and online possibilities are so very different from when we were kids," said FPA CEO Dante De Gori CFP®.

"Today, our research confirms two-thirds of Australian parents (66 per cent) believe digital money is making it harder for their children to grasp the value of real money. In fact, the trend is fast moving towards a tipping point, whereby children prefer online purchases or online experiences to the nostalgic thrill of buying a tangible item from real-world shops."

A key finding of the research found that despite parents having few conversations about 'invisible money' (online purchases, cryptocurrency and the like), they still believed that conversations about the digital world should begin from an early age.

Yet despite this belief, two-thirds of parents (68 per cent) are still reluctant to talk to their children about money, and for nearly half of these parents (32 per cent), their reluctance is driven by a fear that they don't want their children to worry about money.

FINANCIAL STRESS

And with 82 per cent of parents reporting some level of financial stress, it was particularly concerning that parents who are financially stressed are also reluctant to discuss money management with their children.

Tellingly, the report also uncovered that not only are the majority of parents stressed about their own financial situation but they also harbour concerns about how their children will navigate their financial future.

Indeed, 45 per cent of parents are concerned their children will lack the skills they need to be financially successful once they are independent.

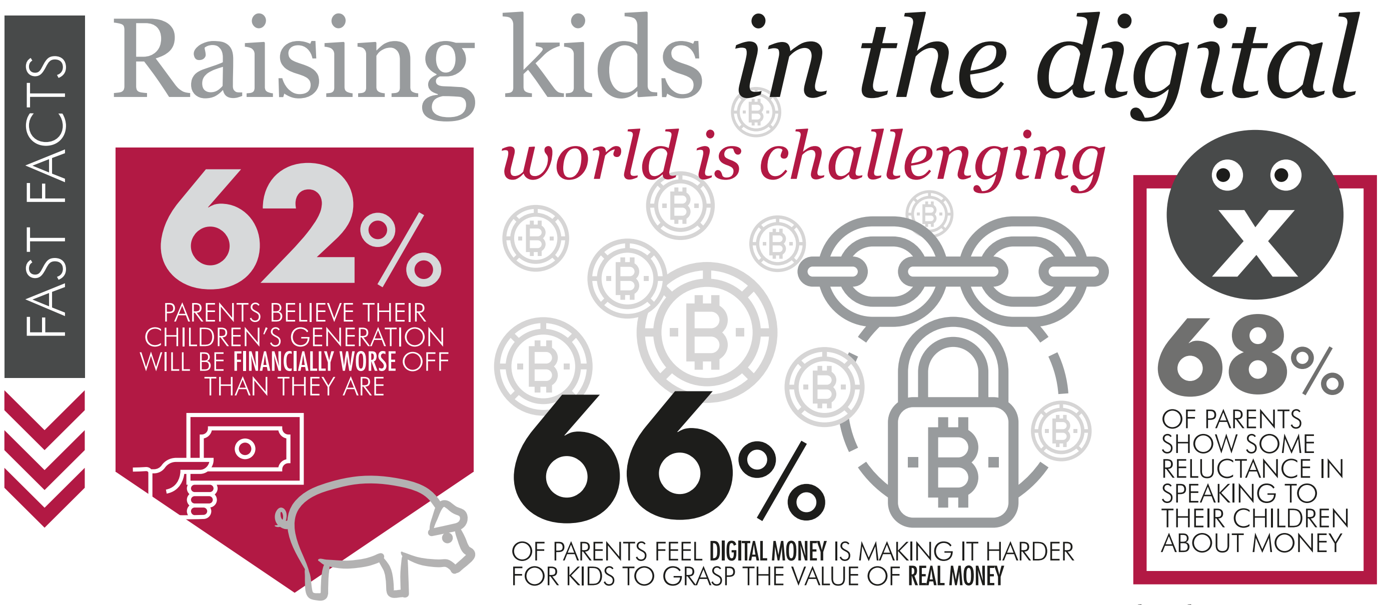
POCKET MONEY

However, the research found that the tried and tested tradition of giving children pocket money is the first opportunity many of them have to practise responsible earning, saving and spending behaviour.

And while 28 per cent of children do not receive any pocket money at all, for those that do, parents indicated that their children were just as likely to save their pocket money for no particular reason (36 per cent) as they were to spend it on small, day-to-day purchases (36 per cent). The remaining 28 per cent proved to be more diligent in saving their pocket money to buy larger monthly, quarterly or yearly items.

PAID WORK

Not surprisingly, children with a paid job outside of the home were more financially prepared



Source: Share the Dream Report 2018

to engage with digital money. In fact, 44 per cent of parents reported their children aged 14-18 had a paid job outside of the home, with nearly half that number (44 per cent) starting work before the age of 16.

DIFFERENT PERSONALITIES

The *Share the Dream* research also identified four distinct 'money parent personalities', which will help planners to better understand their client-types.

1. Relaxed – Making up 22 per cent of parents, they are very comfortable talking to their children about money but don't do so very often.

2. Engagers – At 30 per cent, they have the greatest number of conversations with their children about money, and are the most comfortable doing so.

3. Avoiders – At 29 per cent, this group are the least comfortable talking to their children about money and have the least frequent conversations.

4. Troopers – This cohort makes up 19 per cent. They aren't always comfortable talking money, but they still have frequent conversations with their children.

Of these four personality types, it's the Engagers who are the most comfortable talking about money with their children. As parents, they have the least reluctance in talking about money and place the greatest amount of importance in including their children in household discussions about family finances.

Interestingly, the *Share the Dream* research also uncovered that as a personality group, the Engagers are the most likely group to be currently receiving advice from a planner.

According to De Gori: "A standout insight from our research this year is that parents who seek the advice of a financial planner create a lasting positive legacy for their kids, too, in matters of money and life.

"For starters, it makes them much more confident in having frequent conversations with their children about money (61 per cent compared to 43 per cent of those who don't seek the advice of a planner), which we know lays a strong foundation for a better future."

The *Share the Dream* research is a compilation of responses from 1,003 Australian parents, whose children range in age from 4 to 18-years-old. The research was conducted between 13-15 June 2018.

To read the report in full, download a copy from the FPA Member Centre at fpa.com.au.

The FPA congratulates the following members who have been admitted as

CERTIFIED FINANCIAL PLANNER® PRACTITIONERS

ACT

Samuel Furler CFP®
Parker Financial Services

George Collie CFP®
Panorama Wealth

Amy Atkinson CFP®
Dixon Advisory

NSW

Luke Priddis CFP®
CPR Wealth

Andrew Dunkerley CFP®
UniSuper

Laxmi Manna CFP®
NAB Financial Planning

Fernanda Havea CFP®
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Micheal Anderson CFP®
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Chin Chua CFP®
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Stephanie Yeung CFP®
ESS Super

Vikki Seldon CFP®
StatePlus

Salvatore Pizzuto CFP®
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Samantha Durdin CFP®
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WestStar Financial Services

Abdul Qader Al-Jabri CFP®
NAB

Warwick Bird CFP®
Commonwealth Private

William Riley CFP®
Shadforth Financial Group

OUT AND ABOUT

FPA members enjoyed an awards ceremony at

On 26 July, the ***FPA Melbourne Chapter*** *organised a networking event for RMIT's financial planning students, where students met and interacted with planners to gain a first-hand perspective of the profession.*

some recent Chapter events, including a networking event for students at RMIT, Western Sydney University, and a Women in Wealth lunch.

A wealth of FINANCIAL PLANNING

*1. **FPA Sydney Chapter** committee member, Sheila Cabacungan CFP® presenting Hilary Acheson with the FPA Award for Financial Planning for being the first overall student at the Dean's Award Ceremony at Western Sydney University.*

*2. Lisa McInnes-Smith was the guest speaker at the **FPA Melbourne Chapter Women in Wealth** lunch at the RACV Club in Melbourne, where she spoke about empowering women to lead. Pictured here are: Rosa Velkovski (NAB Financial Planning), Pene Lovett (FPA), Simone Newman (APN Property Group), Tracey Heywood (Aromafide), Zara Sagiadelis (BMW Brighton) and guest speaker, Lisa McInnes-Smith.*

WE LOOK FORWARD TO SEEING MEMBERS AT THEIR NEXT LOCAL CHAPTER EVENT. **FOR UPCOMING EVENTS, VISIT FPA.COM.AU/EVENTS**

Insight

OPINION CORNER

OUTLIVING YOUR RETIREMENT SAVINGS

Question: With more Australians living well into their 90s and beyond, how are you managing the financial expectations of these clients and their families?

Amanda Cassar AFP®

Director and Financial Adviser, Wealth Planning Partners

Licensee: Financial Services Partners

With three of four of my grandparents living well into their 90s and the same for my husband's family, I am all too aware of the longevity risk facing many Australians.

Most don't need me to tell them that they may be spending a lot longer in retirement than the expected 18 years.

Clients intuitively understand that working for 45 years, whilst raising a family and paying down debt, cannot possibly fund a retirement of 25 to 30 years, yet most don't start even thinking about retirement funding until their late 40s or 50s. Somehow, it seems too far away, which cuts down time to 'get our house in order'.

It's what to do with that realisation that matters. One of the first options many arrive at is that 65 or 67 is unlikely to be the time they 'hang up the boots'. For those who love what they do, this isn't a hardship, but for those stuck in the daily grind, it's a completely different story.

As retirement looms, it also means challenging thinking that switching to more conservative strategies is necessary. Preservation of capital feels vital, but running out of money and funding aged care is a whole other conversation.

Knowing that there's likely to be three or four market cycles looming ahead in retirement, places a completely different complexion on managing the financial expectations of clients.

Kim Betts CFP®

Financial Planner, Cooper Wealth Management

Licensee: Cooper Wealth Management'

If you had asked me five years ago what the most important consideration of my retiree clients was, it would have been funding their 'grey nomad' lifestyle and leaving an inheritance for their children.

But now I am seeing more retirees who are very concerned about longevity and how they will continue to fund their lifestyle for potentially 30 years and more. This is particularly evident for some clients who are in the position of having to consider aged care for their parents and therefore, have a better understanding of the potential costs associated with this.

I find that more planning is now going into addressing longevity, with retirees more concerned and interested in how long their funds could potentially last.

We are addressing some of the longevity concerns by placing a portion of retirement assets into lifetime annuities that will provide a guaranteed income for life. Retirees still want to maintain access to some of their capital, so the trick is finding the right combination between security of income versus access to capital.

We need to address retirement planning in the same manner as addressing insurance needs. We need to consider potential future risks and ensure they can be managed effectively.

