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PERENNIAL



FINANCIAL PLANNING
ASSOCIATION of AUSTRALIA

2018 NATIONAL ROADSHOW

APRIL - JUNE 2018

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**2018 PROFESSIONALS
CONGRESS**
SYDNEY 21–23 NOV

MAKING A DIFFERENCE TO YOUNG AUSTRALIANS IN NEED

Thank you for supporting Future2

\$133k



for 14 community
not-for-profit
organisations in 2017/18

\$78k



in donations from
FPA members to support
Future2 in 2016/17

>\$100k



raised by 19 riders
during the 2017
Future2 Wheel Classic

>\$27k



raised by 10 hikers
during the 2017
Tasmanian Hiking
Challenges

Today's Agenda

FPA

- Enhance your client experience and strengthen your client relationships with best practice guidance and case studies

Perennial Value Management

- Sharing insights on how passive and active management can co-exist in a client's portfolio

FPA

- Get a better understanding of the Financial Adviser Standards and Ethics Authority (FASEA) proposed education standards
- Provide input and feedback on the proposed education standards to assist in our consultation process with FASEA



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BEST INTEREST DUTY

Best Interest Duty – 2013 to Now

- Introduced in July 2013 as part of FOFA
- Individual responsibility to act in client's Best Interest
- What is Client's Best Interest
 - Reasonably likely to be better off as a result of the advice



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Advice obligations

- s961B
- The best interest duty

- s961G
- The appropriate advice requirement

- s961H
- Warn client if advice is based on incomplete or inaccurate information

- s961J-L
- The obligation to prioritise the client's interest



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Best Interest Duty and Safe Harbour

Best Interest Duty

(1) The provider must act in the best interests of the client in relation to the advice.

Safe Harbour

- (2) The provider satisfies the duty in subsection (1), if the provider proves that the provider has done each of the following:
- (a) identified the objectives, financial situation and needs of the client that were disclosed to the provider by the client through instructions;
 - (b) identified:
 - (i) the subject matter of the advice that has been sought by the client (whether explicitly or implicitly); and
 - (ii) the objectives, financial situation and needs of the client that would reasonably be considered as relevant to advice sought on that subject matter (the ***client's relevant circumstances***);



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Best Interest Duty and Safe Harbour

Best Interest Duty

Safe Harbour

- (2) (c) where it was reasonably apparent that information relating to the client's relevant circumstances was incomplete or inaccurate, made reasonable inquiries to obtain complete and accurate information;
- (d) assessed whether the provider has the expertise required to provide the client advice on the subject matter sought and, if not, declined to provide the advice;



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Best Interest Duty and Safe Harbour

Best Interest Duty

Safe Harbour

(e) if, in considering the subject matter of the advice sought, it would be reasonable to consider recommending a financial product:

(i) conducted a reasonable investigation into the financial products that might achieve those of the objectives and meet those of the needs of the client that would reasonably be considered as relevant to advice on that subject matter; and

(ii) assessed the information gathered in the investigation;

(f) based all judgements in advising the client on the client's relevant circumstances;

(g) taken any other step that, at the time the advice is provided, would reasonably be regarded as being in the best interests of the client, given the client's relevant circumstances .



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FOS Case Study

BID and Insurance Advice

- **Goals and Objectives**

- Review super
- Ensure insurances are in place

- **Recommendations**

- Rollover super
- Purchase Life, TPD and IP Cover

- **Complaint**

- Unable to get insurance without exemptions and significant loading
- Existing super had cover

- **FOS findings**

- Insufficient information collected on health
- Existing product research only focused on investment options and balances
- Failure to warn client on incomplete or inaccurate information
- Large compensation based on loadings and likely hood to claim.



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BID and Super Switching

• Objective

- Sort out super
- Current has 3 funds with 3 different trustees

• Recommendation

- Consolidate 3 funds to 1
- Benefits of new fund
 - the ability to switch between options daily;
 - a more varied menu of options; and
 - Reports and educational material that are easier to understand.

