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OF THE FINANCIAL PLANNING
ASSOCIATION OF AUSTRALIA

Financial Planning

April 2016

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Next-gen advice

Find out why John Molnar AFP® is the 2015 FPA Financial Planner AFP® of the Year

THIS ISSUE

FUTURISTIC FINANCIAL ADVICE / THE POWER OF PLATFORMS / ANNUITIES COME OF AGE / WOMEN'S FINANCIAL WELLBEING

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FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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A commitment to raise consumer awareness

April marks the start of our 2016 consumer advertising campaign and we are excited to kick off this latest wave of activity. Funded by CFP® professional members, the campaign will run nationally in print, on the radio and online for three months.

Over the years, we have trialled and tested many approaches and used data insights to ensure we reach as many Australians as possible with our message, in the most cost-efficient way.

This year we are introducing some new initiatives to build on this reach. Now that the FPA website is fully responsive, we are trialling mobile advertising to reach consumers as they browse from their tablet or mobile. We are also placing advertising in *Money* magazine, *Australian Women's Weekly*, *Real Living* and *Homes +* to specifically target the female market. You can read all about the campaign from page six.

The campaign will once again promote the CFP® designation as a sign of good advice. To ensure Australians become increasingly familiar with the CFP® designation, I encourage all CFP® professionals to use the full spectrum of CFP marks available and promote this achievement to both current and prospective clients.

Our marketing team can provide guidance if you're unsure how to best do this. We have also re-stocked the consumer brochures we developed for the campaign last year and encourage you to order some copies to use with prospective clients. Simply contact the team at communications@fpa.com.au.

Educating Australians

The advertising campaign is just one of our many consumer initiatives. We work hard to get the consumer message out through avenues such as Financial Planning Week, ongoing consumer PR, paid Facebook content and partnerships with groups such as *Money* magazine. It is also pleasing to see more publications contact us looking to interview an FPA member on financial planning topics.

I have spoken a great deal about my personal passion for raising consumer awareness. In my mind, educating Australians about the financial planning process is equally as important as educating Australians about what to look for in a financial planner. Under my term as CEO, we will be placing greater attention on this area and I look forward to keeping you up-to-date.

I am always keen to hear your thoughts and feedback. If you didn't manage to join me on the live Twitter chat last month, I hope you can make the April one.

Look out for the date and time on Twitter and in *FPA Express*. To join in the live chat, follow me @ddegori10 and be sure to use the hashtag #AskDante.

I hope you enjoy the edition.

Dante De Gori CFP®
Chief Executive Officer

We would not be where we are today, without an inspired professional community, committed to securing the future.

Consumer campaign continues awareness of CFP® mark

The FPA has kicked off this year's national consumer advertising campaign to continue raising awareness of the CFP® mark in Australia.

Funded by an advertising levy from CFP® practitioner members, the campaign will continue with the 'It's all you need to know' message to ensure more Australians understand the credentials of a CERTIFIED FINANCIAL PLANNER® professional.

The simplified creative is designed to cut through a noisy market and deliver a simple, clear message to consumers about the credentials of a CERTIFIED FINANCIAL PLANNER® professional.

The campaign informs consumers about the international recognition of the CFP® mark, as well as the high education, professional and ethical standards that the mark represents. Consumers will be directed to the 'Find a Planner' tool on the FPA website, which will help connect consumers to a CFP® professional in their local area.

Fosca Pacitto, FPA head of marketing says, "holding the CFP® designation is something to be proud of and our goal is to tell more Australians about the gold standard."

Starting this month, the campaign will run through until the end of June. Advertising will once again be integrated across digital, print and radio.

The advertising will run in metro and regional newspapers, and will be complemented by advertising in *Money* magazine, *Australian Women's Weekly*, *Real Living* and *Homes +* to target the female demographic.

NATIONAL REACH

The campaign will be seen and heard through the following channels:

DIGITAL

Online advertising:
News.com.au
AFR.com.au
Yahoo7
Realestate.com.au

eNewsletter advertising:
AFR Money and *Business* news
Real Living magazine
Homes +
Money Magazine

Social media advertising:
LinkedIn
Facebook

Google paid search advertising

MAGAZINES

Money
Australian Women's Weekly

NEWSPAPERS

ACT
Canberra Times

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

VIC
The Age
The Border Mail
Shepparton Adviser
Geelong Advertiser
Ballarat Courier
La Trobe Valley Express
Daylesford Advocate
Bendigo Advertiser
The Wimmera Mail Times
Sunraysia Daily

QLD
Courier Mail
Gold Coast Bulletin
Townsville Bulletin
Toowoomba Chronicle
Rockhampton Morning Bulletin
News Mail
Sunshine Coast Daily
Daily Mercury
Fraser Coast Chronicle
Cairns Post

NT
Northern Territory News

SA
Adelaide Advertiser
The Flinders News
The Recorder
The Transcontinental
Whyalla News
Murray Pioneer
Barrier Daily Truth

WA
West Australian

TAS
Hobart Mercury
Launceston Examiner

Here are examples of the ads that will appear in publications around the country, as well as the consumer brochure that is available for members.

RADIO

NSW

Sydney	2GB
Sydney	WSFM
Newcastle	KOFM
Wollongong	Wave FM
Tamworth	2TM
Port Macquarie	2MC
Coffs Harbour	2CS
Wagga Wagga	2WG
Albury	The River
Broken Hill	2BH
Bathurst	2BS
Orange	2GZ
Lismore/Ballina	ZZZ100.9FM
Taree/Forster	2RE
Gosford	2GO

ACT

Canberra	MIX 106.3

VIC

Melbourne	3AW
Geelong	BAY FM
Ballarat	3BA
Bendigo	3BO
Mildura	3MA
Gippsland	3GG
Shepparton	3SR

QLD

Brisbane	97.3FM
Gold Coast	GOLD 92.5
Townsville	4TO
Toowoomba	4GR
Rockhampton	4RO
Bundaberg	4BU
Sunshine Coast	MIX 92.7
Mackay	4MK
Cairns	4CA

NT

Darwin	MIX 104.9

SA

Adelaide	MIX 102.3
Port Pirie	5CS
Port Augusta	5AU
Berri	5RM

WA

Perth	6PR
Northern Perth	89.7FM

TAS

Hobart	Heart 107.3
Launceston	LAFM

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2015 CAMPAIGN HIGHLIGHTS

The integrated campaign is a proven formula:

- Around 4.8 million people saw the online ads.
- More than 26,000 hits to Find a Planner.
- More than 37,000 clicks on online ads.
- Ads in 46 newspapers and on 42 radio stations.
- 40 per cent consumer awareness of CFP mark.

Additionally, a national radio campaign will run on both metro and regional radio stations. Online, display advertising will run alongside social media and paid search advertising that will capture the attention of consumers when on Google searching for a financial planner. Following the launch of a new mobile-responsive FPA website in November, the campaign will also include mobile advertising for the first time.

Last year the FPA developed a consumer brochure to use with clients. The brochure explains the basics of financial planning and what to look for in a financial planner.

"The brochure was extremely popular with members and so we've re-ordered them and invite CFP® professionals to put in a request for copies at communications@fpa.com.au," Pacitto said.

The FPA will measure the success of this consumer campaign through member feedback, online click-through rates, and traffic to 'Find a Planner'. Over the long term, the FPA is also tracking brand awareness of the CFP® mark. The last brand tracking research, undertaken with CoreData in September 2015 indicated that consumer awareness has increased to 40 per cent.

Pacitto added: "Our campaign goes a long way to creating awareness of the CFP® designation. But our efforts would become so much more powerful, if every CFP® professional around the country used their credentials and adopted the Good Advice graphic on their email signature and business cards.

For more information about the campaign, visit the FPA website.

Supporting planners to deliver a superior client experience

The FPA 2016 National Roadshow will help financial planners to deliver the best further advice possible.

Kicking off in Frankston Victoria on 27 April, the roadshow will visit 33 locations nationally from April to July. The FPA has partnered with Challenger for the event and registration for each location is now open.

"This year's roadshow will build on the learnings from last year, and provide practical guidance on how to provide further advice that supports the original advice and helps the client review and meet their goals and objectives," said Dante De Gori CFP®, FPA CEO.

"We'll also provide delegates with an update on the changing legislative landscape, particularly the new education and professional standards, which is the area our members are most concerned with right now," he added.

The National Roadshow is a great opportunity for members to meet the FPA team in person. All roadshow events are free of charge and open to FPA members and non-members. Attendees will receive two CPD hours. Each session will include Q&A time and a complimentary breakfast or lunch.

To register, visit www.fpa.com.au/roadshow.

Extension to FoFA opt-in rules

Parliament recently agreed to give financial planners additional time to send opt-in notices to clients to renew their relationship with their adviser. The provisions are part of the Future of Financial Advice (FoFA) reforms.

The timeframe financial planners now have to send fee disclosure statements (FDS) and renewal notices to retail clients is now 60 days. Previously the proposed timeframe was just 30 days.

This change applies to ongoing fee arrangements with an anniversary day that falls on or after the date of Royal Assent of these laws.

Other amendments announced at the same time clarify rules related to passing on the cost of financial advice to super fund members.

FPA will provide further guidance to members following Royal Assent.

FPA formulating elder abuse policy

The issue of elder abuse has received heightened attention from policy makers and the community in recent years.

As a result, the federal attorney-general, Senator the Hon George Brandis QC, has announced a new inquiry into the laws that safeguard senior Australians from potential abuse.

This is an important initiative, given Brandis told the recent Elder Abuse Conference in Melbourne that older Australians own almost a quarter of all household wealth in Australia. By 2030 it is anticipated they will own half of all household wealth.

Therefore, it's important to ensure there are few opportunities to financially exploit or defraud older Australians. This is an especially critical issue given high levels of dementia in this group can impact their ability to make sound financial decisions.

"All Australians have the right to make their own decisions, to live self-determined lives, to live with dignity and free from exploitation, violence and abuse. Those rights do not diminish with age," Brandis told the conference.

According to the attorney-general, more than 50 per cent of people in aged care facilities live with dementia. But he said that does not mean policy formation should come from a point of view of incapacity.

The FPA is seeking input from members in developing its response to this issue. Members are encouraged to join the discussion on the FPA's LinkedIn forum, or send through examples of elderly abuse or positive outcomes to policy@fpa.com.au.