Question: With more Australians living well into their 90s and beyond, how are you managing the financial expectations of these clients and their families?

Richard Taylor CFP®

Private Wealth Adviser, Elston
Licensee: EP Financial Services

Client concerns around outliving retirement savings is a frequent topic of conversation. In the context of establishing a resilient investment portfolio to support extended life expectancies, three important conversation topics typically arise.

Firstly, in-depth conversations are required to understand client expectations around their portfolio's ability to underpin desired lifestyle costs in the future.

This sets expectations for both parties on the extent that capital drawdowns are needed to meet future costs, and how comfortable the client is with this. Mitigating strategies, such as possible future reliance on the Age Pension, should be presented early in the advice relationship.

Secondly, whilst a well-diversified portfolio inherently includes a portion of volatile asset classes (such as domestic and international equities) to achieve a client's need for future income and protection from inflation, it is important to distinguish resilient and predictable investment income from the variability of a portfolio's capital value.

Educating the client about their portfolio's reliable income generating capacity to underpin lifestyle needs, provides comfort that short-term negative capital returns are less important to a comfortable financial future.

Finally, having sufficient liquidity embedded to fund 12-24 months of lifestyle costs, provides the client with a defence against sequence of returns risk, and extended periods of market underperformance, thus avoiding liquidating capital at the worst point of the investment cycle.

Tony Sandercock CFP®

Owner and Financial Adviser, wetalkmoney
Licensee: AspectFP Dealer Services

We Aussies are a successful bunch. Whether that be economically, on the sporting field or even just how we get on with each other. We are also super successful in the most important area of all – staying alive!

While living longer is one heck of a goal, this success creates problems in other areas. The obvious one is running out of money too soon.

As advisers, some of the most common questions we get are: 'When can I retire'; 'How much will I need'; and 'How long will it last?'

For many, the answers are disappointing.

As an advice leader, being responsible means having the difficult discussion.

Hazy concepts don't work. For us, the key is to remove ambiguity (or as much as you can anyway).

A retirement income gap analysis and the subsequent discussion around 'where you are, where you want to be, how you will get there, and managing the risks along the way', makes it 'real' for people.

This basic structure then becomes the framework for all future financial decisions.

Do choices get you closer to your goal, or take you further away?

Choosing the correct options then becomes much easier.

There are other benefits, too.

- It creates perspective for clients – 'If you continue on this path, this will be the likely outcome' – whether that be good or bad;
- Clear objectives give purpose, direction and focus; and
- Being aware of the job ahead provides the insight to act.

Question: With more Australians living well into their 90s and beyond, how are you managing the financial expectations of these clients and their families?

Murray Wilkinson CFP®

Director and Lead Adviser,
Future Gen Solutions
Licensee: Future Gen Wealth

We all know that working out how much you need in those non-working years can be daunting. Firstly, what not to do.

Take extreme caution when you use retirement calculators that seemingly proliferate on every superannuation and financial services providers' website. They are at best simplistic and in many cases, just plain dangerous.

The place to start with is you and defining what is important to you both now and going forward. While ASFA regularly updates its retirement standards, they are a guide only. A good adviser can 'monetise' a client's lifestyle both now and into the future.

The habits, lifestyle expectations and hobbies of an individual or couple will change as they age, not to mention the effect of longevity and the impact of changing health.

Reverse engineering solutions with quality planning software will enable you to build scenarios and work the various levers. These levers develop through discussion and enquiry, including working less but longer, assessing the need for risk, looking at downsizing options, and the Age Pension as a supplement to superannuation.

Done properly, you will take the client on a voyage of discovery, get buy-in and build an ongoing process to manage expectations.

Adrian Hanrahan CFP®

Senior Financial Adviser,
Australian Unity
Licensee: Australian Unity

Statistics help illustrate longevity risk and they also provide a mechanism to assist with managing client expectations. Rather than using rules of thumb, mathematical models can provide a probability result of achieving longevity outcomes (sometimes known as stochastic models).

These models are a great client expectation tool that can also be used for sensitivity, scenario and correlation analysis. As we know, risks are dependent on current client positioning relative to an always changing environment.

In theory, these models help clients by showing the impact of real world events. This assumes that the assumptions in the models are not overly fixed.

Unfortunately, some providers of these models assume one distribution (either uniform, normal or hyperbolic) with one mean and one standard deviation for each asset class. These fixed parameters will never reflect real world investment outcomes.

A better approach is to use Markov chain-based models with non-stationary distributions, better reflecting secular trends apparent in different economic cycles.

Alternatively, there are models that overlay 100 years of stock market outcomes. The advantage of this approach is that it tests client longevity outcomes against numerous black swan events.

Client expectations are best set against realistic outcomes to avoid nasty surprises. It's prudent to demystify the model used before relying on it.

Most importantly, don't rely on rules of thumb!

Would you like to join our panel of FPA members willing to voice their opinion on various topical issues?

Email *editor@paperandspark.com.au* to register your interest.

FPA PROFESSIONALS CONGRESS

CONNECT, CULTIVATE, COMMUNICATE

Michelle Tate-Lovery CFP® takes over the helm as FPA Professionals Congress chair. She talks to *Money & Life* about the Congress theming and the quality of content and speakers lined up for Congress 2018.

1 WHY WAS THE THEME – *CONNECT, CULTIVATE, COMMUNICATE* – CHOSEN FOR THIS YEAR'S CONGRESS?

The three Cs – Connect, Cultivate and Communicate – were chosen to reflect what is at the core of financial advice... people. The 2018 FPA Professionals Congress is about creating an energy, a special atmosphere and an experience for our financial planning community.

Connect with one another, your fellow delegates. Whether it be re-engaging with someone you haven't seen in a while or being open to develop new friendships and meet new people, there is nothing like connecting with like-minded people when it comes to sharing opinions and exchanging ideas. By doing so, it may cause a mind shift, which can empower you to make fundamental changes in your practice and your life.

Congress Chair: Michelle Tate-Lovery CFP®

Cultivate is to embrace best practice ideas, to become more informed and better equipped as we shift gear and grow through change. The pursuit of excellence is constant and hearing from thought leaders may introduce you to different perspectives.

Communicate. We can all express ourselves better and become more effective communicators. Ultimately, what we learn at Congress, we can take back and implement within our advice businesses, which also benefits our team and our clients.

2 IN WHAT WAYS DO YOU BELIEVE THIS YEAR'S THEME WILL RESONATE WITH DELEGATES?

At a time where there has been immense change and uncertainty, it's important to know you are not alone. It's essential, therefore, to foster camaraderie and bring our member community together; to support one another in the betterment of our profession.

No matter how experienced you are at your business, everyone can learn and cultivate their potential. Working in a business (especially a small business) can often be isolating and without exposure to a variety of points of view, we can miss new ideas and trends that can impact our future.

The educational aspect of the Congress will expose you to new ways of conducting your business and help you discover how to be more relevant, efficient and competitive in the ever-changing professional landscape.

3 WHAT EXCITES YOU ABOUT THIS YEAR'S CONGRESS PROGRAM?

We have an exceptional line up of dynamic keynote and plenary speakers throughout the three days.

I am excited to meet one of my heroes in financial advice, Mitch Anthony. I read his book *Your Clients for Life* about 15 years ago, and the book gave me the impetus and confidence to change my business model to not only be about managing clients' money, but focused on forming deeper connections with clients through 'financial life planning'.

I've had the privilege of seeing Alex Sheen present and this unassuming guy will inspire you by sharing his personal story that has positively impacted millions of people around the world. His non-profit social movement is dedicated to bettering humanity through keeping your promise, which particularly resonates with the advice profession, where we are committed to helping our clients live their dreams.

There are so many quality speakers presenting across the four workshop streams, it is going to be hard to choose. I am particularly looking forward to hearing from other practitioners and what they are doing in their businesses that make them stand out.

And this year, we have revamped the FPA Awards program, with more time being spent on recognising those who richly deserve the accolade of being the best in the profession.

And, of course, there is the highly anticipated Future2 Celebration. This charity event is all about raising money for grants to help disadvantaged youth. It's also a great way to acknowledge the positive life changing work we do as financial advisers, while having fun at an amazing venue whilst networking with your peers.

4 WHY SHOULD FPA MEMBERS ATTEND THIS YEAR'S CONGRESS?

There is a mix of specialist speakers, inspirational speakers and practitioners presenting. We have listened to members' feedback and have created two of your six chosen workshops to be 90 minutes, so the topic can be explored more deeply.

There will also be a strong emphasis on advice post Royal Commission, with delegates able to hear from the regulators, as well as the latest update on FASEA.

The Congress program is balancing compliance with client engagement and best practice, ensuring delegates are well equipped to manage all the change and transition happening within the profession.

There are also sessions on financial planning business models, technology and innovation, responsible manager obligations, and technical workshops on the latest non-superannuation strategies, aged care, estate planning and risk.

DAY 1 – The Congress kicks off with your choice between two three-hour workshops on Wednesday 21 November. There is a Professional Practice workshop and a Paraplanning workshop.

The first plenary is not to be missed, with keynote presentations focusing on trust in yourself, the economy and the future. This plenary will be transformational.

DAY 2 – The second plenary will feature an internationally acclaimed financial planning consultant/trainer, who will focus on developing deeper relationships with clients.

DAY 3 – To close the Congress, the third plenary will feature inspirational stories and powerful messages delivered by two extraordinary keynote presenters.

Over the second and third day of Congress, there are 24 tailored workshops, with a line up of high calibre local and international speakers, who will inspire, engage and motivate you to implement change in yourself and in your practice.

Delegates attending this year's Congress can expect to receive up to 15 CPD hours, inclusive of three CPD hours for Ethics.

5 WHAT WILL BE THE KEY TAKEAWAYS FROM THIS YEAR'S CONGRESS?

Whether you are new to the profession, a budding financial adviser or a seasoned veteran, the FPA Professionals Congress program is designed to deliver something for everyone.

The three key outcomes you will take away from this year's Congress are:

1. Professionalism: We are all part of a professional community that is building inspiration, optimism and enthusiasm. We stand together in facing regulatory change and the implementation of new FASEA standards.

2. Clarity and direction: Let's focus on what is good – compliant and focused financial advice – to expand our knowledge, sharpen our skills, remain up-to-date and find solutions.

3. Motivation: You will be motivated to make decisions and changes in your practice, in order to have a sustainable future in advice.

On behalf of the Congress Organising Committee, we look forward to welcoming you to the 2018 FPA Professionals Congress in Sydney (21-23 November).