• BID Issues

- Increased fees
- Benefits of fund don't address clients objective

ASIC Report 562



s961B(2)(e) – conduct reasonable investigation



Must consider the clients existing products and any products the client requests to be considered.



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Takeaways

- 1. Be aware of BID obligations

- 2. Review current advice practises

- Are you confident your advice process maps to BID

- 3. If in doubt, refer to the FPA Code of Professional Practice

- 4. Ask yourself after each piece of advice if:

- If the client is likely to be better off as an outcome of the advice
- Does the advice really meet the clients goals and objectives
- Have the trade-offs and costs been fully offset



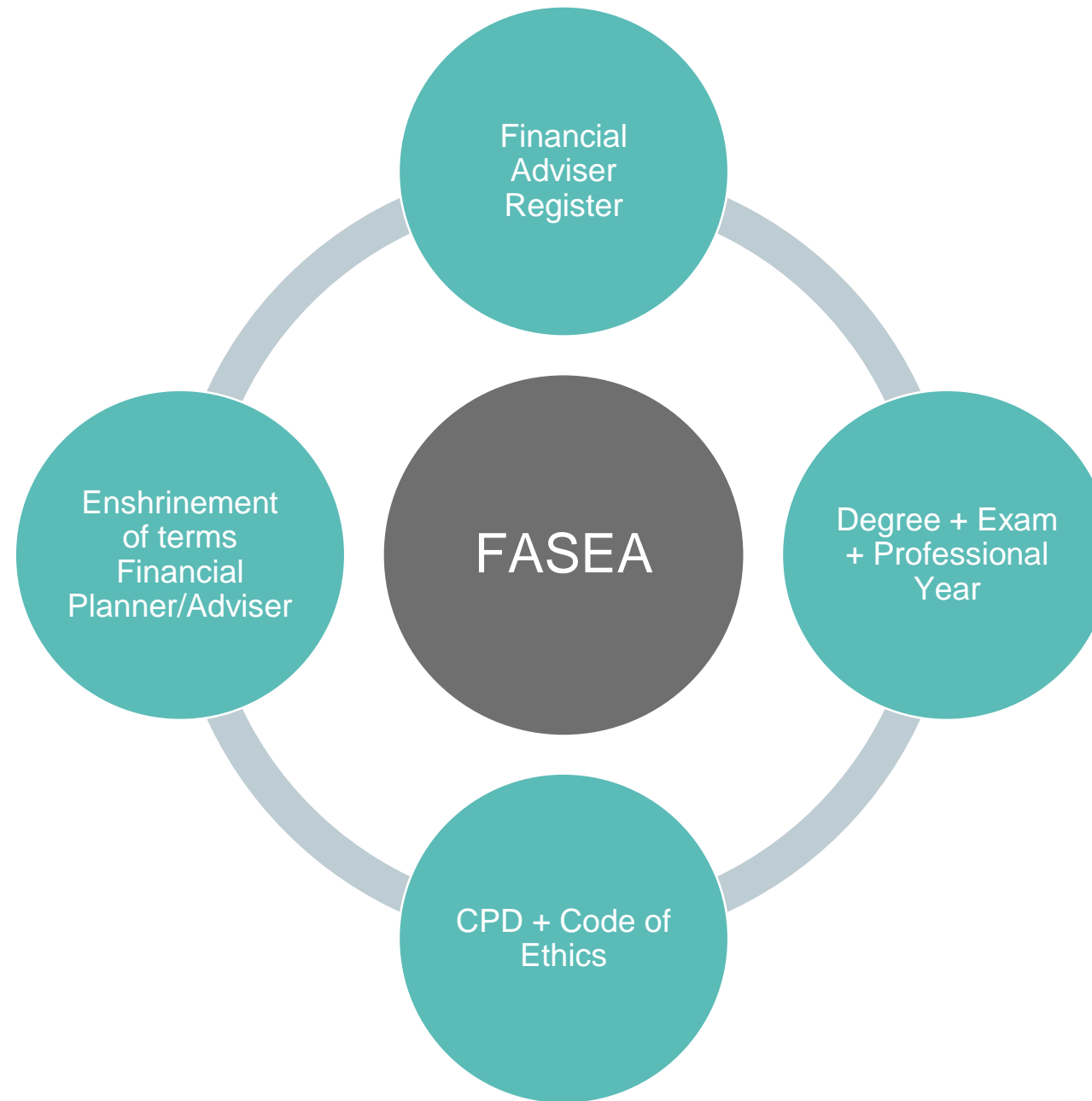
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FASEA ANNOUNCEMENTS