2015
a bumper year for new CFP® professionals

The number of CERTIFIED FINANCIAL PLANNER® professionals had reached 121,821 by the end of 2015, according to the Financial Planning Standards Board (FPSB), which owns the CFP® designation outside the US.

This represents a 2.7 per cent increase in the number of CFP® professionals during 2015, with 4,235 people achieving CFP® certification during the year.

Australia is in the top five CFP® professional populations, behind the US, Japan, Canada and China.

"It is pleasing to see so many nations embrace the certification process. This helps to improve the standard of financial advice delivered around the world, leading to better advice outcomes for clients," said FPA CEO Dante De Gori CFP®.

The FPSB expects a similar lift in CFP® professional numbers in 2016. It reports there has been a 50 per cent increase in the number of territories in which CFP® professionals provide advice has doubled in 12 years and the number of CFP® professionals has also doubled across the same timeframe.

The FPSB has set a target of 250,000 CFP® professionals in 40 territories by 2025.

Navigating choppy waters

Q: What's the best way to communicate to clients when markets are volatile?

PETRA CHURCHER AFP®

General manager
IPAC South Australia

Most importantly communicate: get on your front foot and contact your clients before they contact you.

Contact, preferably, is by phone and with an offer of seeing the client if they are still concerned. At times you cannot manage this all at once due to the size of your client base. So an email/mail campaign containing personal messages and articles of interest in relation to the current market volatility should be introduced. This provides instant communication as you work through making phone calls.

Remind your clients of why you have constructed their portfolio and that market volatility is a normal part of market cycles.

Demonstrate to clients their current financial position using tools available to you. Most financial planners should have good modelling tools that can visually demonstrate to a client their current position and provide them with comfort that their long-term plans are not unduly impacted.

Revisit the need for a disciplined approach and help them separate the media hype from reality. Keep communication lines open; be the voice of reason. Always communicate clearly.

If your clients remain concerned, reassess your own risk tolerance process and ensure you are not overlaying your own biases on what the client will realistically tolerate.

If you have lots of clients calling you panicked, look at how much time you spend educating them on their portfolio and market volatility. It's an opportunity for you to learn as well.

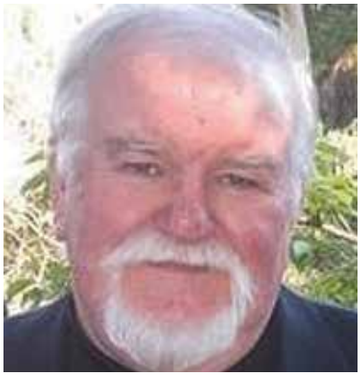
SCOTT BROUWER CFP®

Financial adviser
Prosperum Wealth

The secret is regular communication. We send emails to clients, but not too often because you don't want to panic them. The emails encourage them to get advice if necessary and explain what's going on.

We catch up with our A clients every quarter; so we already have meetings booked with these clients, or have already seen them face-to-face. Even if clients are not ringing, they are likely to be nervous about what's happening in financial markets and reassurance is important.

Most of our clients survived the financial crisis and they know markets rebound. Many clients also own direct investments and what they are concerned about is maintenance of dividends. Basically, our clients are informed about cycles in financial markets and know how to ride them.



GARY JONES AFP®

Financial adviser
Platinum Wealth Bendigo

It's really important to educate the client from day one; irrespective of the type of investor the client is they need to be aware of the natural rise and fall of markets.

Most clients are long-term rather than speculative investors. So from the start we make sure our clients fully understand market volatility and its effect.

It's also essential to educate clients about the benefits of a balanced portfolio, if that relates to their risk profile, and the fact they are not investing for the short-term. If they have a balanced portfolio, one part of it could be rising while another part could be falling.

Even through the financial crisis, although a number of markets fell at the same time, very few of our clients were concerned because they understand it's important to ride out market cycles. So it's about constant education and providing ongoing information to clients.

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

DAVID FRENCH AFP®

Managing director
Capricorn Investment Partners

As an economist and financial analyst I back my advice with research, a university education and experience. However, as I learnt during the financial crisis a sterling track record, an ethical outlook and an open door policy is no defence against client concerns.

Subsequently we recast our financial services guide to tell people exactly what we would do for our fees. We set up formal client meeting schedules and let clients choose how many meetings they wanted over a year (with a minimum of one).

We insisted clients attend meetings and made sure we were prepared ahead of time. We increased some fees and employed a senior administrator. We employed a full time investment expert to make sure all portfolios were constantly reviewed, on a rolling basis. We became serious about quarterly newsletters and got on the front foot with "buy" recommendations when the market was cheap.

Almost overnight concerned telephone calls stopped. Client communication increased; stress levels in the office fell. Client meetings became more productive. Advisers gained confidence, allowing them to push back on clients' state of panic and unreasonable requests. We also resigned some client accounts that became uneconomic.

The data shows markets have become more volatile. There is a place for explanatory letters, but they are often too little too late. Telling clients two or three times a year to, 'hang in there, it's going to be OK', risks being seen as trite. In our view the only long-term solution is to, through technology and business systems, make more time to have direct contact with each client, to understand their concerns, and to devise strategies consistent with their needs and the market conditions we face.

WAYNE BARBER CFP®

Financial planner
Maximum Wealth Strategies

It would be ideal to have clients, as a result of adviser behavioural coaching, display a high degree of resilience to market volatility and an acceptable level of financial literacy.

The message emphasis on market behaviour to clients should be just as robust and timely in both poor and good market performance situations. The variances of the wealth effect clients experience during market fluctuations requires the re-enforcement of a long term realistic expectation while encouraging clients to become comfortable with market volatility.

Consistent client communication is preferable to taking a reactive approach due to market volatility.

Having put in place such a communication process, a number of clients will still require additional attention in down market situations. These clients should be identified before the next event.

As a contact method, email, with pictorial features and a video message would be the first and most efficient option for a practice. It's important to record which clients open messages. Any communication should give a clear 'common language' assessment of the situation, with reference to a long-term strategy.

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

Oriented towards clients

With its own financial services licence and a conservative approach to investing, **SWA Financial Planning** takes a partnership approach to building relationships with clients.

It was a passion for numbers and helping people during the early 1980s recession that led SWA Financial Planning's founding partner Dianne Richardson to start Symes Warne & Associates.

In 2010 the business name changed to SWA Financial Planning to reflect its standing ownership structure and senior management team.

Today, SWA Financial Planning has built a reputation as one of the most respected boutique financial planning firms not only in the Illawarra and Southern Sydney, but also across Australia.

"Our focus is to provide a proactive advice service to our clients with an objective to better their financial position and therefore their life over the long term," says Alison Henderson Certified Financial Planner CFP® Practitioner, SWA Financial Planning.

SWA is known for delivering highly personalised advice solutions that give its clients financial security and peace of mind so they can get on with having a great life.

"Our client-oriented culture ensures we have one of the most stable teams of financial planning professionals in the industry. We also enjoy low turnover in our dedicated support services team. Central to SWA Financial Planning's long-term success is the core values that define who we are," Henderson explains.

SWA has always remained wholly privately owned, which enables it to best represent its clients' interests. The organisation is a Professional Practice Member of the FPA.

> The potential return is not considered until we have a thorough understanding of the risks involved.

Investment philosophy

SWA Financial Planning has a conservative approach to investing. Before recommending any investment the first question it asks is: what can go wrong?

Says Henderson: "The potential return is not considered until we have a thorough understanding of the risks involved."

As it has had its own Australian Financial Services Licence since 1982 it is able to select structures and investments it feels are the most appropriate for its clients. "We represent our clients when making decisions in this regard, and are not beholden to directives from any parent company," she adds,

Client base

SWA Financial Planning's primary focus has always been and will continue to be to provide the highest quality advice and service to its clients. SWA's clients are made up predominantly of pre-retiree and retiree clients, company executives and professionals who are looking for a reliable approach to the management of their finances.

SWA also has a separate multi family office business that focuses on providing a high touch solution, and looks after several very successful high net worth families.

"Looking after our clients' life savings is a responsibility we take very seriously. As an advice-based business, we take great pride in providing the highest quality strategic and investment advice. Our clients value our advice in reducing legislative complexity and implementing strategies to provide outcomes consistent with their objectives in the most cost and tax effective manner," Henderson explains.

"Our business has been built on our relationship with our clients and our reputation for ethical advice with a conservative approach. Becoming a client of SWA Financial Planning is a two way process. It is important for us to ensure the clients we take on share our investment philosophy and conservative approach to the management of their financial lives. Clients chasing high-risk strategies or the latest investment fads will likely not be suited to SWA Financial Planning," she adds,

Software and systems

The business has a relatively flat and closely connected organisational structure, which underscores its client-centric approach to how the business is run.

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Our business has been built on our relationship with our clients and reputation for ethical advice

"We have developed our own industry-leading proprietary software in-house that is integrated across all aspects of our firm and forms the core part of how our office processes and procedures are carried out," says Henderson.

Being part of an industry that faces a constantly changing regulatory landscape, its software and systems are purposefully well-aligned with its people and business model so it can more easily adapt to meet these and other ongoing challenges.

Says Henderson: "We see technology and in particular business information systems as a means to be more efficient and constructive in the delivery of our services. We take the view that our current information systems and processes are in a constant state of evolution and never represent a completely finished product.

"How we go about streamlining our operations in this context has two parts. The first part involves proactively identifying useful external technologies we can introduce, adapt and integrate with our existing business model. Second is making in-house technological improvements a collective effort by promoting a culture of constant innovation and idea creation so all employees collectively work together to pick out inefficiencies that exist within the status quo. If we aren't happy with the way things are done, we change it for the better."

She says the emphasis is on the automation of all the business's administrative tasks, so advisers can focus on adding value to their clients' situation.

People power

The practice has grown its team significantly since 1982. Today, it employs 25 staff within the practice, comprising 50 per cent professional staff and 50 per cent administrative staff.

"Our 10 financial planners have an average of 14 years tenure with SWA Financial Planning. Our clients love the fact SWA Financial Planning has one of the most stable teams of financial planning professionals and support staff in the industry. Our financial planners and all hold degrees and are professionally qualified," Henderson notes.

Looking after our clients' life savings is a responsibility we take very seriously.

A unique trait of SWA's professional financial planning staff is that they have all been trained and gained their experience within the organisation, usually straight after completion, or during completion, of their relevant university degree.