*For more information on Congress or to register your attendance, go to **fpacongress.com.au***

Insight.

A PROMISE MADE, A PROMISE KEPT

For humanitarian **Alex Sheen**, the actions of one person really do matter. It's one of his core beliefs behind his social movement campaign – *because I said I would* – to change the world through promises made and kept. He talks to **Jayson Forrest**.

We're all guilty of making promises that we don't keep – whether in the workplace, with family or friends, or even with ourselves. So, whatever happened to your 'word' being your 'bond' and why are we today so quick to break a promise made?

It's an intriguing question that Alex Sheen asked himself six years ago, when his dad passed away.

"My father was the type of person you could really rely on. His promises were rock solid," Alex says. "Dad was 'old school', where a handshake meant something. Unfortunately, my father succumbed to cancer in 2012 and at his funeral, I delivered his eulogy which was titled – 'Because I said I would'."

As part of the eulogy, Alex spoke about the importance of promises, which his father excelled at keeping. It was a defining moment for the then 27-year-old, who gave out his first 'promise card' – a small piece of paper with a written commitment on it, passed on to the recipient of that promise.

For Alex, it was the best way he could honour his dad's legacy and the values his father instilled within him.

"These promise cards hold people accountable to their commitments," Alex says. "And after fulfilling that commitment, you earn that card back, which becomes a symbol of your commitment, of your respect and honour."

By honouring his father's legacy, a social movement was born, with this US philanthropist and change-maker founding – *because I said I would* – a not-for-profit aimed at improving social good by changing the world through promises made and kept.

Today, the global movement has sent over 10 million promise cards at no cost to 153 countries, with Australia ranking third for the number of promise cards sent. And this global movement shows no signs of abating. But why?

"I think it's because people want to be part of a global movement that crosses borders, languages and cultural barriers," Alex says. "Technology has linked us in ways unimaginable just a decade or two ago. Today, we're all part of a globally connected community. So, the concept of people being held accountable to their promises, is resonating with a rapidly increasing number of people. It's truly been phenomenal."

WHAT TYPE OF PROMISES ARE PEOPLE COMMITTING TO?

The 33-year-old says the promises made through *because I said I would* range from the seemingly mundane to the esoteric, and right through to the extreme, like: 'I will not kill myself.'

Over the past six years, Alex himself has committed to a range of promises, including:

- Walking 245 miles across the state of Ohio in under 10 days to fulfil a promise to the three Cleveland women who were held captive for 10 years;
- Volunteering at 52 different non-profit organisations in a single year;
- Promising children with cancer, trips to Disneyland and personally delivering 100 tickets; and
- Driving through the night to deliver disaster relief aid to the victims of Hurricane Sandy.

"The common denominator for all these promises, regardless of who makes them, is that they mean something important to the person writing them. What's important is that people matter and so too, do their promises."

CLASSROOM LESSONS

Alex is also taking the *because I said I would* campaign direct to schools in the US, with the not-for-profit rolling out its Character Education program for students and teachers. The program teaches children the concepts of honesty, self-control and accountability in the classroom.

"Learning English, math and science is incredibly important. But, if we are not educating the next generation to be decent human beings to one another, then what's the point of it all?," asks Alex.

"Character Education provides the opportunity for students to build the self-control needed to face life's adversities. Learning things like honesty, accountability and compassion builds stronger citizens. We have launched high school chapters, provide personal

Continued overleaf

development activities, and conduct assembly's to inspire students to be a person of their word."

Alex says the vision of *because I said I would* in the classroom is to create a culture of accountability and to train and encourage the next generation to be "difference-makers", by making and keeping promises to oneself and others, and by actively engaging in humanitarian causes in schools, neighbourhoods and communities.

"By providing kids with this personal development opportunity, we're empowering and equipping them with the skills to become a person of their word," Alex says.

"That's how this movement really started, with my father keeping his promises to me and my brother. The movement has since grown and we want to take it much further by creating programs that actually make a difference in communities through keeping promises."

BE THE CHANGE YOU WISH TO SEE

However, it's a sad reality that everyday we are exposed to bad role models who don't keep their promises, whether it be politicians, employers, workplace colleagues, or even friends and families. But Alex is adamant that people should care about changing the world though promises made and kept, and that change begins at the grassroots level.

"When we carry around this dangerous idea that the actions of one person doesn't matter, then that idea costs the world. People stop voting, people don't volunteer, people don't show up for engagements, people don't care. Society breaks down.

"So, keeping promises might seem simple and easy to do, but it's not. You only need to scratch the surface to understand the effect that broken promises have on unraveling a lot of important parts of society."

Gandhi famously said: "Be the change that you wish to see in the world." It's this sentiment that Alex whole-heartedly embraces, believing his social movement – *because I said I would* – is a genuine catalyst for societal change.

"What mostly changes the world are all those little things we do each and every day that we say we will do. So, our movement is about engaging with people to commit to doing the things that are right in front of them – to vote, to go watch your kids play sport, or donate blood just once a year."

But saying and doing are two completely different things, and Alex believes people can become better at keeping their promises by personally making themselves accountable for them. And what better way of doing that than by the constant reminder of a calendar.

"Most people only use a calendar to diarise meetings. But one of the best ways people can get better with keeping their promises is to add it to their calendar, which not only reminds you about the promise but also keeps you accountable to that promise."

MONEY MOVES AND CHANGES THE WORLD

As the founder of a not-for-profit charity and one of the world's fastest growing social movements, Alex is only too aware of the reality that "money moves and changes the world". But he believes society has become too obsessed with the almighty dollar, with the accumulation of wealth seemingly the sole purpose of life.

"I think we've forgotten how much a bag of rice or medicine – things we take for granted – can really change someone's life. So, in that respect, money is a wonderful thing because it can solve a lot of problems in the world today. But it's also a terrible thing because we sometimes focus on the wrong application of it."

But that's where financial planners can step in. When it comes to committing to promises, Alex believes planners are well placed to take a greater role with effecting real change, not just with themselves, but with their clients and in the wider community.

"Planners are in a position to have deeper conversations on topics like, 'the purpose of life', with their clients. I think a professional who can help someone else allocate or spend their resources, like time or money, for the greater good, is in a truly privileged position," he says.

"And if we're talking about 'the purpose of life', then charity and charitable given has to be in there somewhere. It's one of the greatest gifts we can bestow on others."

IT'S A SIMPLE MESSAGE

Alex will be sharing his personal story and mission to better humanity by changing the world through promises made and kept on the final day of the FPA Professionals Congress.

One of the key takeouts from his presentation will be the fact that the actions of one person really do matter.

"One of the most dangerous ideas today is that the actions of one person doesn't matter. What we stand for at *because I said I would* is the personal responsibility and accountability of your beliefs. Unfortunately, doing what you believe in is underrated. So, it's dangerous to believe that our actions don't matter or we can't make a difference, when in fact, we can."

Another takeout from Alex's session will be the fact that promises are difficult to keep.

"A lot of people like to 'people please'. They willingly agree to things but fail in their commitment to uphold their promises. By doing so, we're creating disappointment and inconvenience for others, not to mention personal reputational damage. So, think before you leap, and be patient when it comes to making promises."

And finally, although it might sound clichéd, Alex challenges planners to think about how they want to leave their own personal legacy – whether it's a life of regrets and missed opportunities, or a life of fulfilment and engagement.

"I'll let you in on a little secret, a lot of *because I said I would* is not actually all that innovative," Alex confides. "I'm actually saying a lot of things people already know. Our mission has a simple message about making promises and keeping them. It's not rocket science.

"Through a culture of honesty and accountability, we can all become stronger and compassionate citizens of the world, capable of truly making a difference with our lives and the lives of those around us. Why? *because I said I would*!"

Alex Sheen is a keynote speaker at the 2018 FPA Professionals Congress in Sydney (21-23 November). He will be speaking in the third keynote session on Friday 23 November.

For more information on the Congress program or to register your attendance, visit ***fpacongress.com.au***

About Alex Sheen: *because I said I would*

Alex Sheen is the founder of *because I said I would*, the international social movement and non-profit organisation dedicated to the betterment of humanity through promises made and kept.

Sparked by the loss of his father, Alex began sending 'promise cards' to anyone who requested them at no cost. Since his father's passing on 4 September 2012, *because I said I would* has sent over 10 million 'promise cards' to more than 150 countries. Alex's commitment to the betterment of humanity has inspired millions of people and his promises have been shared virally around the world.

Alex's work has been featured on CNN, ABC World News with Diane Sawyer, the TODAY Show, Good Morning America, the Steve Harvey show and many other programs. Alex's efforts have made the number one spot on the front page of Reddit.com over 10 times. His work in awareness videos was listed BuzzFeed's 'Most Important Viral Videos of 2013'.

Alex is a four-time TEDx Talk speaker. In 2017, he spoke at more than 130 events in over 100 cities.

His life's work is dedicated to humanitarianism and he does not accept commercial endorsements.

AGED CARE

THE INADEQUACY OF RETIREMENT PLANNING

When structuring a client's retirement portfolio and calculating their retirement adequacy, advisers should not only consider longevity and sequencing risk, but also their client's fragility risk, writes **Assyat David.**

Professional advisers need to rethink their approach to retirement planning to consider the increasing cost of care. The growing cost and complexity of aged care has brought this need for change sharply into focus.

The current retirement planning approach taken by many advisers may fall short of predicting real retirement income needs and leave clients with significant shortfalls, given the increasing burden of aged care costs. The increased cost of care in the later stages of retirement inevitably will influence when clients are actually 'retirement ready'. Without considering the costs of aged care, advisers could be significantly underestimating client income needs throughout their entire retirement years.

Complexity of care arrangements means that aged care advice must form an important part of the retirement planning process.

THE PITFALLS OF THE TRADITIONAL RETIREMENT PLANNING APPROACH

The traditional approach to income needs in retirement is simplified and assumes that retirement is one homogeneous period in a client's life. Consideration of income needs over the entire retirement lifecycle can be the foundation of quality retirement planning.

Traditionally, retirement planning is based on securing a determined level of income in retirement that may be based on the client's pre-retirement salary or a given level of income, which represents either a comfortable or modest standard of living in retirement. This income level is generally indexed to inflation over the client's life. Advisers then calculate the required level of superannuation savings needed for this income stream over their lifetime. This calculated super balance is used to determine when the client is retirement ready.

However, industry standards for retirement living may fall far short of what might be needed to fund aged care, particularly with the emergence of home care, increasing longevity and the rising incidence of dementia.