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FASEA ETHICS – FPA PROPOSED CHANGES

FASEA

code of ethics



A relevant provider must act, at all times and in all cases, in a manner that is demonstrably consistent with the following principles, in the discharge of their professional duties.

Standards of

Ethical behaviour

a relevant provider must:

Standard 1

Act in accordance with the spirit- and not only the letter - of all relevant laws and regulations (including this Code).

Standard 2

Must neither advise, refer, nor act in any other manner, where inappropriate personal advantage is derived by the relevant provider.

Standard 3

Act with personal integrity and as an independently minded professional, for the benefit of each client.

Standards of

Client care

a relevant provider must:

Standard 4

Act only on the basis of the free, prior and informed consent of a client.

Standard 5

Ensure that all advice and products are:

- a) in the best interest of each client,
- b) appropriate to the individual circumstances of each client,
- c) presented in terms easily understood by the client.

Standard 6

Take into account the broad effects arising from a client acting on their advice.

Standards of

Quality process

a relevant provider must:

Standard 7

Obtain informed consent to act and to receive agreed fees and payments for agreed services.

Standard 8

Obtain informed consent, and agree, to maintain records relevant to the advice provided, in accordance with relevant privacy, regulatory and confidentiality obligations.

Standard 9

Ensure that all advice and products are:

- a) offered in good faith and with competence,
- b) based on information that is neither misleading nor deceptive.

Standards of

Professional commitment

a relevant provider must:

Standard 10

Develop and maintain a high level of relevant knowledge and skills.

Standard 11

Accept that potential breaches of this Code will be subject to investigation and discipline from the responsible Code Monitoring Body, undertaken in accordance with ASIC's approval and oversight of that Body.

Standard 12

Individually and in cooperation with peers, uphold and promote the ethical standards of the profession, and hold each other accountable for the protection of the public interest.

Our values

A relevant provider must always act to realise and promote the values of:

- Trust
- Competence
- Honesty
- Fairness
- Diligence

A relevant provider is defined in the Corporations Act 2001 (s 910A) as an individual authorised to provide personal advice to retail clients,, in relation to relevant financial products.



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Ethical behaviour

Of this code

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Standard 3

Act with personal integrity and ~~as an independently minded professional, for the benefit~~ of each client.

Add "in the best interest"



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Add “of the client”

Add “the relevant provider
believes”



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Add “appropriate”