"We invest a lot in educating our staff, developing their personal skills and keeping our staff engaged with our clients and our business, and this is reflected in our low staff turnover rate," she says.

Overcoming challenges

The main challenges that SWA and its clients face in the coming years is uncertainty around regulatory changes and the likelihood of continued ongoing market volatility and potentially lower investment returns into the future.

"With some of the most educated advisers in the country, we ensure we are always on top of any potential regulatory changes, especially with regards to superannuation. We proactively communicate with our clients so they are best positioned for any potential changes," Henderson explains.

"We use our in-house investing expertise and access to best-of-breed external research to ensure our clients' portfolios can not only weather the volatility, they can also take advantage of ongoing market volatility," she adds.

Henderson says a number of clients are wary of taking the initial steps to seek financial advice as they do not know who to trust.

"As we are Wollongong's longest standing, privately owned financial planning practice with a 33-year track record, demand for our services continues to be very strong. Most new clients seek our advice as they have been referred by colleagues, friends and family, or are looking for an alternative to the institutionally aligned financial advice they are currently receiving."

Alison Henderson CFP®, SWA Financial Planning

Focus on the positives

For Henderson, the best aspects of the business are its clients, staff and a positive team culture.

She says the five aspects of SWA Financial Planning clients value the most, based on feedback, are:

1. Its national reputation for great financial advice and services.
2. Its position as a successful professional practice embedded in its local community.
3. The longevity of the advice services clients have received since 1982 and continue to receive.
4. The nature of its business, focused on ethics and long-term relationships with our clients.
5. Its proven and conservative successful investing track record.

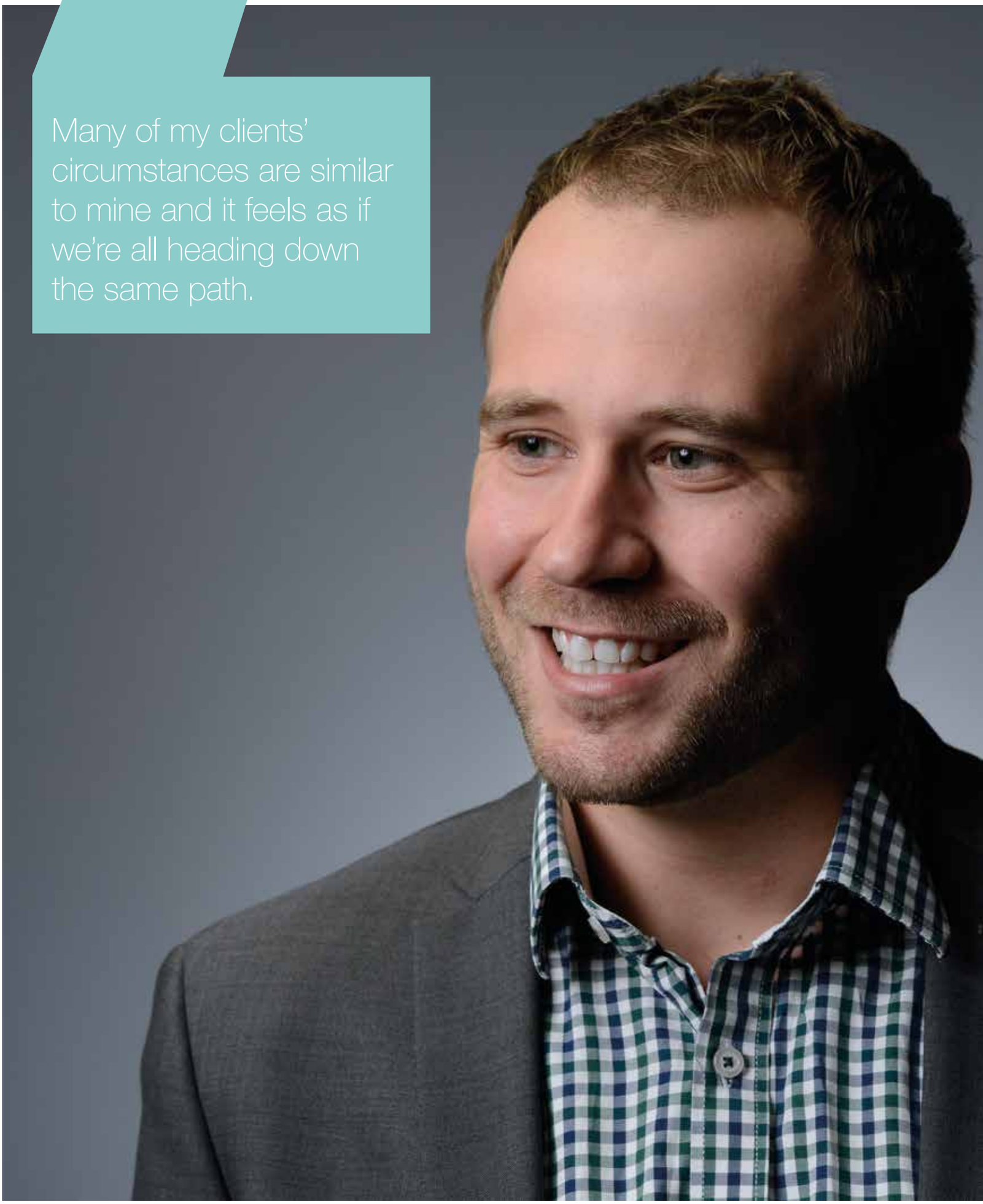
> Our emphasis is the automation of all our administrative tasks, so our advisers can focus more on adding value to their client's situation.

"A challenge we faced in recent times has been accommodating growth from a staffing, process and systems perspective. We have invested significant amounts in each and we are now in a position that we have strong capacity to absorb expected strong future growth in similar successful clients," Henderson says.

"SWA remains focused on delivering great service to our clients. We believe that by consistently doing this our growth will look after itself. We want to stay boutique and offer a highly personalised service, so our future growth will always be moderate and controlled to take this into account."

As for Henderson's advice for other planners thinking about making the most of their practice, she says: surround yourself with a great team that shares strong ethical values and a passion for continuous improvement. "Invest in IT systems and processes, and then spend your time helping clients you love working with."

It seems like simple advice, but only a practice with longevity and such a robust reputation can achieve the successes SWA Financial Planning has.



Many of my clients' circumstances are similar to mine and it feels as if we're all heading down the same path.

Providing advice to Generations X and Y

John Molnar AFP®, the recipient of the 2015 FPA Financial Planner AFP® of the Year Award, explains his approach to financial planning and outlines the case study that led to his award, writes **Alexandra Cain**.

Many financial planners are only now starting to see Generation Y clients develop an interest in their financial future. These clients have very different needs to clients of previous generations. As such, it is important financial advisers consider their particular financial requirements given their existing assets and time to retirement.

John Molnar is the recipient of the 2015 FPA Financial Planner AFP® of the Year Award. Molnar's client base is diverse but he specialises in helping younger clients from Generations X and Y. "This is where my passion lies," he says

"But my client base consists of white collar professionals, blue collar workers, young families and fly-in-fly-out mining workers. They all have different lifestyle and financial goals they are trying to achieve."

He explains many financial planning concepts are new to his Gen X and Y clients, so the focus is on educating them.

"I gain a lot of satisfaction as I can see their financial knowledge and skill set develop over time. It is really fulfilling to see my clients thrive and achieve the goals they set themselves, both personally and financially. I'm 29 and many of my clients' circumstances are similar to mine and it feels as if we're all heading down the same path."

Molnar says his main area of advice is lifestyle financial planning. "I work with my clients to create life enriching opportunities, helping them live successfully today with the confidence they are prepared for tomorrow. Within this area I specialise in budgeting and cash flow, investment planning, gearing, insurance and protection, estate planning and family legacy planning."

Estate planning is a particular area of interest and was Molnar's final topic of the Graduate Diploma in Financial Planning.

"This topic really helped me develop my knowledge base on estate planning as it focused on complex examples and strategies to ensure desired outcomes," he says.

Working with clients

Reflecting on the case study that led to his award, he notes that when the client first came to him he was the third adviser they had dealt with.

"They really had a sceptical and hesitant demeanour and a once bitten, twice shy mentality. When I delved into their situation I was shocked to see the quality of advice they had received over the years and I felt embarrassed that financial planners within our profession acted in such a way."

The clients, John and Jane Smith*, were set up with several high commission forestry and almond project investments, most of which had since collapsed.

"They had high non-deductible debt levels and even a margin loan, which was not being serviced. Overall they had received little to no guidance or education and they had no idea what path they were heading down," says Molnar.

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"After realising what they had gone through I made it my mission to get them back on track and provide them with a comprehensive advice service, to hopefully gain their confidence as a representative within the financial planning profession," he adds.

Through his advice he was able to help John and Jane formulate their goals, which included reducing their debt levels and allowing them the opportunity to build their assets over time for education funding and retirement.

"I was also able to illustrate to John and Jane just how much risk they were taking on through their existing arrangements. They had a large amount of non-deductible debt and no structured plan towards repaying it. They hadn't paid any attention to their superannuation and investment assets, with a margin loan behind the scenes."

John and Jane had a number of loans in place but no real plan on how to manage this debt.

"As a result I built a debt reduction strategy to provide them with the clarity and confidence they needed. Initially I reviewed their overall level of debt to quantify whether they had over extended themselves. Fortunately they hadn't and their debt levels were manageable," says Molnar.

"From there I helped them identify and separate their non-deductible, bad debt from their deductible debt; good debt. By doing so we were able to distinguish which loans needed to be repaid first and which loans provided them with good tax deductions," he explains.

Finally Molnar implemented a repayment plan so they knew exactly how long it would take to repay their existing loans.

"John and Jane were both earning good money, however they didn't have a clear picture of their spending habits and they weren't actively tracking their spending. Through careful planning John and Jane were able to free up a healthy amount of surplus cash flow, which we allocated towards actively investing and repaying debt," he says.

John and Jane now track their budget and are building good habits in terms of their spending. Most importantly they are aware of where their money is going, which has reduced their stress levels.

Like many younger clients, John and Jane knew they had to build wealth but had no certainty around how they could fund their children's secondary education and how they could take family holidays every so often. Goals-based investing was a perfect solution to accommodate this, says Molnar.