THE THREE PHASES OF RETIREMENT

There are three phases of retirement linked to the retiree's health. Retirement planning and projections need to consider the income requirements for each of these phases.

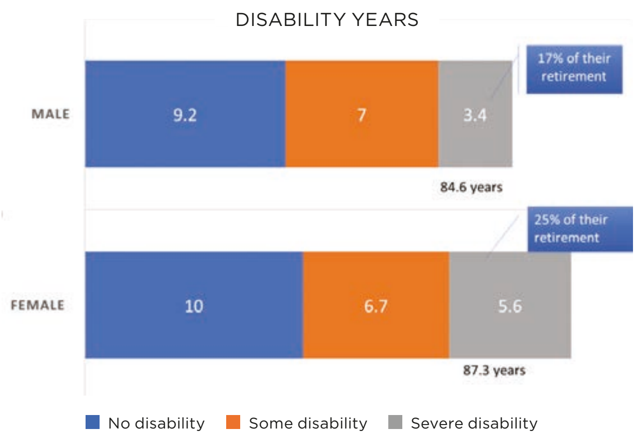


Diagram 1: Disability years

An average 65-year-old retiree will have a health pattern as shown in Diagram 1.

The initial period of retirement (Phase 1) is often the focus of discussions between advisers and their clients. It is essentially the 'fun' years, with the focus being on travel, spending time with loved ones and basically loving life! The health and wellbeing of clients is good, and the income needs of this phase of retirement are generally well accounted for in the planning process.

As clients experience some disability, their level of activity and therefore spending declines. This second phase of retirement (the 'quiet' years) is when clients' health starts to decline.

The third phase of retirement, when they experience severe disability, can be described as their 'fragility' years. This can account for a quarter of their retirement years, where help may be needed with daily living activities. During this time, greater amounts are likely to be spent on dealing with aged care needs.

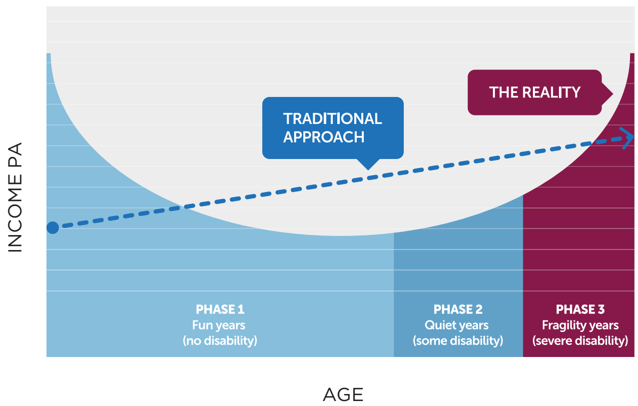


Diagram 2: Spending patterns

Spending patterns in retirement are likely to vary over these three phases and resemble a U-shape, rather than the traditionally assumed straight line. This is illustrated in Diagram 2.

To ignore the real pattern of spending and particularly the impact and costs of care in the third phase of retirement, may result in inadequate retirement savings.

PREFERENCE FOR AGING IN PLACE

Older Australians strongly prefer to age in place[1], rather than move into residential care.

The costs of aged care have been accelerating and are likely to continue to increase at a rate higher than inflation. The opportunities for home care are also increasing and adding to the pressure on retiree household budgets.

Retirees might expect to need increasing levels of support over the last 10-12 years of their life, with many people experiencing high levels of care dependency in the last 4-5 years. This may require:

- Additional and increasing income to fund home care costs.
- Capital expenditure to make the home suitable for the ageing person (e.g. widening doorways to enable wheelchairs and ramps).

Aged care costs can be difficult to predict and can vary from $100 a week to $5,000 a week ($5,200pa - $260,000pa), depending on care needs and family circumstances. Access to Government subsidies helps to drastically reduce the cost payable by the user, but having adequate savings expands the options available and the ability to control the level and type of care received.

DID YOU KNOW?

ASFA RETIREMENT STANDARD[2]

Modest retirement for a single 85-year old only allows $31.04 per week for care/cleaning. **This is less than half the basic daily fee for a home package** and that's before extras!

Care costs could be significant for some clients and need to be included when calculating retirement needs and funding strategies.

THE THIRD PILLAR OF RETIREMENT RISKS

When structuring a client's retirement portfolio and calculating their retirement adequacy, advisers consider two key retirement risks - longevity and sequencing risk, which if ignored, could result in the client's savings running out earlier than anticipated.

There is another retirement risk that is often ignored, which could cause client savings to also run out earlier than anticipated, exacerbating the longevity risk. Care or fragility risk is the third pillar to retirement risk that needs to be adequately considered as part of the retirement planning process.

This is the risk of inadequately considering the cost of care and related expenditure, which could

Continued overleaf

result in clients spending more than projected in the third phase of their retirement and thereby underfunding their retirement needs and/or running out of funds prematurely.

RETHINKING CONVERSATIONS WITH CLIENTS

Advisers need to start having these valuable conversations with clients, explaining and planning for the entirety of the retirement experience. This includes discussion around the high probability of aged care needs in the second or third phases of retirement. Advisers should start factoring in the costs of aged care and anticipating home care needs with pre-retirees who are saving for retirement, as well as retirees who are looking at income drawdown strategies.

Advisers can change their client conversation to include:

- How clients expect to fund their aged care costs – highlighting that legislation has been shifting towards a greater user-pays basis.
- The role of the home in meeting aged care costs – including the client's willingness to access the equity in their home or preferring to maintain equity in their home as an inheritance for their family.
- Ability to rely on family and friends to provide care and financial support.
- If they move to residential care, what options they may have for funding the accommodation deposit and ongoing costs.

Care or fragility risk is the third pillar to retirement risk that needs to be adequately considered as part of the retirement planning process.

DEMONSTRATE THE VALUE OF ADVICE

Advisers need to adapt their retirement planning approach to provide clients with peace-of-mind and quality advice that enables them to make informed decisions when transitioning through the three phases of retirement.

It enables advisers to demonstrate the quality of their advice and act in the best interest of clients by starting strategic conversations with clients, which are squarely focused on their changing needs, and not on product or investment advice.

It provides advisers with a valuable opportunity to engage with the client's loved ones, demonstrate the value of their advice and potentially build intergenerational advice opportunities in the future.

Retiree and pre-retirees are the bedrock of many financial planning businesses. Complexity of advice needs do not, as many believe, decrease with age. Clients need quality strategic advice more than ever during the later phases of retirement, and the value advisers can offer clients is immeasurable.

Assyat David is a Director of Aged Care Steps.

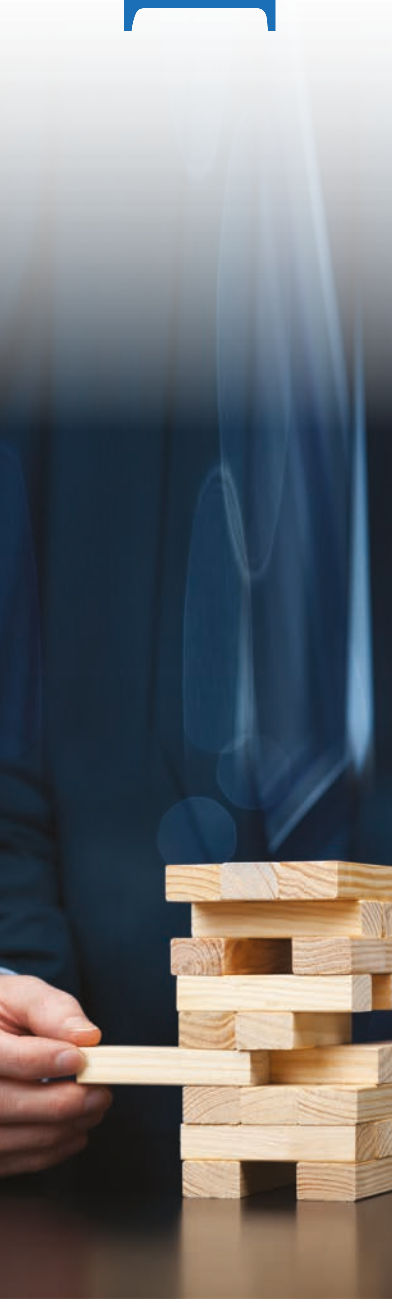
FOOTNOTES

1. *Housing Decisions of Older Australians. Productivity Commission Research Paper. December 2015.*
2. *ASFA Retirement Standard for Retirees, March quarter 2018.*

SEQUENCING RISK

THE SECRETS OF SEQUENCING RISK

When markets are volatile, helping clients to manage their sequencing risk may prove to be the most valuable advice a planner can provide, writes **Rob Lavery**.



Financial planning involves a lot of discussion of risk – the risk of injury or illness, market risk, credit risk, liquidity risk, legislative risk, clients completing risk profiles, and institutions creating fancy tools to explain to clients how risk and return are linked. Risk, and the mitigation of risk, is ever present.

There is one type of risk that is often missed in all the discussion, tools and processes – sequencing risk.

In a nutshell, sequencing risk is the likelihood that a client's investments will experience sharply negative returns at just the wrong time. Unexpectedly, it was an encounter with an Uber driver that brought the importance of minimising sequencing risk into sharp focus.

THE STORY OF UBER PETER

Friday night had gone a bit longer than planned and I needed to get home quickly. Peter picked me up in his immaculately maintained Prius and we got chatting.

Peter does security work during the day and had taken up Uber driving in the evenings. He was only too keen to share his reason for taking on a second job – Peter was saving to buy the new, affordable Tesla due to be released in 2019, the Model 3. Peter's enthusiasm was obvious as he showed me the laminated Model 3 promotional card he kept in his car's map pocket.

Peter had been saving for two years. He reckoned it would be another six months or so until he had enough. I asked him where he kept his savings and he replied that he used an online savings account. I started to say that there were more fruitful ways to build your wealth and then I caught myself.

The reality was that Peter was so close to his goal, he could almost feel the smooth acceleration of his much-desired electric dream. To expose Peter to additional risk at this point in his savings would be unacceptable. A poorly timed market correction could set Peter back months, or even a year. He would be devastated. This was sequencing risk at its most fundamental.

Perhaps if I had met Peter at the start of his savings, a more aggressive form of savings vehicle may have been more appropriate. A correction wouldn't have eroded his accrued capital as badly and good returns could have jump started him on the road to his goal.

As it was, I can only assume Peter continued on his way and, when he picks up his new Tesla some time next year, he will be delighted with the results of his work and discipline.