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FASEA EDUCATION

FASEA Proposed New Adviser Requirements

**NOT ON FINANCIAL
ADVISER REGISTER
BETWEEN
1/1/2016 AND 1/1/2019**



APPROVED
DEGREE



PASS FASEA EXAM



COMPLETE PROFESSIONAL YEAR

**COMPLETE PRIOR
TO UNSUPERVISED
PRACTICE**

**SIGN UP TO APPROVED
CODE MONITORING BODY**



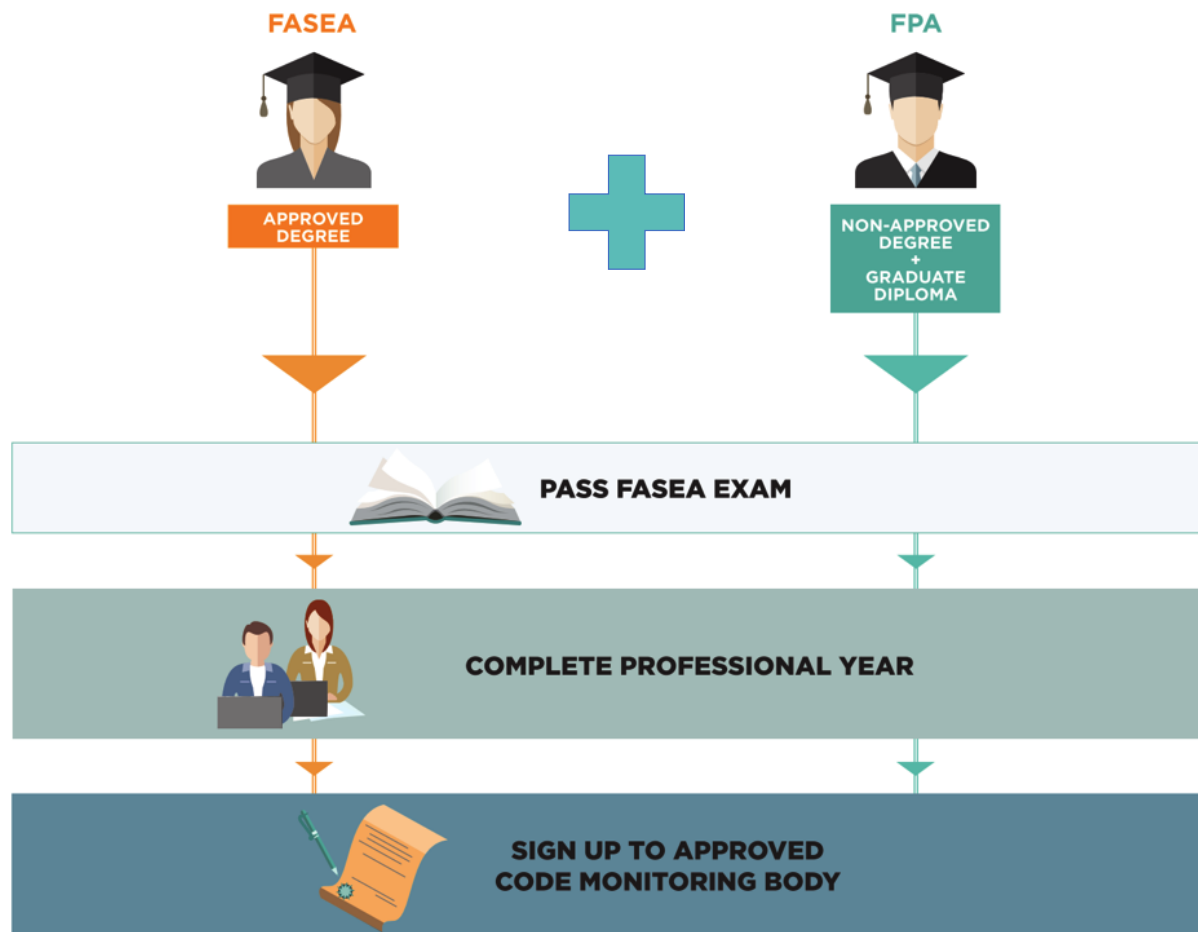
* Disclaimer: This FPA Guidance is NOT an endorsement of the FASEA Proposed Education Standards. Please note that these standards are subject to consultation.