"I was able to identify important goals that John and Jane wanted to achieve. After that we looked at investment solutions that were targeted at meeting those particular goals."

John and Jane also had a margin loan in place. Fortunately their loan-to-value ratio was at a very conservative level and they had back up funds available to prevent having to sell in the event of a margin call.

"Education is such an important component to the adviser-client relationship, so I spent a lot of time teaching John and Jane about their gearing strategy to ensure they were well informed and were confident enough to make a decision on whether to keep this strategy in place."

Through the advice John and Jane have formulated their goals and are working towards achieving them. In addition they now have a sense of direction and feel empowered.

Best interests

Molnar says he undertakes seven steps to ensure he is always acting in his clients' best interest.

First, he discovers the reasons why his client is seeking advice, exploring what they want to achieve and what outcomes they are seeking. This builds the foundation of his advice and will assist in understanding their situation.

"Next I identify the subject matter of what my advice will cover. I assist my clients to convert their initial instructions into specific and measurable goals. By doing so I am able to make enquiries into their personal circumstances and can then identify the scope of advice to be provided," he says

Subsequently, he takes reasonable steps to ensure the information he has gathered is accurate and complete, this will ensure the advice he provides is appropriate.

Says Molnar: "I then assess whether I have the training, accreditation and expertise to provide my clients with the advice on the subject matter sought. If not I am unable to act in my

> I need to ensure the strategies I have considered will place my clients in a better financial position.

clients' best interest and will need to refer them to another financial planners within our organisation."

After that he formulates his strategy and takes into account his clients' goals and what they want to achieve. "If required, I will investigate and assess whether a suitable financial product is necessary to meet those goals. It is imperative I use my professional judgement throughout the process to ensure I have acted in my clients' best interests and have taken into account their personal circumstances. In addition I need to ensure the strategies I have considered will place my clients in a better financial position."

Molnar's next step is to exercise judgement and take any other steps at the time the advice is provided that would reasonably be regarded as being in his clients' best interests. This includes taking additional measures to ensure vulnerable clients make informed decisions and that they understand the implications of his recommendations.

"In my initial discovery meeting I start with open ended questions to understand my client's rationale, emotional needs and raw concerns. These questions may include, 'what was your motivation to see a financial planner', or 'what are you trying to achieve?' Throughout the meeting I am capturing this information via a detailed fact find."

He also provides a Financial Services Guide and explains this document in detail, including his licensee details, what he can and can't give advice on, the privacy and complaints policy and the fees he charges.

"This is also an opportunity for my client to get to know the organisation and consider whether they want to be involved and proceed to the next stage.

Following the initial meeting I review my fact finding information and prepare a formal advice document," says Molnar.

"At the next meeting I present my Statement of Advice and explain the specific recommendations, such as what strategies to adopt, what products and investments to use, the benefits and risks of the advice, the costs associated and how the strategy and products relate back to achieving their goals and objectives.

Once my clients are comfortable with the advice provided I then organise to implement the strategy and any associated products. I try to make this process as simple as possible," he adds.

The final stage is the ongoing advice program and review process. "This ensures the plan I put in place for my clients is reviewed regularly so it remains relevant, appropriate and continues to meet their goals and objectives."

"My clients' situation, the level of complexity involved and their expectations dictate the service level they require. As circumstances may arise that could impact on my clients' financial and lifestyle goals I am always available for ad hoc meetings as required," says Molnar.

*Names have been changed

Through careful planning John and Jane were able to free up surplus cash flow, which we allocated towards investing and repaying debt.

The real future of financial advice

Financial planners' work will be completely transformed by emerging technologies that streamline the delivery of advice and put clients front and centre, writes **Alexandra Cain**.

This is what financial advice could look like in 2030. A client walks into their financial planner's office for a regular review meeting. The planner has a 360-degree view of the client's real time financial position, built on rich data including multiple risk profiles, lifestyle goals, existing investments and psychological profiling.

The client tells their financial planner she wants to go on a round-the-world trip in five years time when she retires and wants to know the long-term financial consequences of making that decision. The planner will immediately be able to model how spending the money will affect the client's retirement savings.

Even better, the planner will be able to pull up graphs and charts as holograms and literally immerse client in the data, bringing it to life and modelling different scenarios instantly. The result is a much more informed client, able to make better choices about wealth management.

Indeed, as Ross Dawson, noted 'futurist' and founding chairman of publishing and ventures firm Advanced Human Technologies

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points out, at its core financial advice is all about helping people to make better decisions.

"It's a knowledge-based relationship; it's not the outsourcing of decision-making," says Dawson.

There has been much debate about the impact robo advice – algorithms that make portfolio recommendations based on a simple set of inputs such as time to retirement and existing superannuation savings – will have on the financial planning profession. The technology is in its infancy.

But while Dawson acknowledges the present incarnation of robo advice is crude, and only applicable to a small number of people, he believes that will change.

"In every domain we are seeing a combination of automation and human expertise emerge. It means every human role will be about using technology, which changes the role of the adviser, but it doesn't make them redundant," says Dawson.

"There are three areas where humans transcend machines: in our ability to draw on deep expertise, our capacity to form and maintain relationships and in our creative potential. The best financial planners have these three traits, in being able to conceptualise different ways to think about the clients' financial affairs," he says. Combining these attributes with technology improves the ability to deliver advice.

But it's not only robo advice that will change the financial planning profession. Dawson sees a role for virtual reality in helping clients understand charts and graphical representations of their financial future. "You will be able to be immersed inside your data, which will help you grasp and understand your financial issues," says Dawson, a former stock broker.

"There will come a point where using virtual reality we will be able to actually see our financial future and the consequences of our decisions," he adds.

It's not just planner-specific tools that will transform advisers' working lives; standard business tools are also evolving to streamline their operations. For instance, Dawson says we will become much more accustomed to using virtual assistants and voice interfaces such as the Siri functionality on the iPhone. This technology allows users to ask a question, or set it a simple task such as opening and reading emails. These tools will become more sophisticated and will encompass eye gaze tracking and gesture tracking as data inputs.

Nikhil Sreedhar, ProAdviser

"We have used a mouse and a keyboard for decades, but there are much better ways to help us make sense of the information around us," says Dawson. He argues it is important financial planners don't see this as a threat: these are just tools to support them in their work to help clients make better financial decisions.

Nikhil Sreedhar is the founder and CEO of ProAdviser, a marketplace that connects consumers with financial professionals. He describes his business as the Uber of financial advice. He is an advocate for change in the sector, with strong views about the future of financial advice.

"Looking beyond five years, I think there is an opportunity to use virtual reality to deliver advice. It's the just the natural progression from video conferencing apps such as Skype and Suitebox," says Sreedhar.

The blockchain **revolution**

Another piece of technology that will impact financial planners' work in the background is called blockchain. It's the technology that sits behind the digital currency bitcoin and it offers tremendous advantages when it comes to tasks such as verifying transactions.

Blockchain, also known as distributed ledger technology, has the potential to transform post-trade ecosystems in share and other markets, and improve efficiency while at the same time reducing errors, risks and costs.

Modernising the post-trade infrastructure of financial markets will slash settlement times – share trades are likely to be settled in real time as a result – and improve market efficiencies. Blockchain also makes it much easier to verify who owns an asset, increasing market integrity.

"Clients could get a higher touch experience, for a lower cost. Google already makes a cheap cardboard box where you can place your phone and experience virtual reality applications. I think in the coming years clients and advisers will use virtual reality to communicate. Each party will place their smart phones into a virtual reality device and start communicating as they normally would," he explains.

The client will benefit from a face-to-face experience, as well as from convenience and lower cost, especially when coupled with robo advice. Financial planners benefit from heightened convenience and the ability to service more clients.

Advisers are still central to the process … and the shift will be about advice delivered on clients' terms.

Says Sreedhar: "beyond 20 years, we think artificial intelligence will dominate every industry including financial services."

He believes these technologies could improve client relationships. "Let's say a customer is travelling around Europe. The virtual reality advice meeting could be programmed to occur in a French cafe. Some advisers may see this as being a gimmick, but clients will value it."

Couple virtual reality with robo advice and a lower-cost business model is likely emerge, says Sreedhar. "Robo advice software prepares the strategy and a virtual reality meeting is scheduled to

Marianne Perkovic, Commonwealth Bank

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Data aggregation and a 'one source of truth' approach is already happening in the US and it will happen here.

deliver it to the client." There's no need for the financial planner to leave the office or spend time preparing statements of advice, freeing up his time to find new clients or better service existing ones.

In the same way Dawson stresses planners will always have a role and technology such as robo advice is just an enabler, Marianne Perkovic, executive general manager, wealth management advice, Commonwealth Bank, says the debate has moved on from robotic advice to bionic advice. This is a nod to the notion of the need to combine human insights with technology to get the best outcome for clients.

"Advisers are still central to the process … and the shift will be about advice delivered on clients' terms," she says.

Perkovic says rather than the situation at the moment where it can take months for a planner to deliver advice, in the future advice execution will take just days. Algorithms and technology will automate fact finding and analysis of client data. The process will take into account clients' personalities and how they accept risk, to determine their investment requirements.

"Technology will evolve to be able to handle more complex needs;

Harry Chemay, Clover

the robotics will be a back office process and advisers will focus on the client relationship rather than on compliance and administration," says Perkovic.

But she says technologies such as artificial intelligence will have to evolve substantially before they are incorporated into the delivery of advice. "Customers want to engage with a person."

Instead, Perkovic says the industry will move towards 'rules-based programming.' This is a technique that involves a planner putting together a set of rules by which to assess information, perhaps in an algorithm or piece of software, which then applies the rules the planner has developed.

An example might be a set of rules by which to consolidate a number of super funds a client has. Once the rules are in place, the algorithm will be able to automatically aggregate a client's disparate super accounts, as long as it has data such as the name of the funds, the amounts being combined and the fund into which all the money will be funnelled. There should be no need for the adviser's involvement once the rules are in place and as long as the algorithm has the information it needs.

For CBA, the shifts that will take place in the advice arena should mean more people end up seeking advice, which is a great outcome.

Harry Chemay, CEO of Clover, an automated advice platform, says the real breakthrough that's occurring at the moment involves more efficient movement of data from the client to the adviser. "Providing technology can meet privacy requirements, we will be able to very quickly aggregate information about a client's financial life," he explains.