BIGGER FISH

Of course, Peter's situation is a scaled-down version of one faced by planners and their clients every day – saving for retirement.

Sequencing risk peaks as a client approaches retirement. Clients who were heavily exposed to shares in 2007, anticipating a comfortable retirement in 2009, were incensed when their retirement savings were halved, or worse, during the GFC.

That said, corrections need not be as dramatic as the GFC to make a material difference to a client at a time when their invested capital is at its peak.

ERIN'S CLIENTS

In 2014, four individual clients of financial planner, Erin, were all approaching retirement. All four were in a similar situation – they had to save and invest aggressively towards the end of their working lives in order to meet their goal of retiring with $900,000 to fund retirement. These four clients had different planned

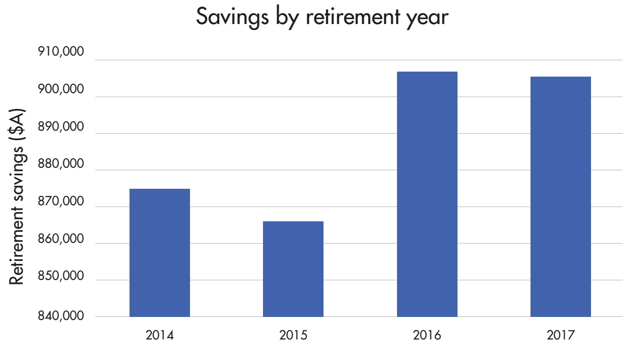


Chart 1: Savings by retirement year

retirement dates – at the end of 2014, 2015, 2016 and 2017 respectively.

Each of these clients had retirement savings of $850,000 entering their final working year and were invested in the same portfolio of index funds:

- 45% Australian shares;
- 20% International shares;
- 5% Australian property trusts;
- 20% Australian fixed interest; and
- 10% International fixed interest.

They each contributed $25,000 in pre-tax contributions to super in their final year of work.

Chart 1 (below) shows each client's savings at retirement.

Taken as a percentage, the difference in retirement savings does not seem that significant. The client who retired in 2015 has about 95 per cent of the savings of the client who retired in 2016.

That said, in dollar terms, the client who retired in 2015 had $42,000 less in savings than the client who retired in 2016. What's more, the client who retired in 2015 did not meet their retirement savings goal and would have faced some tough choices. They may have chosen to work for a further year to build their savings up or they may have reduced their planned budget in retirement. They may have had to scale down planned holidays or put off making major lifestyle changes.

A MORE DEFENSIVE PORTFOLIO

How would Erin's clients have fared had she recommended that they mitigate their sequencing risk in their final year before retirement by taking a more defensive investment approach? Chart 2 compares the four clients' retirement savings if they held an aggressive portfolio in their final year, as compared to if they held a portfolio split as outlined below:

- 10% Australian shares;
- 5% International shares;
- 5% Australian property trusts;
- 35% Australian fixed interest;
- 25% International fixed interest; and
- 20% Cash.

The more defensive investment approach doesn't cure all Erin's clients' investment ills – a bad year is still a bad year – but the variation in results is less. The highs are a bit lower but the lows are not as impactful.

TO THE EXTREME

The most extreme recent years in terms of investment returns were 2008 and 2009. Chart 3 shows how clients in the same position as Erin's would have fared in those years using the two approaches outlined above.

Indices used:

- *Australian shares – S&P ASX300.*
- *International shares – MSCI World ex Australia.*
- *International Fixed Interest – S&P Global Leveraged Loan Index AUD Hedged (where available).*
- *Australian property trusts – S&P ASX AREIT.*
- *Australian fixed interest – S&P Australian Fixed Interest Index.*
- *Cash – RBA 90 Day Bank Bill Rate.*

ACKNOWLEDGING THE ISSUE

As with all risk mitigation, the first step in addressing a client's sequencing risk is for the client to acknowledge that sequencing risk is an issue. This requires planners to both educate clients and ensure they take ownership of the issue. This is crucial if the client is to minimise their fear of missing out.

FEAR OF MISSING OUT

As the need for retirement income becomes more evident to clients, how their savings are invested becomes a more prominent concern. What's more, it is likely that clients approaching retirement have friends in the same stage of life.

The upshot of these two factors is that talk of investments at dinner parties, on the golf course or tennis court, and in other social situations, ramps up. Clients hear from friends who have invested in a sure-fire winner that will solve all their retirement savings issues. And they want in.

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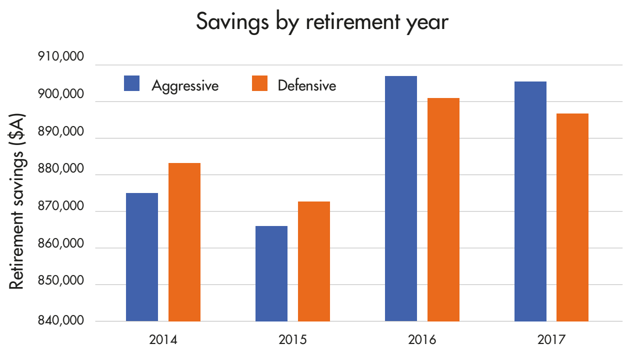

Chart 2: Savings by retirement year

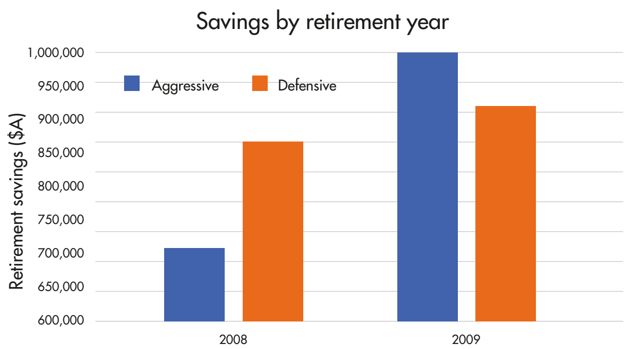

Chart 3: Savings by retirement year

Clients' fear of missing out is something planners need to manage on a regular basis. If a more defensive approach is recommended, the fear of missing out may increase. Ensuring clients understand the reasoning behind managing sequencing risk, and are comfortable with the potential drawbacks, is crucial in keeping them engaged and on track.

MAKING COMPROMISES

Mitigating sequencing risk is not a one year process; it is something to be implemented gradually, as clients approach retirement. It's also not as straightforward as the examples provided above make it out to be.

Some clients may have expectations of living standards in retirement that just won't be met by taking a more conservative investment approach. In these circumstances, the potential benefits of a more aggressive investment approach need to be weighed against the associated risk of the client falling significantly short of their goal. What will the client need to sacrifice if they fall $200,000 short of their retirement goals, rather than $100,000?

Taking a more aggressive approach is not the only solution. Clients who have expectations greater than their means may need help adjusting their expectations. Downgrading retirement expectations can help reduce the risk of falling significantly short of them. That said, it is not an easy conversation to have, particularly with a new client.

Another compromise for clients is to forgo cashflow in the pre-retirement years in order to bolster retirement savings. A discussion about the stage of life in which a client is happier to forgo desired income can be an incredibly valuable one.

GET YOUR TIMEFRAMES RIGHT

Almost every risk profiling process uses the client's 'investment timeframe' as an element in determining their risk appetite. So, when does that timeframe end? When you are looking at funds held for retirement, you could argue they will be used up when the client exhausts them.

In actuality, retirement is a natural end point for the client's pre-retirement investment timeframe. If the client wants certainty over their retirement income, they may even choose to remove their funds from the market entirely at retirement and use guaranteed income products instead.

There is a middle ground between these two extremes, and one way to access it is through the use of buckets.

As with all risk mitigation, the first step in addressing a client's sequencing risk is for the client to acknowledge that sequencing risk is an issue.

THE BUCKET APPROACH

The concept of a client having different buckets of funds is not a new one. Ensuring there is a cash bucket containing one or two years' worth of income payments is a common approach when investing funds that back an account-based income stream. Buckets can, however, be used more extensively.

Currently, a female client who retires aged 65 has a life expectancy of 22 years. This drops to 20 for a male client. Life expectancies are just an average though – half of the population will live longer and half shorter – so, it pays to ensure funds are designed to last beyond a client's life expectancy. For a 65-year-old, 25 or 30 years' worth of income may be the target.

This is a long span of time and a more risk-tolerant client may wish to see greater returns on the capital invested for later retirement. As such, their retirement savings may be split into two buckets – one for the first half of retirement, and one for the second half.

The capital in the bucket for the first half of retirement will need to be protected as the client approaches their retirement date. At this pre-retirement stage, mitigating sequencing risk on this portion is important.

The portion for the client's second half of retirement may not be accessed for 10 or 15 years after retirement, and has the time to weather any short-term setbacks. Managing the sequencing risk on this portion need not be a priority until some time after the client retires.

There is nothing to prevent a client's retirement savings portfolio being split into more than two buckets if they have more sophisticated needs.

BRINGING IT ALL TOGETHER

Ultimately, the length of time over which a more conservative investment approach needs to be adopted in order to minimise sequencing risk will depend upon may factors. These include the other strategies, such as employing buckets, that have been used to isolate and avoid the risk.

Recommending strategies that will allow clients to retire on a known income at a known point in time is a core aim of financial planning. When markets are volatile, helping clients to manage their sequencing risk may prove to be the most valuable advice a planner can provide.

Rob Lavery is Technical Manager at wealthdigital.

WELLNESS

THE LONG GAME

Smashed Avocado is a series of podcasts born out of a realisation that health, wellness and career success are very much intertwined. With **John Purl's AFP®** no-nonsense approach to topics, he is on a mission to inspire others to learn, grow and challenge the way they do things.

What's the first thing that comes to mind when you hear the term 'smashed avocado'?

Perhaps it's a tasty treat you hang out for at your favourite café. Maybe it's one of those 'in' recipes you hear the kids talk about. Or perhaps you first heard about the term in an article penned by demographer and social-commentator, Bernard Salt, back in 2016.

Well, for Adelaide-based planner, John Purl AFP®, 'smashed avocado' means something entirely different. Instead, it refers to his popular series of podcasts that over 10,000 people regularly tune in to hear interesting interviews with people, ranging from successful habits though to fitness and nutrition.

So, for John, a senior adviser at Affinitas Capital, it's hardly surprising that he takes health and wellness – and that of his clients – so seriously, which he believes is crucial in enabling a person to function at their peak, both personally and professionally.