3 April 2018

FPA Proposed New Adviser Requirements

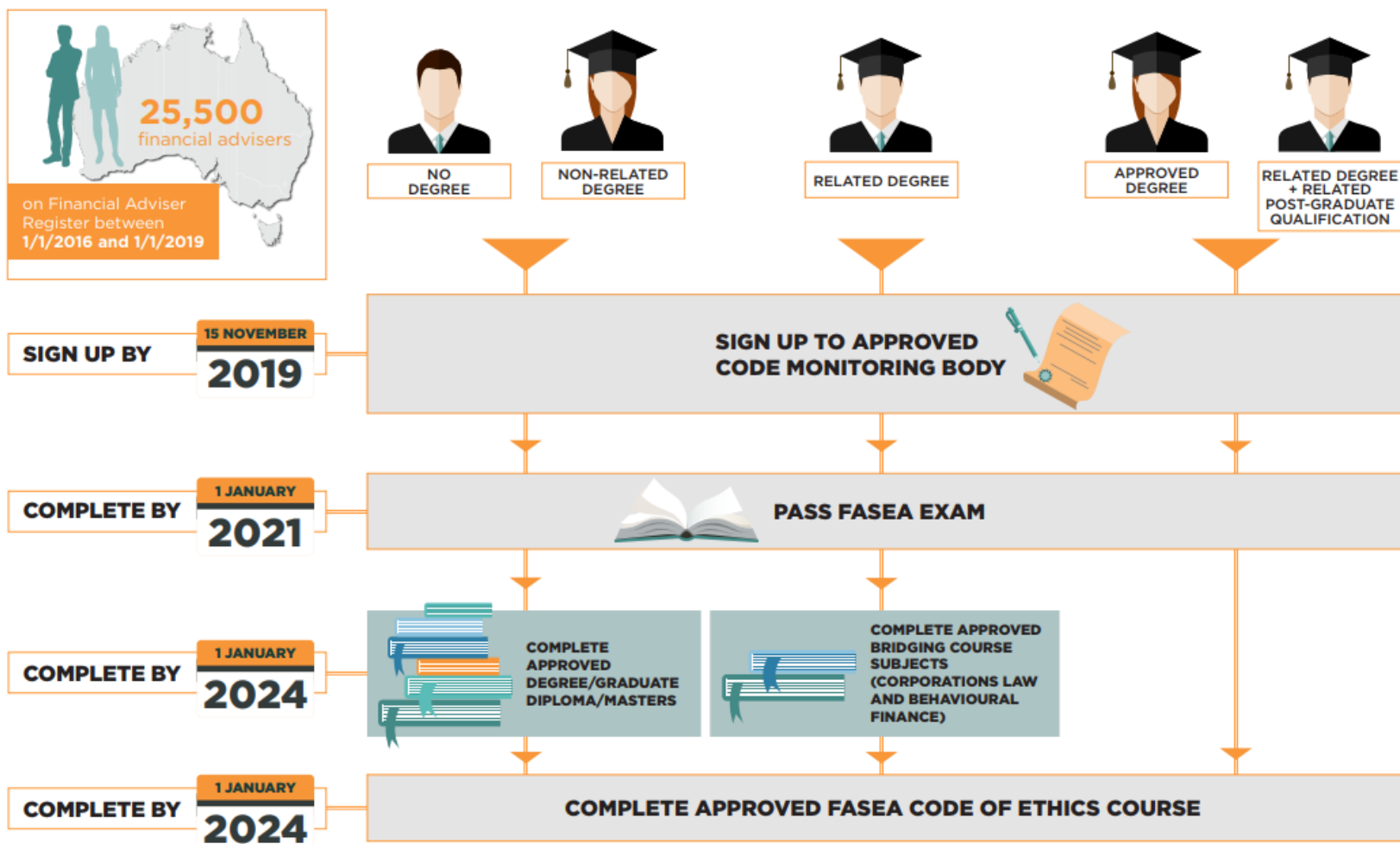
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**COMPLETE PRIOR
TO UNSUPERVISED
PRACTICE**