This will then allow much better use of predictive analysis based on this data. This analysis will encompass information like the client's education and residential address, allowing the planner to predict future income and even health status, to provide advice that is much more personalised.

"Data aggregation and a 'one source of truth' approach is already happening in the US and it will happen here," says Chemay, adding that the predictive power of this is enormous.

He's not convinced virtual reality and other futuristic tools will become mainstream in financial advice. But he can see a time when gamification becomes more prevalent. This involves the use of game theory – such as win-win/win-lose/lose-lose scenarios – to improve financial advice outcomes.

Says Chemay: "What we are seeing is really positive for financial advice. We must embrace these technologies and not see them as a threat because the potential economic rewards are massive."

The power of platforms

One of the most important advice tools, platforms are responding to the needs of financial planners and their clients. **Alexandra Cain** reports.

Dynamics within the financial advice realm are changing. The only constant in modern equities markets is ongoing volatility, and returns from many other asset classes remain below average. Against this backdrop there is a massive cohort of people, largely baby boomers, who have recently retired or who are about to retire, who are all thinking about their financial future.

Research bears this out. According to Australian Bureau of Statistics' (ABS) figures from December 2015, the proportion of older people is expected to increase from 13.5 per cent of the population in 2010 to 22.7 per cent of the total population by 2050.

This research also shows almost one in five Australians older than 45 plan to retire from the labour force at 70 years or older. Many of these people will choose to work part-time rather than full time.

Half of the 3.7 million people surveyed for this research indicated their retirement will be self-funded. But ABS data shows this is reality for fewer than a fifth of those surveyed, indicating a big gap between what's really happening and consumer expectations.

Advisers, platforms and product developers are well aware of these shifting sands. In fact, it was the focus of a recent roundtable sponsored by Colonial First State and hosted by *Financial Planning* magazine. Here, we explore the main focus of the discussion.

***Financial Planning*: How do you think the financial advice sector needs to change to incorporate the shifts that are going on?**

Scott Durbin, general manager strategy, Colonial First State: The wave of baby boomers retiring has started and will continue for close to two decades. This should prompt us to think even further about the needs of retirees. They have been well served by advice and platforms to date. There is now an opportunity to enhance the solutions even further and look at more sophisticated ways to meet their needs.

We're looking at some of the specific risk issues facing retirees as people are living longer, in particular sequencing risk and longevity risk. We did some research with EY on how we might combine products to optimise client portfolios. We found a combination of an allocated pension and life or deferred annuities delivered the best result in terms of managing longevity risk, without undermining the shorter term returns or the income needs of the retiree.

FP: George, you're in the annuities space, what's changing in your area?

George Lytas, head of annuities at CommInsure: So, we're seeing a renewed interest in annuities, and it's coming from advisers. Their clients have lived through the financial crisis, they've seen reductions in some capital values of their account-based pensions and so they are looking for ways to smooth the path to retirement. Annuities are one of the few strategies advisers can use to maximise social security as well.

Our research shows an allocation of about 25 per cent can lead to

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Participants

Nicky Boustred AFP®, Nixon Boustred Advisory

Ben Marshan CFP®, FPA

Jim Fenwicke CFP®, Fenwicke Financial

Louise Lakomy CFP®, Crystal Wealth Partners

Scott Durbin, Colonial First State

George Lytas, CommInsure

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FIND BIG OPPORTUNITIES IN SMALL PLACES

the INVESTMENT SPECIALIST series #11

Over the last 12 months, we've seen increased volatility across global markets. Interest rate decisions from the US Federal Reserve and concerns over weakness in China have contributed to uncertainty among investors. Amidst all these challenges, you and your clients may be wondering where the new opportunities for growth could come from.

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WORKING TOGETHER

Colonial First State

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more optimal retirement outcomes, because you're balancing liquidity with certainty of income. Lifetime annuities have also adapted. Now we have death benefit guarantees that protect the estate so if you die early we'll pay out some of the capital value.

FP: Nicky, what's your perspective?

Nicky Boustred AFP®, principal, Nixon Boustred Advisory: With changes in pension rules from 1 January people who have saved $800,000 in assets will be in a worse position. Having the annuity as an option, especially if it's accessible on a platform where you can integrate it with broader asset allocation, could be useful to provide more income certainty.

FP: Jim, how could annuities fit into a client's portfolio?

Jim Fenwicke CFP®, director, Fenwicke Financial: Having access to research that convinces planners that having annuities in the product mix improves outcomes is important. A lot of planners understand the option to include annuities is there; but there are concerns about returns. There's also misunderstanding about what happens when you die early when you own an annuity. I think they'll become a greater part of the investment solution for retirees but some work needs to be done in the adviser area and in the client area as well.

FP: Louise, do you have clients that use annuities?

Louise Lakomy CFP®, director, Crystal Wealth Partners: For the most part our clients are self-insured. So they're drawing less than what they need to live on so there isn't that income need or that uncertainty as much. I definitely see there's more of a need for clients with smaller balances where the capital's depreciating and clients are concerned their money won't last. There's an opportunity for clients with balances of $500,000 or below to protect some of their money.

FP: Ben, has the FPA done any work from a policy perspective around annuities?

Ben Marshan CFP®, professional standards and advocacy manager, FPA: The FPA's view is that every client has different needs. So it's beneficial for planners to have as many tools available as possible. So having annuities there is positive for planners. But clients, especially those nearing retirement, often look for simplicity. And having a number of different products that are all paying income can sometimes be confusing. So simplifying the payment of income needs to be taken into account.

FP: Scott, what do you think about that?

Scott Durbin, Colonial First State: That's consistent with our view of where platforms need to go; we need to provide a toolkit of options that support the strategies planners are using. Our objective with FirstChoice and FirstWrap is to offer a range of options including annuities to help better manage longevity and sequencing risk, and to make it simpler for advisers and their clients with a single view, a single account.

The points raised so far today really highlight the value of advice, especially because no two retirees are the same, and advisers need different solutions to optimise the outcome.

As well as optimising the portfolio, behavioural considerations are also really important; clients need to understand the solution. Advice is one of the best ways to help retirees understand and be comfortable with the solution.

FP: George, how you can give clients more comfort around annuities?

George Lytas, CommInsure: I agree lifetime annuities must be customised to the client's situation, which is why we've built optionality into our lifetime annuities. You can set a timeframe during which income is guaranteed should either spouse pass away.

A risk is if both husband and wife die in the first year of the annuity. So at CommInsure we've built in a death benefit guarantee that reduces on a linear basis from 100 per cent to zero during the guaranteed period. So if you die the first day you enter into an annuity, gone are the days where you get zero. We'll pay out 100 per cent of what you put in. So they are a lot more flexible than they have been in the past.

FP: Allocated pensions are another important tool for advisers and clients. How are they changing as demographics change?

Scott Durbin, Colonial First State: Some of the things we're doing with allocated pensions are providing more and different options, for instance, options which focus on income needs and others that manage volatility to help manage sequencing risk. We also offer simpler, lower cost options. So it's really about creating choice, whether it's inside an allocated pension or offering multiple products together on platforms. Term deposits are another example

Louise Lakomy CFP®, Crystal Wealth Partners

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of options we've made available through the platforms. So, it's really about creating choice.

FP: Nicky, from the planner's perspective, what are you seeing clients want to do around allocated pensions?

Nicky Boustred, Nixon Boustred Advisory: Well, for retirees there's a shortage of income-generating products, specifically on the defensive side of the portfolio with fixed income products. When we look at industry superfunds there's quite often a large allocation into direct property and infrastructure, which is not as highly correlated to the equity market as listed property trusts, for instance. We can't get access to that type of product on platforms. So we're hoping there's some innovation around that.

FP: Ben, what work is the FPA doing on this?

Ben Marshan, FPA: One of the things we often find is clients have a bias towards high income-producing assets, or assets that reduce volatility in their portfolios or assets that provide growth. Planners need to think about the actual outcome of the portfolio they are building in meeting the client's needs, objectives and goals. Platforms might be able to look at developing tools that help planners conceptualise the outcomes you might expect from a portfolio they put together for their client.

I think there is a cult of the allocated pension as well. Yes, it's a zero tax environment and they do provide certainty around income. But where a client doesn't need as much income, or tax is becoming an issue, there is scope for planners to split up clients' funds a little bit more using accumulation super as well. Sometimes planners thinking a bit more outside the box can benefit different clients.

FP: What's your perspective, Scott?

Scott Durbin, Colonial First State: We're seeing some very significant differences in when people are retiring as well. Based on ABS data and our analysis 56 per cent of those aged over 65 work part time. So people are taking longer to transition out of the workforce and how planning strategies and platforms respond to this will be important.

Just coming back to Ben's point, it's one thing to have the toolset available, but we need to help planners use it effectively. Some of the research we did with EY was to try to work out what's an optimal allocation to annuities. We found there's no one answer, so providing tools to planners to customise portfolios for the individual is really important and an ongoing focus of Colonial First State.

FP: A common question advisers face is how much allocation should people have to growth products, especially as they near retirement. We often hear retirees and pre-retirees can't leave all their money in low return products because their money won't last. So what's the right approach to make sure clients do have some allocation to growth, but don't put too much of their funds at risk?

Scott Durbin, Colonial First State: There are two components to that. The first one is quality advice and helping clients understand how their portfolio is impacted when markets go up and down. We see this helps retirees stay on plan through volatile markets.

Secondly, products with a managed risk overlay can help. We have seen through this period of market volatility those products have worked well to smooth out that experience and we know that has provided comfort to customers who have accessed those products. A combination of product solutions combined with quality advice is a good mechanism to manage the risks retirees face.

Ben Marshan CFP®, FPA

Jim Fenwicke, Fenwicke Financial: It's about explaining the trade-offs to clients. There's no a magic product that will deliver lots of income and growth, guaranteed. In the advice stage it's important to sit down and say: 'These are your trade-offs. What concerns you most? Is it longevity? Is it nursing home issues later in life? Is it providing for someone else in the family as well as yourself?' It's important to clearly explain to clients what the parameters are and find out what they want to prioritise as their goals and then fit the investment solution around that.

Louise Lakomy, Crystal Wealth Partners: At the end of the day you can't take the emotion out of the client. I have clients who are 100 per cent defensive; it doesn't matter what you say to them, they will never be out of that position and that's their comfort zone. If inflation strips some of their money so be it, they've got enough to survive. Really, they want to protect what they have for the next generation, regardless of what the return is on that money.