"By looking after my health and wellbeing, it allows me to be better focused professionally, which is an important requirement for our profession. You need clarity of thought when dealing with the needs and expectations of clients. I've found that if you can push yourself physically through exercise, you are better able to handle mental stress," John says.

"I use that resilience when it comes to work. So, by focusing on my health and wellness, it creates resilience and mental strength that is required at work."

But he also admits that another strong driver for staying mentally and psychically fit is wanting to spend an active lifestyle with his son as he grows up.

"I want to be the type of parent who can play sport with my son, muck around with him and not be the person standing on the sideline out-of-breath," says the 37-year-old.

John Purl AFP®

Position: Senior Adviser

Practice: Affinitas Capital

Licensee: Lonsdale Financial Group

Years as a planner: Seven years

NO PAIN, NO GAIN

John is a devotee of CrossFit, which forms the basis of his fitness regime. CrossFit incorporates a blend of high-intensity training, such as strength and conditioning training, including weights, calisthenics, running, cycling and swimming. He does this form of exercise four days a week.

"The good thing about CrossFit is it enables me to work out whilst I'm travelling, which we all inevitably do at some stage throughout the year as part of our responsibility of visiting clients."

John has been actively involved with sport since childhood and this self-awareness of his fitness means that he intuitively knows what works for him when staying in shape. This means he writes his own programs and training plans, as he knows what works best for him.

"So, from a personal training perspective, I control all that myself. That's because I know my body and I know what I want to achieve."

However, that doesn't mean John takes an entirely solo approach to his health and wellness. He has also partnered with the AIA Vitality Executive Wellness Program, which through the 12-week behavioural coaching program, helps planners improve their personal health and

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wellbeing, as well as the health of their business and their clients' wellbeing, through a lifestyle and wellbeing value proposition and advice offering.

The program features a series of workshops, with topics covering personal effectiveness and productivity, business strategy and value, and client engagement solutions.

"The program has helped to create accountability for me around my wider health and wellbeing, such as my activity levels, as well as reminders about health check-ups, which can often fall by the wayside," John says. "And the program has also helped me make smarter choices around business growth through better client engagement and strategic conversations with my clients."

SMASHED AVOCADO

When it comes to health and wellbeing, John doesn't believe in preaching to clients. Rather, he 'acts and lives what he says', which he believes is encouraging more of his clients to follow likewise.

With this comes an understanding that to succeed in your career, in your family life, in your business, in your pursuit to becoming a better and healthier you, you need to play the long game.

"It's one thing to say 'live a healthy life' and then go home and eat take-away every night. So, I'm totally committed to what I believe in and what I'm telling other people. And an easy way of delivering that to people was starting a podcast called 'Smashed Avocado'."

Smashed Avocado: Sharing inspirational stories.

With 32 episodes under his belt, John is using these podcasts – hosted on the Wellness Couch website – to help others improve their health and wellness, as well as their careers and financial success.

"These podcasts are a great way for both Andy, an accounting friend of mine, and I to not only interview interesting and inspiring people, and explore their successful habits and share their learnings, but also for us to convey our journey and experiences, ranging from our personal and family life issues through to fitness and nutrition and all that fun stuff. The podcasts also help to keep us accountable."

John says Smashed Avocado was born out of a realisation that health, wellness and career success are very much intertwined. And so, with a no-nonsense approach to topics, they are on a mission to inspire others to learn, grow and challenge the way they do things.

And with over 10,000 people regularly tuning into the podcasts, they must be onto something, with John confident their health and wellbeing message is resonating with clients and the general public.

In fact, John is adamant that his own approach to personal heath and wellness is rubbing off on clients, helping him build stronger relationships with them.

"I have a couple of clients who I actually train with, which is great. But all my clients are aware of what my beliefs and views are on health and wellbeing. They see that in my delivery of work. I think that has really helped strengthen my relationships with them," he says. "My clients are confident that I'm not coming into work either mentally or physically unfit to help them, which is enhancing the trust in the work I'm doing for them."

THE BIG FOUR

John is clearly delighted by his health and wellness regime – both personally and professionally. But he is most satisfied by the work he is doing to help others improve their own health and wellness, as well as their individual financial success – clients and non-clients alike – through his series of informative podcasts.

So, what advice does he have for other planners who are looking to implement a program of personal health and wellness within their own practices?

"There are four things that I often talk about with anybody wanting to make changes or who have already started on their journey and need some guidance," John says.

For John, these four things are:

- Do what you enjoy;
- Make it achievable;
- Work out what it is you want to achieve; and
- Surround yourself with like-minded people.

1 DO WHAT YOU ENJOY

"This is first and foremost in whatever you do," John says. "If you're not enjoying doing what you do, you're not going to give 100 per cent, but you're also going to convey that to those around you.

"If everybody in the office is into cycling, and you do it because that's what they're doing but you're hating every moment of it, that's going to come across when you're out riding with the team. But also, you're going to finish the ride but not feel enthusiastic or happy about how you spent the last few hours. So, doing what you enjoy doing is crucial."

2 MAKE IT ACHIEVABLE

"As you (or your clients) undertake your health and wellness journey, your targets to meet should be achievable.

"I've seen a lot of people who have lived quite an unhealthy life who suddenly decide that they're going to get healthy by going vegetarian or begin training seven days a week. However, within two to three months, they typically drop off and revert back to where they were before.

Having a living community who are all on the same page as you, not only helps you along your journey, but also helps others.

"So, a good starting point is to make the transition in bite-sized pieces."

3 WORK OUT WHAT IT IS YOU WANT TO ACHIEVE

"If you don't have a goal from the outset, then it can become quite uninspiring every time you go for a run or a weigh-in, or get out of bed at 5:30am to hit the gym before work. Having an end goal and clearly understanding what it is you are trying to achieve, will help you stay on track."

4 SURROUND YOURSELF WITH LIKE-MINDED PEOPLE

"This is especially important in the workplace. Having a living community who are all on the same page as you, not only helps you along your journey, but also helps others. So, in a workplace environment, it can also create a lot of camaraderie in the team, with people going for a walk or run together at lunch, as opposed to you doing it by yourself."

THE LONG GAME

But how do people surround themselves with like-minded people, particularly in the workplace, when they are a sole practitioner or work within a small team? It's a problem John is only too aware off, having started out as a sole practitioner. He says this means having to "think outside the square" with where you can find a like-minded community.

"If you don't have the ability to connect face-to-face with a like-minded community within the office or at home, then seek an online community. For example, there is a LinkedIn page called Executive Athletes. And there are similar Facebook pages, where you can be open and honest with the group and receive positive feedback."

John says these four tips are all part of the "long game" that ultimately will see planners and their clients succeed professionally, financially and without sacrificing their health and wellbeing.

"With this comes an understanding that to succeed in your career, in your family life, in your business, in your pursuit to becoming a better and healthier you, you need to play the long game. To play the long game, you need support, education and encouragement, and that's what drives me each day," John says.

"Let's face it, if you're struggling in health or happiness, it's difficult to be financially successful – personally and professionally."

Life.

FUTURE2 WHEEL CLASSIC

SECOND TIME'S A CHARM

After sitting out the 2016 Future2 Wheel Classic due to injury, **Stephen Catania AFP®** – a planner and director at Assured Financial Partners – talks to *Money & Life* about his motivation for participating in this year's ride.

WHY DID YOU DECIDE TO PARTICIPATE IN THIS YEAR'S FUTURE2 WHEEL CLASSIC?

My original goal was to ride the Future2 Wheel Classic in my home town of Perth in 2016, after seeing and being inspired by riders at a previous FPA Professionals Congress. I was impressed by not only the ride they completed, but also the great work being done by the Future2 Foundation within the local community.

Being a Perth local, I thought what better way to get involved than by participating in the 2016 Future2 Wheel Classic when the FPA Professionals Congress was in Perth. By doing so, I didn't need to worry about the logistics of getting over east with my bike and gear. So, for me, a 20-minute car ride to the start line was very appealing.

Unfortunately, after months of training and preparation, I was only able to watch from the sidelines in 2016. I was hit by a car while training just four days before the ride was due to start. Luckily, I was able to avoid any major injuries but suffered a broken collar bone and damaged bike. So, for me, being able to complete this year's ride is being able to complete unfinished business.

WHAT DOES THE FUTURE2 WHEEL CLASSIC MEAN TO YOU?

The Future2 Wheel Classic presents many personal goals for me. While these will be challenging, it pales in comparison to the challenges being faced by those disadvantaged young Australians who the Future2 Foundation supports.

Helping disadvantaged youth reach their full potential at a grassroots level is making a big difference in their lives and those around them. Being in the profession of helping people, the work of the Future2 Foundation resonates closely with me.

> *By being able to complete this ride as a team is important to us, as it shows our kids that anything is possible if they put their minds to it.*

WHAT DOES IT MEAN TO HAVE YOUR WIFE SUPPORT YOU IN THIS CHALLENGE?

My wife, Jacki, and I set ourselves silly fitness goals, with me riding the Future2 Wheel Classic and Jacki aiming to complete her second half ironman later in the year and her first full ironman in 2019.

While capable of doing the Future2 Wheel Classic ride, Jacki is supporting me with training and is planning on assisting David Eck and the Future2 team during part of the ride. As a team, Jacki and I work well together, supporting each other with our fitness goals.

During 2016, we suffered the trifecta of broken bones in the family – my collar bone, Jacki with a broken ankle (while 35 weeks pregnant) and my son with a broken wrist.

So, by being able to complete this ride as a team is important to us, as it shows our kids that anything is possible if they put their minds to it.

WHAT DO YOU EXPECT TO BE THE MOST CHALLENGING ASPECT OF CYCLING FROM CANBERRA TO SYDNEY?

The biggest challenge will be being able to back up the long rides each day for an extended period. That and some of the 'gentle undulations' through the Snowy Mountains and Wollongong!

HOW ARE YOU TRAINING FOR THE 993KM RIDE?

Surely, we can't cycle 993km and not crack the 1,000km mark!

It's going to be tough riding for eight days, so at the moment, I am steadily building up to the ride, as I had shoulder surgery a few weeks back.

A team effort preparing for the Future2 Wheel Classic: Jacki and Stephen Catania AFP®.

My training involves commuting to the office during the week, as well as hills training and longer rides on the weekend. The real challenge for me will be balancing family, business and training.

HOW IS YOUR FUNDRAISING TARGET OF $1,500 PROGRESSING?

This is a work in progress, as I have only just committed to the ride in the last couple of weeks. I am looking forward to the goal of raising funds for the Future2 Foundation, as well as participating in the actual ride itself.