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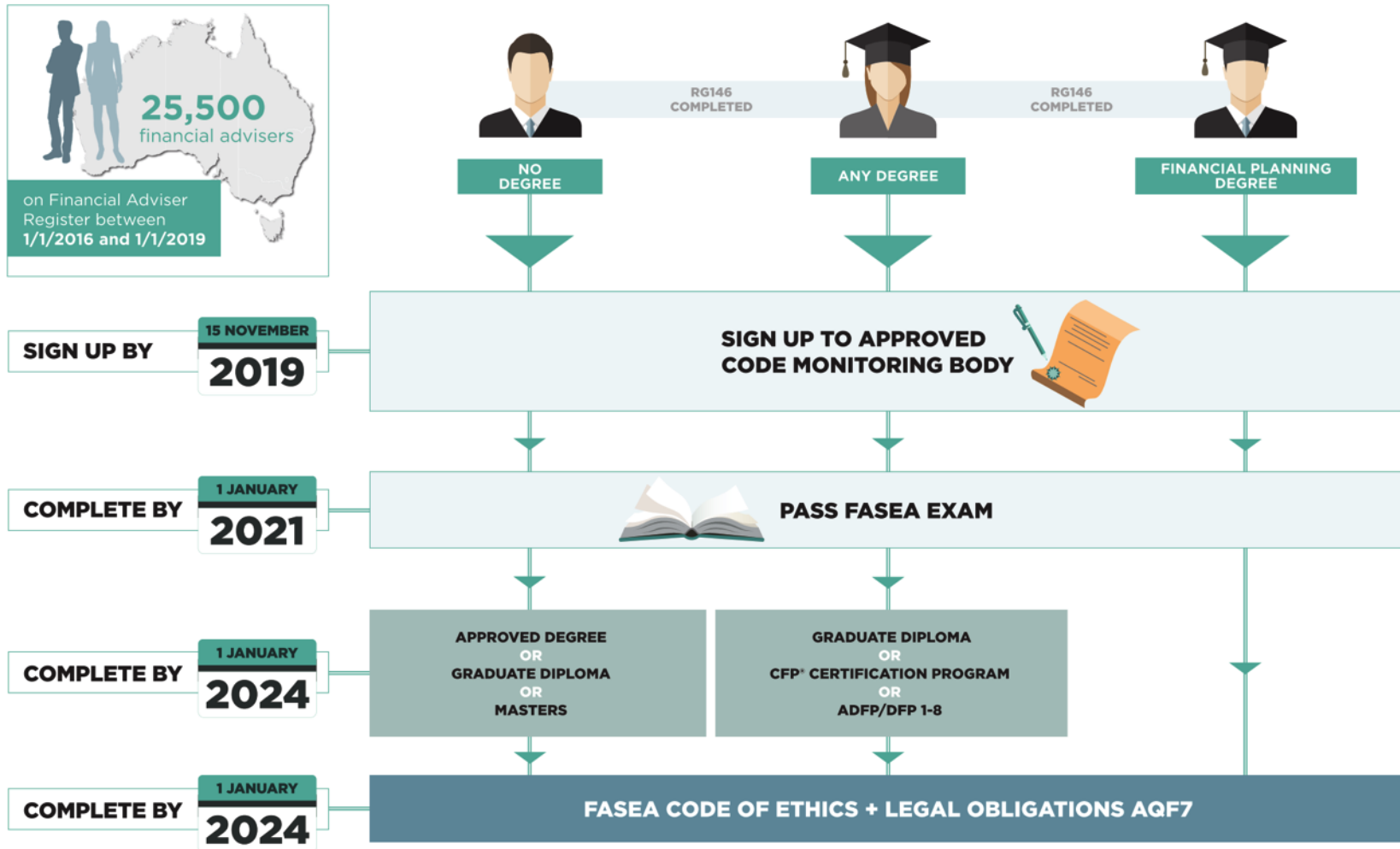
FASEA Proposed Existing Adviser Requirements



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3 April 2018

FPA Proposed Existing Adviser Requirements



11 April 2018