FP: Have you got a wish list of things for platforms?

Louise Lakomy, Crystal Wealth Partners: From my perspective it's the back end. Over the past 10 years compliance has become quite onerous on advisers. There's a lot of talking about robo advice, not necessarily having the robot in front of the client but having those solutions that mean that we can spend more time with clients. So it's about, for instance, being able to access all the term deposits in one area. It's about diversification and having an efficient process from start to finish.

FP: Is that ongoing work for you, Scott?

Scott Durbin, Colonial First State: Yes it is. As well as trying to create that comprehensive retirement toolkit, we see our role is very much about trying to drive efficiencies in the back end. That's what we're being asked for. It's very clear that's our role, to make things much more efficient.

We're focused on better interactivity; better integration with planning software so planners can choose how they manage their client's portfolio and interact with us.

We're continually working on our online tools as well. We're improving reporting, to make review time more efficient. That's an area where we get a lot of feedback and certainly one of the areas of focus is enhancing those client reports and making them better aligned to the way that advisers are talking to their clients so they don't have to then go and use Excel spreadsheets and cobble things together. They're two focus areas for us over the next 12 months.

FP: What about you Nicky? What would you like?

Nicky Boustred, Nixon Boustred Advisory: Product diversity. I'd love to be able to just use one platform and, as Louise said, find all the term deposits there, at reasonably competitive rates. I want a one-stop shop, as well as useful online tools for the client to access.

FP: Jim, what's your laundry list of great things that platforms could do for you?

Jim Fenwicke, Fenwicke Financial: I think most of the platforms are doing a reasonable job in terms of the array of investment opportunities. But I keep coming back to costs. When you sit down and flick to the last page of the SOA with the client, and if you do allocate your portfolios to managed funds, by the time you've got your fee, the MER and then the platform fee, a lot of the time that causes issues for clients. And all of us, in each of those segments, are under pressure to keep driving costs down.

FP: What about you Ben? Have you got a wish list for platforms?

From the perspective of the

Scott Durbin, CFS

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outcome for clients, making sure planners are delivering portfolios to meet the client's need is something we would be encouraging platforms to look at. How much volatility is the portfolio creating, how much income is the portfolio creating? Is that aligning with what the client needs?

We were talking earlier about the value of advice and robo advice was mentioned. I think one of the other things planners can do to assist their clients is taking profits off the table when conditions are good. Building up a nice bank of funds for the client for rockier periods is something to consider, so clients don't have to touch more volatile assets over time. Robo products can sometimes be a little better at taking the emotion out of rebalancing portfolios and managing the risk profile of the portfolio.

Louise Lakomy, Crystal Wealth Partners: It also depends how the adviser designs the portfolio in the first place. Many of our clients have direct shares, so we do take profits off the table. But if you've got a defensive client who's got a fund manager doing that for you, that's what you're paying them to do. Advisers who choose to use fund managers are outsourcing taking of profits and that functionality. So I really think it's the way different adviser businesses construct their portfolios.

FP: We're coming to the end of our session. So I want to go around the table and see if anyone has any final comments about how the entire industry can better work together for the benefit of clients. George, would you like to start?

George Lytas, CommInsure: From an overarching retirement perspective and addressing longevity risk and the style of solutions that are out there, a key focus for our industry has to be, and we've worked with Treasury on that, around deferred lifetime annuities. It's another style of product a planner can use. Some tax impediments preclude us from launching that style of product. I think that has to be a focus for the government and Treasury going forward.

The other element is the planning tools that integrate social security, account based pensions, annuities and equities to really optimise the income and retirement needs for retirees.

FP: Nicky, any final thoughts?

Nicky Boustred, Nixon Boustred Advisory: The biggest thing is getting the client education message out. There's so much that happens all the time, for instance the changes in annuities. Being able to communicate that to clients in a simple way and working with the platforms and advisers to come up with the messages we can send out to clients is important. With education, clients will become more open to different products.

FP: What do you think Scott?

Scott Durbin, Colonial First State: For us it's to continue to work really closely with advisers to understand customer needs and keeping their financial wellbeing at the centre of what we're doing; that will put us in a great position.

FP: How about you, Jim?

Jim Fenwicke, director, Fenwicke Financial: A positive is the change in the financial planning industry so that it's now a profession. It means more planners are having better conversations with clients about what they actually want and tailoring advice to them.

FP: Ben, any final words?

Ben Marshan, FPA: Our view is advice changes lives. Advice helps give people certainty and that's what people are looking for, particularly in retirement. The more planners can engage with their clients, understand and help educate them, and change strategies as the client's circumstances change the better. This will help people to live with more certainty for longer periods of time, which is critical as the population starts to age more.

Our message is more advice, more planners and more good conversations with clients to help educate them and improve their lives.

FP: Louise what's your perspective?

Louise Lakomy, Crystal Wealth Partners: I agree that we're now a profession and that product providers can, in the future, continue to assist us to make our businesses much more efficient. Because as an adviser I want to spend 80 per cent to 100 per cent of my time in front of clients, educating them, giving them good value for advice. Robo advice is going to help us on the efficiency side to be able to have more conversations with clients, which is a great thing.

Scott Durbin, Colonial First State: On robo advice, we're starting to hear and use the term bionic advice, which is a combination of technology and financial advisers, as opposed to this idea of just a robot. It's actually supplementing the great work that planners do with technology. So the future for our industry is incredibly positive.

Partnership prioritises women's financial wellbeing

The FPA and 10thousand Girl have come together in a series of events designed to improve money skills among women.

10thousand Girl is a not-for-profit social enterprise designed to improve the financial wellbeing of women and families across Australia. Created in 2009, 10thousandgirl runs educational programs aimed at improving the financial literacy and economic health of women, particularly in regional areas.

Last year, the FPA announced support for 10thousand Girl on its 2015-17 Regional Women's Financial Literacy project, which includes 16 regional workshops, 12 webinars and a downloadable toolkit with resources for women living in regional communities.

The workshops help participants document life goals and priorities. Women are assisted in completing a personal financial review and investment plan, including a spending plan, balance sheet, debt review, insurance audit and superannuation audit.

The FPA's commitment to the project consists of subsidising 20 FPA members to participate in the regional workshops, where they share their financial skills and expertise with female participants. All participants will complete a personal financial review, and FPA members discuss investing principles and participate in a Q&A session as part of a panel of financial service professionals.

In return, participating FPA members will be designated as a 10thousandgirl 'trusted adviser'.

Knowledge is power: participants at the Geelong event receiving practical advice on how small changes can make a big difference

Our goal is to provide women with the tools to become financially empowered.

Zoe Lamont giving a workshop overview to 50 women at Simonds Stadium, Geelong in October

They will be listed in the online directory of Australia's top 100 trusted advisers for women, and will be actively promoted in a variety of ways via 10thousandgirl's network.

10thousandgirl CEO Zoe Lamont said the partnership would enable workshop and webinar attendees to connect with financial planners in their towns. "Our goal is to provide women with the tools to become financially empowered. This includes being debt free, actively investing and having sufficient insurance and superannuation. For some women, getting professional advice will play a role in this.

"We get so caught up in doing things for others, managing work, homes and families, that we don't always take the time to sit down and do a budget, review insurances or our superannuation. Our workshops are designed to give women space, time and support to do just that."

According to a survey conducted by 10thousand Girl, Aussie women are becoming more strategic when managing their finances, however many find they need more discipline, knowledge and skills to achieve their goals.

The research reveals that while 63 per cent of those surveyed said they set financial goals for the new year, 60 per cent admitted they don't actually create a budget for achieving them. Almost two thirds said they needed more discipline, 43 per cent said they need more knowledge and 42 per cent said they need more skills.

Less than a year into the project, the 10thousand Girl program has already run eight workshops in regional areas around Australia, with another eight planned for the remainder of 2016 and 2017. The workshops have been well received by delegates and have been covered in multiple local media channels such as the *Hobart Mercury*, *Geelong Independent* and the *Orange Western Daily*.

To find out more visit the FPA website: www.fpa.com.au

FPA members on top of the world

Four financial planners recently climbed Kilimanjaro, raising funds for disadvantaged young Australians.

The team on the journey

Four of the FPA's most adventurous members recently returned from climbing Kilimanjaro as a personal challenge. They also raised funds to help empower disadvantaged young Australians through the FPA's charitable foundation, Future2.

With an initial fundraising target of $16,000, they were able to substantially beat that goal, raising almost $40,000 for the foundation.

Julie Berry CFP® from Berry Financial Services; Anne and David Graham CFP® from McPhail HLB Financial Planning; and Sam Hunt CFP® from Warr Hunt are the four intrepid travellers that made the expedition.

It's only thanks to the help of people like Julie, Anne, David and Sam that Future2 can make grants to community not-for-profit organisations across Australia, funding diverse programs that give kids that deserve a chance hope for a better future.

Future2 has so far committed grants totalling $613,000 since 2007, with the amount it has awarded in grants increasing every year.

The funds raised by the Future2 Kilimanjaro Challenge were earmarked for four organisations that received grants in 2014:

- BackTrack Youth Works, Armidale NSW.
- Bridge Builders Youth. Organisation, Lilydale VIC.
- Women's Health & Family Services, Northbridge WA.
- Palngun Wurnangat Association, Wadeye NT.

Future2 ran the fundraising challenge in partnership with Inspired Adventures (IA), a specialist fundraising and travel company. The Future2 team of four was accompanied on the 12-day trip by a team leader/doctor, Jane Taylor, from IA.

The group left Melbourne on 17 February and arrived in Tanzania the following day. They started their trek up the north-eastern side of the mountain at Rongai Gate, near the Tanzania-Kenya border. They made their way through lush farmland and then onto pine forest, making a gradual ascent to moorland.

They spent seven days on the mountain: five days up and two days to descend. At midnight on 24 February they awoke to begin the summit trek under the stars, navigating a narrow switchback trail by torchlight and climbing to 5,686 metres, the most difficult part of the journey, to see the sun rise over Mawenzi.

On reaching Uhuru Peak, the highest point at 5,895 metres, they spent only a short time there due to the freezing winds reaching -minus 13 degrees Celsius! before starting the descent to Kibo and Horombo camp for a well-earned night's rest. The final day, 25 February, took them back to Arusha and a well-deserved hot shower at the hotel.