WHAT DO YOU HOPE TO ACHIEVE BY PARTICIPATING IN THIS CHALLENGE?

Well, I have three main goals by participating in the ride. Firstly, actually reaching the finishing line and taking a photo at the steps of the Sydney Opera House.

Secondly, achieving my personal goal of completing a Future2 Wheel Classic ride, which I set out for in 2016.

And thirdly, and most importantly, I hope to raise greater awareness in Perth of the important work the Future2 Foundation does in the community.

+

The biggest challenge will be being able to back up the long rides each day for an extended period.

Pedal to the metal

The Future2 Foundation is calling for cycling and hiking enthusiasts to join them in one of two challenges prior to the start of the 2018 FPA Professionals Congress in Sydney (21-23 November).

The first challenge is the annual **Future2 Wheel Classic**. Now in its ninth year, the ride will start on 14 November at the steps of Parliament House in Canberra and finish in Sydney on 21 November.

The eight day route covers a distance of 993km, and will take in the scenic Snowy Mountains region, with overnight stops in Cooma and Jindabyne, before winding down the South Coast to Merimbula.

Riders will then pedal north through Narooma, Batemans Bay, Berry and Wollongong, before crossing the finish line at ICC Sydney in time for the 2018 FPA Professionals Congress. Riders in the Future2 Wheel Classic can also opt for a shorter four-day ride.

And for those preferring to keep their feet firmly on the ground, Future2 has organised a two-day 45km **Blue Mountains Hiking Challenge**.

Participants will set off on 19 November, where they will experience the challenging terrain and beauty of the Six Foot Track and Megalong Valley.

By signing up to the Wheel Classic, riders will undertake to raise at least $1,500 for the Future2 Make the Difference! Grant program, while the hikers will have a fundraising target of $1,200.

For more information or to register your interest, go to www.future2foundation.org.au or email events@fpa.com.au

IN THE COMMUNITY

KIDS OFF THE KERB

Troy Rosenlis AFP® is seeing the positive benefits that education, work experience and training is having on breaking the cycles of dependency for disadvantaged youth living in Melbourne.

With a five year involvement with Melbourne-based not-for-profit, Kids Off The Kerb, Troy Rosenlis AFP® didn't have to think twice about endorsing this organisation for a 2017 Make the Difference! Grant, as he believed the grant aligned closely with the charity's mission statement: 'supporting disadvantaged youth in our local communities'.

Kids Off The Kerb assists disadvantaged and at-risk youth by providing projects that use environmental and recycling initiatives to create sustainable education, training and employment opportunities for young people. Through these projects, youth are given work experience and training opportunities, which provides a pathway into paid employment.

"I have personally been involved with Kids Off The Kerb for five years," says Troy. "Over this time, I have seen the positive impact the group has made on the lives of many disadvantaged youth. There are so many good news stories of young adults either progressing to gainful employment through the skills they have learnt, or who have started their own initiatives with the support of Kids Off the Kerb."

Troy initially became involved with Kids Off The Kerb by offering a "helping hand" to arrange a shoe collection for one of the first 'In Your Shoes' campaigns by the organisation.

"Since then I have continued to volunteer my time to assist with fundraising and idea generation to help sustain this charity into the future," he says.

GRANT RECIPIENT:
Kids Off The Kerb

GRANT AMOUNT:
$8,000

ENDORSED BY:
Troy Rosenlis AFP®

FPA CHAPTER:
Melbourne

Kids Off The Kerb believes that education, work experience and training activity has the power to break these negative cycles and transform lives.

– Nathan Stirling

FLIPIN-IT PROJECT

The Flipin-it project, for which Kids Off the Kerb received an $8,000 grant, seeks to expand the organisation's recycling program by selling refurbished and recycled goods online and through an onsite shop run by young people.

"This project will develop and provide more skills and job opportunities for the participants, including digital marketing, business operations and product photography," says Kids Off The Kerb founder and director, Nathan Stirling.

"Flipin-it is a digitally enabled enterprise that creates sustainable jobs and employment pathways for disadvantaged young people through: receiving recyclable goods as a donation or on consignment for sale; refurbishing, repurposing or recycling these goods ready for sale or alternate use; selling or reselling these goods; and investing the profits in Kids Off The Kerb social enterprises and youth support services."

FUNDS TO BENEFIT OTHERS

Nathan estimates that an additional 80 young people will benefit from the Future2 grant.

"We focus on youth in the northern suburbs of Melbourne who are facing rates of unemployment well in excess of 20 per cent. Many of the young people that Kids Off The Kerb supports are coming from backgrounds of generational unemployment and who are dependent on welfare.

"Many have experienced homelessness and suffer from a range of health issues. They may also have a history of excessive drug and alcohol use, self-harm and anti-social behaviour. Often they have a background of family dislocation, neglect and/or abuse," he says.

"When combined with low levels of educational attainment, language, literacy and numeric proficiency, this cohort of young people are at increased risk of falling victim to drug and alcohol abuse, mental health issues, crime and incarceration.

"Kids Off The Kerb believes that education, work experience and training activity has the power to break these negative cycles and transform lives. Our aim is to offer the skills and support required to effect positive change in this group of socially disadvantaged young people by helping up-skill them and assisting them to attain proper education in order for them to secure employment."

Nathan believes employment is crucial because it provides young people with the essential income and self-respect they need, as well as giving them a sense of personal and social identity, and inclusion in the wider community.

There are so many good news stories of young adults either progressing to gainful employment through the skills they have learnt, or who have started their own initiatives with the support of Kids Off the Kerb. – Troy Rosenlis

Troy Rosenlis AFP®: Seeing the positive impact that Kids Off The Kerb is having with disadvantaged youth.

POSITIVE IMPACTS

In addition to the longstanding recycling programs that Kids Off The Kerb provides, Troy says the organisation has also been expanding its range of activities, which includes a community hub and café in the Melbourne suburb of Ivanhoe, where disadvantaged youth can learn a range of hospitality skills.

"I have seen the positive impacts on the people working in the café and believe any extra support we can give them, would be greatly received," Troy says.

"Programs like Flipin-it are providing real world work experience and the opportunity for young people, who have the right work ethic and 'can do' attitude, to gain secure paid employment."

About Kids Off The Kerb

Working with government, corporates, local services, other community organisations and youth support workers, Kids Off The Kerb projects are individually tailored and flexible to fit the needs of each young person. Kids Off The Kerb is especially active in using the platforms of the environment and recycling to create and sustain opportunities for young people.

Kids Off The Kerb operates out of three locations:

- **Headquartered in Thomastown**, where, through the generosity of a benefactor, the organisation uses a significant amount of factory, office and training space from which it conducts its social enterprise projects;
- **In Footscray** it has set up a multi-service youth centre called Our Place; and
- **In Ivanhoe**, where it has opened a café to support the operations of its social enterprises and to provide another youth centre, called Our Place Café.

By providing disadvantaged youth with support and linking young people into productive activities, mentors and programs, including education, training and employment, Kids Off The Kerb seeks to create exciting and worthwhile enterprises.

By doing so, it is helping young people achieve a sense of worth, purpose and belonging within the community.

RETIREMENT LIVING OPTIONS

Jason Hurst

AMP

This article is worth
0.5 CPD hours

FPA Dimension
Capability

ASIC Knowledge Area
Aged care

INCLUDES:

- Remaining in the home
- Retirement village
- Land lease community
- Granny flat arrangement

Many clients enter the early stages of retirement residing in a large family-sized home. As people age, their housing needs may evolve over time. In this article, we will consider various retirement living options, excluding residential aged care.

REMAINING IN THE HOME

In the early stages of old age, family members and even friends or neighbours may often be able to provide some support with simple day-to-day tasks in a person's home. If this type of support is not available or becomes too burdensome on family and friends, the Government subsidises two separate programs of support: the Commonwealth Home Support Programme (CHSP) and Home Care Packages (HCP).

The CHSP offers 'entry level' service on a localised level within the community. These services can include things like Meals on Wheels, support with shopping or transport to shops, home maintenance and cleaning services. To be eligible for the CHSP, a person would need to generally be 65 years or older and go through a Regional Assessment Service, which can be organised by contacting My Aged Care on 1800 200 422.

HCPs offer a higher level of support than the CHSP and include nursing and clinical services, in addition to general support services.

HCPs offer four levels of support ranging from basic to complex. A basic daily fee applies to home care, and each package level is allocated a specific Government subsidy ranging from $8,157.75 per annum to $49,592.55 per annum. HCP recipients with income over certain thresholds will be required to meet some of the package costs in the form of an income-tested fee.

The types of services that can be purchased under a HCP include (but are not limited to):

- personal services (e.g. assistance with personal activities, such as bathing);
- nutrition and diet (e.g. assistance with preparing meals and feeding);
- mobility and dexterity (e.g. provision of walking sticks and mechanical devices for lifting);
- nursing, allied health and therapy services (e.g. speech therapy and occupational therapy); and
- transport and personal assistance (e.g. assistance with shopping and visiting health practitioners).

To access HCP, an ACAT[1] assessment (which is similar to the assessment to enter residential aged care) is required to determine the appropriate level of care. The applicant will then be placed in a national queue to be allocated a package.

Once allocated, the funding can be taken to any home care service provider, who will then advise what services can be delivered based on the overall budget.

Clients receiving support at home will continue to be assessed as homeowners for Centrelink/Department of Veterans' Affairs (DVA) purposes, and there will be no impact on their social security entitlements.

RETIREMENT VILLAGE

Retirement villages are essentially a community for seniors. The individual dwellings are either purchased or occupied under a lease or other form of agreement. Entry is usually restricted to individuals (and their spouses) who have attained 55 years of age or have retired from full-time employment.

Table 1: Centrelink treatment of entry fees to retirement villages

Entry contribution	Centrelink treatment
Equal to or less than $203,000	Assessed as non-homeowner under the assets test. – EC counts as an asset (it does not count under the income test). – May be eligible for Rent Assistance.
More than $203,000	Assessed as a homeowner under the assets test. – EC is not counted under the asset or income tests. – No entitlement to Rent Assistance.

Units may be self-care (the lowest level of care) or serviced (highest level of care). The care provided in a retirement village is generally a private arrangement with the facility, and in some cases, the provider may also be an approved provider of home care packages.

There are various arrangements in the marketplace, and it's important that people considering entering a retirement village have their contracts reviewed by a legal professional, so they have a clear understanding of all entry, exit and ongoing costs.