Julie Berry says for her, one of the special aspects of the trip was the team that went on the journey. "We didn't know each other before the adventure and to do what we did together was pretty special. It was a huge challenge and it was a great achievement that we all made it to the summit."

Berry says it was also rewarding raising funds and lifting the profile of Future2. "When you get to do something like that you do feel differently, your perspective changes, especially seeing how the people of a different country live, we are indeed very lucky."

Commenting on his experience, Sam Hunt says, "seven days without access to email or phone really gave us a time to reflect. It was also a chance to acknowledge the importance of the journey rather than the destination. It took us five days to reach the summit and we only spent 10 minutes at the top. So if you were just focused on the destination you might have been pretty disappointed."

Hunt says the people he met along the way made the trip. "It was an opportunity to focus on the present and be in the moment. It made me reflect on my relationship with my family and clients and the importance of concentrating on the factors we can control; that's what I spent time ruminating on during the journey. I'd really encourage others to do it, it really takes you out of the day-to-day."

"We set ourselves a pretty big goal, which validated the importance of goal setting for clients," says Anne Graham CFP® from McPhail HLB Financial Planning.

"Just like financial planning, you climb a mountain one step at a time. The trip also reminded me how important it is to keep things simple and to keep your eye on what you want to achieve," she advises.

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

KATHERINE ASHBY
BT FINANCIAL GROUP

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes

- Explanation of how trauma cover works.
- Guidance about level of cover.
- Options when it comes to product choice.

Demystifying trauma insurance: origins, application and constructing a sum insured

Trauma insurance generates a diverse range of views in the financial advice community. It could be described as the cover type that is the easiest to understand. For example, if a client is diagnosed with cancer it will provide them with a sum. It is also the most likely lump sum cover on which a claim will be made.

Aspects of trauma can be difficult to understand because of its policy design, which links claim payments to a diagnosis of sickness or injury, rather than the ability to work. In addition, one adviser's sum insured recommendations can be considerably different from those of another adviser. This article considers what's important when looking at trauma, how to construct a sum insured and justifying product choices.

What is it called?

It's easy to be confused about trauma insurance when the industry can't agree on a name for it. Whether it's called trauma, recovery, critical illness, crisis or living insurance, or any combination of the above, the policies refer to the same cover type.

While the first life insurance policies can be traced back hundreds of years, trauma insurance is a comparatively new entrant to the insurance market. Trauma insurance was first released in 1983, thanks to a forward-thinking South African surgeon, Dr Marius Barnard. The first policies were issued in Australia around ten years later.

Barnard saw a need for financial assistance for patients who suffered a significant illness or accident. "When I went into private practice I could not help notice that, while many patients eventually fully recovered medically, they suffered severe financial problems," Barnard said. "This was not because of the cost of the operation but because of the disruption to their lives and their loss of income."

Trauma insurance can fill this gap. Where a total and permanent disability (TPD) payout requires the policyholder to be unlikely to work again, and income protection pays if the policyholder cannot work either temporarily or permanently, trauma payments require the policyholder to meet the definition of one of a list of specified diseases and injuries. So it's not about the level or length of the disability, it's based on the diagnosis.

Initially, just a handful of conditions were covered: cancer, heart attack, stroke and coronary artery surgery. This list has expanded and some policies now cover up to 60 conditions including degenerative diseases like multiple sclerosis and Parkinson's disease, paralysis, coma, loss of speech, deafness, chronic organ failure, major organ transplants, occupationally acquired HIV and even severe rheumatoid arthritis.

Despite the number of conditions covered, most advisers are familiar with the reference to 'the big four', which are the conditions that trigger the most claims: cancer, heart attack, coronary artery bypass surgery and stroke. Across both genders these conditions make up around 90 per cent of claims. The prevalence of these conditions significantly varies between the genders.

Insight

In 2013, Australian insurers paid more than $622 million in trauma claims to 4,512 claimants[1]. The leading cause of claim was cancer, followed by heart disease and neurological conditions. At BT, cancer makes up 60 per cent of claims for men and 84 per cent of claims for women. Cardiac claims were more prevalent for men, while women have a higher number of multiple sclerosis claims.

How much cover is enough?

Deciding the right amount of cover for a client will involve a

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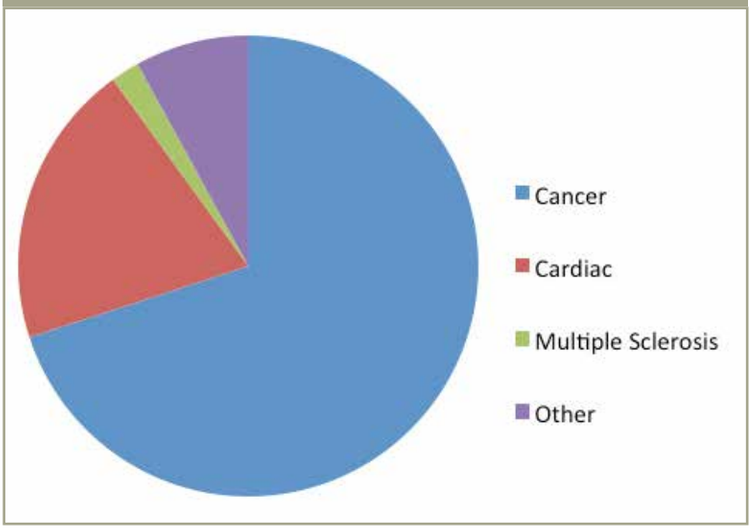
detailed discussion around two areas:

a) what will the policyholder need at the time of illness/injury?
b) what does the policyholder want his or her life to look like afterwards?

Income needs

The first step may consider replacing income. As income protection only covers 75 per cent to 80 per cent of income, many advisers will recommend topping this up to 100 per cent with trauma cover. The period of time to allow for is up to the adviser's discretion, although a general rule of thumb is to allow for at least two years. Consider whether to allow for the before or after-tax income of the client. While income protection payments will generally be taxable income, trauma payments are lump sum and exempt from capital gains tax when received by the individual or their relative. This means to top up that last 20 per cent to 25 per cent of income, cover may only need to cover account for the after-tax portion the client normally receives.

THE OVERALL CAUSES OF TRAUMA CLAIMS AT BT IN 2013 WERE:



High Care includes medication not covered by the PBS	$380,000
Mid-high care medical costs of all cancers with only PBS approved drugs	$180,000
Medium care	$125,000
Medium-budget care	$85,000
Budget care	$58,000

The adviser may also consider the other income in the household. If the client was undergoing treatment for cancer, or diagnosed with motor neuron disease, they may need and/or prefer for their partner to take some time out of the workplace to look after them and their family. The adviser may allow six months, one year or even two years of the after-tax income of the spouse to allow them to also step out of the workforce.

Medical costs

Advisers then need to consider the cost to have access to the best medical care available. This includes the cost of treatment, potential travel and accommodation, along with ongoing therapy. It can be difficult to quantify how much could be required. The cost of treatment and loss of productivity from cancer has been estimated at hundreds of thousands of dollars in a report for the Cancer Council of NSW[2].

The report shows a wide variation in the amount a cancer diagnosis costs, depending on the age of diagnosis and the type of cancer. According to the report:

"On average, households can expect to lose $47,200 in financial costs after a member of that household is diagnosed with cancer. However, these costs can be higher or lower depending on what life-stage that person is in or what type of cancer they have. For example a 35-year-old woman with breast cancer could be faced with $40,300 in lost productivity and out-of-pocket expenses on average. A working-age man with lung cancer could incur $203,600 in costs. A pensioner with colorectal cancer would be facing costs of approximately $10,000 on average."

The report uses a measure referred to as financial costs, which includes a reduction in income and out-of-pocket expenses. A middle aged male suffering leukaemia can expect an average lifetime financial cost of $272,100, while a female of the same age can expect an average lifetime cost of $58,700 for uterine or ovarian cancer. These figures are dated and they are also averages; nonetheless they provide a useful starting point.

Rice Warner Actuaries provided more recent figures in its December 2015 newsletter, classifying average treatment into five categories:

As is demonstrated by RiceWarner, the decision whether to cover the cost of medications which are not included on the Pharmaceutical Benefits Scheme (PBS) can dramatically increase the sum insured required for health care costs.

New medications are being continually added to the PBS each year, but there is generally a delay between when a medication becomes available and it being

added to the PBS. The selection committee weighs up whether the cost of the medication results in a large enough benefit, for example, considering what is the average extension of life that can be gained. The melanoma drug Yervoy was added to the PBS in August last year, but before it was added came at a cost of $120,000 for a 12-week treatment.

In terms of how much is the right amount to recommend, as costs and treatment options vary greatly, advisers need to discuss these options with their clients to ensure the sums insured match the client's expectations. The days of determining a nominal figure of $100,000, simply because it sounds like a decent amount of money, have passed.

Medical costs are not just about treatment costs. Having access to quality rehabilitation services will assist with recovery. Whether this is physiotherapy, wellness services, counseling or alternative medicine, the adviser's recommendation can also include an amount to fund these services.

Planning post treatment

Finally, it's important to discuss any changes the client may like to make to their life. Will they still have the same drive to return to work? Priorities could change, and planning for this can give the ability to reduce working hours or cease work entirely. If the client is working towards retirement they may wish to bring this date forward. Discuss with the client how these objectives can be achieved, such as through replacing income or reducing debt, so that less income is required.

Case study

Eleanor is a 44-year-old anaesthetist. She is married to Matt, an engineer, and they have two children aged eight and six.

She discussed with her adviser how difficult it was to consider what she would do if diagnosed with a serious disease or injury, but there were a number of scenarios of which she was sure. Eleanor knew that if she had to go through treatment for cancer, she wanted Matt to be able to care for her and the children. She also said if she was diagnosed with a degenerative disease like multiple sclerosis, she would want to change her priorities, step away from work and focus on her wellbeing.

With her adviser, they put together a sum insured that would cover 25 per cent of her income for two years (her income protection policy will provide the other 75 per cent if she is off work). They also calculated a lump sum for high cost medical care and enough to pay off their mortgage. While paying off the mortgage was not a specified need, the ability to do this would allow either Matt or Eleanor to cease working, thus providing flexibility and choice in the event of suffering a trauma condition.

Product and structural choices

Once the amount of cover required is established, the next step is to identify a suitable product and appropriate structure.