All arrangements will include some type of ongoing fee or levies, and residents may be asked to pay special levies for upgrades, new services or refurbishments. The three most common types of arrangements are outlined below.

- **Loan/licence or right to occupy** account for approximately 60 per cent of arrangements. Under these types of arrangements, clients pay an entry contribution (EC) and are generally also liable for a deferred management fee (DMF) upon departure. The DMF will vary across providers, however, a common approach is a percentage of the purchase price for each year of residence. This may be capped at a maximum number of years (commonly 10 to 12 years). Some providers may also take a percentage of any capital gain as part of the DMF.
- **Leaseholds** comprise approximately 30 per cent of arrangements. The resident is offered a long-term lease (e.g. 99 years for a dwelling in exchange for a lump sum EC). Upon departure, the resident is refunded the EC less any departure fee. There may also be provisions in the contract to share any capital gains with the village operator. In some cases, a resident may not receive a payment until a new resident takes over the lease.
- **Other freehold arrangements,** such as company title, strata title and rental arrangements, are less common, and make up the majority of the remaining 10 per cent.

It's important that people considering entering a retirement village have their contracts reviewed by a legal professional ...

The amount of EC paid to a retirement village will have Centrelink/DVA implications. Centrelink compares the EC against a figure called the extra allowable amount (EAA). The EAA is the difference between the non-homeowner and homeowner assets test thresholds at the time the EC is paid.

The EAA for the 2017-18 financial year is $203,000. (Refer to Table 1 above).

Where the individual is considered a non-homeowner, Rent Assistance may be payable for regular rent-type payments paid to the village operator. Rent-type payments include ongoing service and maintenance fees. Rent-type payments do not include the entry contribution, deferred management fees, or fees for additional services, such as laundry and meals.

LAND LEASE COMMUNITY (LIFESTYLE VILLAGE)

In a residential land lease community (LLC), also known as lifestyle villages or manufactured home estates, the resident usually owns the home (the physical building), but leases the land on which the home sits from the community operator. The home can be a manufactured home or a moveable dwelling; however, in some cases, the building will be fixed to the land and not moveable.

The resident pays site fees (rent) for the right to occupy the site. There are also scenarios where the resident leases both the land and the home.

Like retirement villages, it is important to completely understand the nature of the arrangement and applicable fees and charges before entering an agreement.

On the surface, some LLCs may look very similar to retirement villages. It's important to seek clarity from the provider and examine the contract, as the Centrelink/DVA implications are quite different to retirement villages.

Continued overleaf

Where a resident of an LLC owns the home (the building) but rents the land, they will be considered a **homeowner for Centrelink purposes,** regardless of the value of the purchase price. The value of the home is exempt under the assets test. Furthermore, the resident may be eligible for Rent Assistance, with ongoing maintenance, service or site fees counted as rent, depending on their circumstances.

Due to the Centrelink differences that have been outlined between retirement villages and LLCs, it is also advisable to take the contract to a Centrelink Financial Information Services officer for confirmation of exactly how Centrelink/DVA may view a particular arrangement, before signing any contracts.

Commonly, when Australians invest in property, future capital growth is a strong consideration. Moving into a retirement village or LLC should be seen as more of a lifestyle decision. Capital growth on this type of housing is generally lower than other apartments or units in the same area, and any capital growth is likely to be reduced by the DMF and any sharing arrangement with the provider.

Residents in age specific accommodation can enjoy physical and psychological health benefits by living in these communities.

Despite this, residents in age-specific accommodation can enjoy physical and psychological health benefits by living in these communities. This includes support and sense of community of living with like-minded individuals, access to organised activities and support services on site, and/or transport to offsite activities.

GRANNY FLAT ARRANGEMENT

The Centrelink granny flat rules allow people to transfer assets to another person (in most cases, a close family member) in exchange for a right of occupancy for life in a residential property, with the potential to be exempt from the usual deprivation/gifting rules.

A granny flat interest encompasses much more than just a self-contained flat on someone's property. It includes any life interest or right to accommodation for life in a private residence in which the individual does not have any legal ownership.

Although Centrelink may accept that a person has a granny flat interest, even if it's not in writing, it is recommended that a legal document be drawn up by a solicitor to have evidence of the arrangement and to provide certainty for the client.

It is also important to review the client's estate plans, as entering into a granny flat arrangement with one family member could dilute the parent's estate to the detriment of other family members. We also recommend that clients confirm any taxation or stamp duty issues with a tax adviser before proceeding.

For Centrelink purposes, granny flat interests are created when a person:

- transfers the title of a home they live in to someone else and keeps a lifetime right to live in that home or in another home. This applies only if the home was totally exempt from the assets test; or
- pays for the construction, fit out of a home on another person's property, and retains a right to occupancy for life; or
- provides some or all of the purchase price of a property registered in another person's name and retains a right to occupancy for life.

In the above situations, deprivation will not apply. Usually, the value of the granny flat interest is the value of the home transferred, construction costs paid or purchase price of the property.

There are some circumstances where Centrelink allows the granny flat interest to be valued at a different amount, known as the 'reasonableness test amount', rather than the amount paid. This can apply in certain situations, including where a person:

- transfers the title of their home or purchases a property in another person's name and transfers additional assets.
- pays for the construction of a dwelling and transfers additional assets.
- uses the granny flat rules to gain a social security advantage.

A granny flat interest can also be created where a person gives money to another person in exchange for a life interest in a property owned by that person. In this case, the reasonableness test is always applied.

When the reasonableness test applies, Centrelink applies a formula to determine a reasonable value for the granny flat. Any amounts over the reasonableness test amount will be considered gifts.

Like a retirement village, the value of the granny flat interest is called the EC and determines the home ownership status of the person.

The EC is assessed against the same thresholds as retirement villages. (Refer to Table 1.)

Centrelink will review granny flat arrangements if the individual stops living in the home within five years of the interest being created. If the reason for leaving the home could have been anticipated at the time the interest was created, the deprivation rules will apply; that is, deprivation is to be assessed from the date the person stopped living in the home to the fifth anniversary of the creation of the granny flat interest.

This is particularly important with respect to future entry into residential aged care.

If the reason for vacating the granny flat interest was foreseeable, and the vacation is within five years of the creation of the interest, deprivation rules would apply. The client will not have access to the associated capital (because they used it to pay for the granny flat), yet a deprived amount is considered an asset and deemed (until the fifth anniversary of the creation of the interest) for Centrelink/DVA purposes, as well as when calculating the means-tested amount for permanent residential aged care purposes.

Jason Hurst, Technical Services Manager, AMP.

FOOTNOTE

1. *Aged Care Assessment Team. In Victoria, the assessment is conducted by the Aged Care Assessment Service (ACAS).*

QUESTIONS

To answer the following questions, go to the CPD tab at moneyandlife.com.au/professionals

1 In order to access a home care package, a person must be assessed by:

a. Their family doctor.

b. The regional assessment service (RAS).

c. ACAT (or ACAS in Victoria).

d. There is no medical assessment, it is purely age based.

2 A retirement village resident will be assessed as a homeowner by Centrelink/DVA:

a. In all cases.

b. If their entry contribution is more than $203,000.

c. If their entry contribution is more than $200,000.

d. Never, they are always treated as non-homeowners.

3 Centrelink/DVA will only assess an arrangement as a 'granny flat interest' if a separate dwelling is built.

a. True.

b. False.

4 Which of the following is a typical advantage of moving to a retirement village after selling a family home?

a. Support and sense of community living with like-minded people.

b. Guaranteed capital growth in the value of the retirement village.

c. Guaranteed increase in Centrelink entitlements.

d. All of the above are common advantages.

5 Which are the issues that should be discussed with a client considering a granny flat arrangement?

a. Centrelink considerations.

b. Estate planning considerations.

c. Tax and stamp duty considerations.

d. All of the above.

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LEARN

FLEXIBLE WORK:

Barrier to benefits?

Workplace flexibility is seen as a major benefit but are employees missing out on other benefits?

Many Australians now access flexible work arrangements, and employers are increasingly offering flexibility as a benefit to attract and retain talented staff.

However, unlike other employee benefits that are pre-defined and often provide some form of financial reward for employees, flexibility must be negotiated and can sometimes be detrimental to your career and personal finances.

WORKPLACE BENEFITS

While flexibility can improve wellbeing, providing a better balance between work and other life commitments, research has linked flexible work arrangements to reduced career advancement, lower pay and lower superannuation. A recent study published in the *Financial Planning Research Journal, Volume 4, Issue 2* authored by Dr Melinda Laundon and Dr Penny Williams from the Queensland University of Technology, show that flexible work arrangements also appear to limit access to information required to make informed decisions about employee benefits.

For this reason, understanding the implications of a client's choice to access flexible work can help financial planners to support the short and long-term financial goals of their clients.

Employee benefits are the non wage components of remuneration[1]. Flexible work arrangements are often positioned as an employee benefit, yet many aspects of flexible work are entitlements provided by law (like parental leave).

In this study, the authors analysed data from a large Australian finance company that provides a wide range of financial and non-financial employee benefits, such as salary sacrificing, share plans and discounts on financial products.

The company is also a leading provider of flexible work arrangements for its employees, including part-time, job sharing and work-from-home arrangements. This particular company positions flexible work as an employee benefit, rather than an entitlement.

> *People who used flexible work arrangements (part-time or working from home) were less likely to understand the range of benefits available to them, than full-time office-based workers.*

The findings provide an interesting picture of benefit use. People who used flexible work arrangements (part-time or working from home) were less likely to understand the range of benefits available to them, than full-time office-based workers.

They were also less likely to know how to access any other benefit beyond flexible work. This may be because employees placed such high value on flexible work as a benefit that they did not even consider accessing other benefits. It may also be because flexible work reduces time in the office and may therefore restrict access to the benefits information that is provided formally and informally to office-based staff.

Women in the study were also less likely than their male counterparts to understand the benefits available to them or have knowledge of how to access benefits. This is particularly concerning, given that women more frequently access flexible work, and in the finance industry, also typically earn less than men.

EMPLOYEE AWARENESS

It is important to know that flexibility is not provided in lieu of other benefits in organisations. Rather, employees need to be aware that working flexibly should not preclude them from accessing other benefits that offer greater financial reward, such as salary sacrifice, product discounts, study assistance or career development opportunities.

Financial planners have a key role to play in educating clients on how to maximise their benefit use for short and longer term financial gain, and to inform clients who use flexible work arrangements that they don't need to forgo access to other benefits simply because they have accessed flexibility.

REFERENCES

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