Partial benefits

Partial benefits are provided under most comprehensive trauma policies. Partial benefits may be payable for an early stage cancer diagnosis, loss of hearing in one ear or sight in one eye (as compared to the full benefit for blindness or deafness), or the most common of the partial trauma claims, angioplasty, which is a procedure that widens the narrowed section of an artery.

The amounts payable for partial payments are significantly different between policies. Part of this may be due to the percentage payable not being rated by many research houses. Whether 10 per cent or 40 per cent of the benefit is payable, the rating will be based on the definition rather than the payment received. When considering a trauma policy, however, it is best practice to also consider the partial benefit payable as it will be required to fund the clients' needs.

Partial benefits range from 10 per cent of the sum insured to 25 per cent at a standard level. Optional booster benefits may also be available from some insurers. Be vigilant around the maximum amount payable when looking at the partial percentage payable. Some partial benefits are capped as low as $20,000, which is unlikely to be aligned with client expectations should they have a large sum insured.

Structural considerations

The way cover is structured will impact other policies. Linked cover will reduce any other linked lump sum cover, whereas standalone cover is, as it sounds, stands alone and a claim will not impact other policies. When considering the structure, start by comparing the reasons for the

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cover. If there is overlap between the cover types, for example both life and trauma have an amount to reduce debt, then it may be fine to link the policies. If the needs are different standalone cover is advisable.

Buyback benefits and double options are available which can reinstate the linked life cover. Buyback options, however, always have a minimum waiting period of twelve months. This means if your client passes away within twelve months of the trauma benefit being paid, the life cover will not yet have been reinstated. Considering whether the client would have enough life cover under these circumstances will help to direct which structure is appropriate.

Trauma cover can be reinstated twelve months after a claim. For most insurers, reinstatement is an optional benefit and adds between five per cent to 10 per cent to the premium cost. A claim will not be permissible for the same event although some policies will provide a small partial benefit.

Trauma cover gives clients peace of mind by providing financial assistance at a time when they are facing frightening news. Advisers need to be well-versed on how trauma applies in different situations.

By Katherine Ashby, Senior Product Technical Manager, Life Insurance, BT

Footnotes

1. The Risk Store Industry Stats 2013
2. Access Economics, 2006, Cost of Cancer in NSW

QUESTIONS

1. When calculating the sum insured for a client under a trauma policy, which of these factors should be considered?

a) How much income protection cover the client already has.
b) Other income in the household, such as the income of the client's partner, in case they take time out of work to look after the insured person.
c) Period of time to allow for.
d) All of the above.

2. How much should be allowed for medical costs?

a) $100,000 over two years, as a rule of thumb.
b) $58,000 per year for a 35-year-old woman, and twice that for a man of the same age.
c) It depends on the client's expectations on the level of medical care they will receive.
d) None, as any costs will be covered by Medicare.

3. In what situations could a partial rather than full benefit be payable?

a) Early stage cancer diagnosis.
b) Paralysis.
c) Loss of sight in one eye.
d) A and C.

4. When covering a client's income with trauma insurance, which of the following is correct?

a) Trauma benefits are tax-exempt for personal cover, meaning only net income need be allowed for.
b) Only the insured's income can be included in the sum insured, not anyone else's.
c) A minimum of five years gross salary should be included in the sum insured.
d) Regardless of whether the income is top-up or providing for full years, it should be based on gross income.

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

Keeping costs in check

There are lots of great tools financial planners can use to streamline their operations and free up time for income-producing activities, writes **Susi Banks**.

Compliance is one of the biggest challenges financial planners face. The consequences of breaching legislation that applies to financial planners can include penalties, fines, damages, injunctions, ancillary orders and legal costs. Not to mention downtime defending an alleged breach, corrective orders and possible adverse publicity.

Many financial planning businesses struggle with legislation-related administration and legal requirements involved in running a practice. But with the need to meet multiple layers of regulation, financial planners are under more pressure than most. There are, however, tools to help them with this aspect of their operations.

A number of the financial planners *FP Magazine* spoke to said offshore outsourcing of certain tasks is one way to ensure compliance activities are properly completed. Tasks that are suitable for offshoring include repeatable, checklist tasks such as data entry, uploading data and paraplanning. Justin McMillan, a Western Australian financial adviser with Smartwealth Advice, has been using offshore support for some time. "It is a great resource for many tasks, making it ideal for compliance orientated activities," he says.

Offshoring is, however, only one of the tools financial planners need to ensure they are meeting their compliance obligations. Technology is also critically important.

Justin McMillan wealth coach of Smartwealth in Perth

Certified Financial Planner® Professional, Peter Horsfield says he uses paraplanning software that has automatic checks to ensure initial documents of the advice process comply with relevant legislation. But he says the onus is still on the adviser to ensure the business is meeting its legal obligations.

"Compliance remains the responsibility of the adviser providing the advice, regardless of outsourcing, software or any other tools they may use when creating a compliant document," he says.

One of the biggest challenges financial planners face is ensuring the business keeps pace with frequent changes to compliance requirements. Barry Lehrer, founder of human resources software business DiffuzeHR says it's important to be continually vigilant about regulatory changes and engage the right person within the company to be responsible for maintaining compliance.

"This task should not be seen as an extra burden … one of the biggest ways businesses in finance set themselves up for failure is not putting enough emphasis on the administrative side of running a business," adds Lehrer.

The right software is key when it comes to ensuring the business remains compliant. Brett Evans, managing director of Atlas Wealth Management in Brisbane says his company relies on technology to ensure it remains compliant with numerous regimes around the world, as it provides advice in more than 18 countries.

Evans says as a financial planning firm that specialises in servicing Australian expat clients overseas, the business relies on a software solution called AdviceOS to meet its compliance requirements.

"We are able to, in one glance, look at a client's record – as well as run reports – and determine whether we have any outstanding compliance requirements and what needs to be addressed," he explains.

The system means the business is confident that clients always have access to the latest version of its financial services guide. It allows the business to manage fee disclosure statements and opt-in agreements. The software has also been designed to ensure the practice meets anti-money laundering/counter terrorism requirements. The system must be satisfied these requirements have been met before it will allow the advice process to continue. This is important given the global nature of the practice.

Financial and mortgage adviser Adrian Patty AFP® from Sydney has these parting tips: "Have a process that is chronologically mapped out and stick to it. Policies are important for guidance, but there are always different ways of doing things as long as you meet legal requirements and satisfy the intention of a licensee's policy.

"Technology is our saviour. Some of it is more trouble than it is worth, but there are so many options out there. The main tip is to pick something you like using, as this will increase your chances of using it properly and getting all the benefits."

> We are able to look at a client's record and determine whether we have any outstanding compliance requirements.

Make sure clients don't miss out

Changes to the assessment of defined benefit income streams, introduced at the start of the year, could impact pension payments.

On 1 January 2016, the deductible amount (also known as the tax free component) of a defined benefit income stream under the social security income test was capped at ten per cent of the gross payment received.

A defined benefit income stream is a pension paid from a public sector or other corporate defined benefit superannuation fund where the pension paid generally reflects years of service and the final salary of the member.

The assessable income of defined benefit income streams is calculated by reducing the gross payment received by the tax free component, as calculated by the superannuation fund.

Advisers who have clients with a defined benefit income stream, who also receive an income support payment, may have received a letter from the department late last year advising them of this change.

It is important to note the new rules do not apply to everyone with a defined benefit income stream. Only those with a defined benefit income stream with a tax free component that is greater than 10 per cent of the gross payments received will be impacted.

For example, if your client receives income from a defined benefit income stream and the income stream has a tax free component which is greater than 10 per cent of the gross payments they receive, their income support payments may have reduced or stopped under the new rules as of 1 January 2016.

The assessable income of defined benefit income streams is calculated by reducing the gross payment received by the tax free component, as calculated by the superannuation fund.

If they receive income from a defined benefit income stream with a tax free component of 10 per cent or less of the gross payment received, there will be no change to the assessment of the income stream.

If your client's payment has stopped as a result of this change, they may be eligible for other entitlements such as the Commonwealth Seniors Health Card. Clients can apply for the card through their Centrelink online account via myGov.

We've recently improved the online application process to make it easier to claim the Commonwealth Seniors Health Card. If your client has previously received a Centrelink payment, the claim will automatically fill in the information we already know about them so that they only need to provide new or updated details.

The change to the assessment of defined benefit income streams may also have changed your client's eligibility for a Low Income Health Care Card, and the way their aged care fees are calculated.

Recipients of Veterans' Affairs pensions and/or Military defined benefit income streams are exempt from this measure.

Example
Gross income from defined benefit income stream = $40,000 p.a.
Tax free component = $5,000 p.a. this is greater than 10% of gross income
Assessable income = $36,000 p.a. — this is the gross income less $4,000 which is the deductible amount capped at 10%.

If clients are unsure about this change, encourage them to contact the department's free Financial Information Service on 132 300 to discuss their individual circumstances.

More information is available at humanservices.gov.au by searching 'defined benefit income stream'.

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

ACT
Monday 20 June

Albury Wodonga
Wednesday 18 May

Ballarat
Thursday 28 April

Bendigo
Friday 29 April

Brisbane
Thursday 14 July

Cairns
Thursday 9 June

Far North Coast
Tuesday 17 May

Geelong
Monday 11 July

Gippsland
Tuesday 7 June

Gold Coast
Friday 3 June

Goulburn Valley
Thursday 19 May

Mackay
Wednesday 4 May

Melbourne
Wednesday 13 July

Mid-North Coast (Coffs Harbour)
Friday 29 April

Mid-North Coast (Port Macquarie)
Thursday 28 April

New England
Monday 2 May

Newcastle
Tuesday 21 June

Northern Territory
Thursday 23 June

Riverina
Tuesday 17 May

Rockhampton
Thursday 5 May

South Australia
Thursday 16 June

South East Melbourne
Wednesday 27 April

Sunraysia
Thursday 9 June

Sunshine Coast
Thursday 2 June

Sydney
Wednesday 20 July

Tasmania (Hobart)
Monday 6 June

Toowoomba/Darling Downs
Wednesday 18 May

Townsville
Tuesday 3 May

Western Australia
Wednesday 15 June

Western Division (Dubbo)
Tuesday 3 May

Western Division (Orange)
Wednesday 4 May

Wide Bay
Friday 6 May

Wollongong
Friday 22 July

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