PP 243096/00011

OFFICIAL PUBLICATION
OF THE FINANCIAL PLANNING
ASSOCIATION OF AUSTRALIA

Financial Planning

June 2016

$15.00

Next-gen financial advice

Corey Wastle's approach to providing life-changing advice to clients

THIS ISSUE

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June 2016

Financial Planning Magazine is the official publication of the Financial Planning Association of Australia Limited (ABN 62 054 174 453)
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Average Net Distribution Period ending Sep '15
11,265

Photography/Images: Adobe Stock

The seas of change

Financial planners continue to grapple with a changing operating environment.

There is no doubt that this is a period of change for our profession. Some of it expected, and some of it not so expected.

Whatever the outcome of the election next month, financial planners must be prepared for significant changes in terms of the advice process, but also in terms of professional obligations. To begin with, the 2016 Federal Budget has recommended reforms to superannuation that may require a review of client files and a significant change in strategy for many pre-retirees. The reforms will no doubt have some clients worried.

On the legislation front, both the life insurance reforms, and the education and professional standards reforms will radically change our future professional landscape. The updated educational and professional standards reform package announced by The Hon Kelly O'Dwyer was a welcome outcome for existing financial planners and we are thankful that our concerns about the impact on our profession were heard.

Supporting members

We are however aware that some financial planners will need to undertake additional study to comply with the new education standards and we will be looking at a solution to help FPA members through this transition. It is important that we support you through this period of change.

For those considering enrolment into the CFP® Certification Program, we are continually looking at ways to enhance the student experience and delivery of the program. We know our program content is world class, we also want to ensure that you are supported by world class resources and technology for modern day learning.

In terms of practical guidance, we have been delighted with member feedback on our latest member guidance booklet; *Delivering Excellence, Further advice solutions for a superior client experience*. If you haven't already picked up your copy at this year's FPA National Roadshow, you will find a sneak peek at the content on page 37. The booklet brings to life examples and strategies to help you deliver the best further advice to your own clients.

Future Ready

With the changes currently taking place in our profession, the 2016 FPA Professionals Congress couldn't have a more fitting theme. This year, our signature gathering will encapsulate the theme "Future Ready". We can't predict the future, but we can be ready for it. Ready to embrace changes, challenges and the opportunities that lie ahead.

It was 1994 when our annual gathering last visited Perth. We are excited to host this year's Congress on the West coast and promise you an inspiring event that will empower and equip you for tomorrow. Make sure you secure your early bird registration and secure your flights as soon as possible.

Visit www.fpacongress.com.au to find out more.

Enjoy the edition.

Dante De Gori CFP®
Chief Executive Officer

Follow Dante on Twitter @ddegori10

Financial planners must be prepared for significant changes in terms of the advice process and their professional obligations.

Award winner raises $100,000 for charity

Kathy Havers, founding director of Catalyst Financial Group, was awarded the FPA's Community Service Award in 2014 for her work as a director of the Kindred Spirit Foundation, a humanitarian, community-focused organisation whose purpose is to empower and strengthen marginalised groups and communities across Australia.

Havers used the $5,000 she won as part of her award to kick start an incredible fundraising event, partnering with another not-for-profit, The Funding Network, which runs fundraising events.

She's passionate about her work and on the day *Financial Planning* interviewed her for this story she had just flown back from a remote community at Wadeye, 480 kilometres north-west of Darwin as part of her work with Kindred Spirits Foundation.

"I was sitting down in the dirt and talking to people about what really matters to them and how can we help them have something worthwhile to do and to earn an income," said Havers.

Kathy Havers with Aboriginal leaders from Wadeye Rhonda Renwick and Margo Northey, attending a Kindred Spirits' think tank at Daly River.

The event, called 'Raising voices, rising communities', provided support for three very diverse causes: Bulleen Heights School, an Aboriginal teenage leadership and mentoring organisation Thatangathay Foundation and the United Muslim Sisters of the Latrobe Valley.

"Each organisation had six minutes to explain who they are, what they do and why they need help. Our objective was to raise about $15,000 for each organisation and Kindred Spirits Foundation matched all pledges up to $15,000. On the night the 150-strong audience pledged about $55,000, to which we added $45,000 and we ended up raising more than $100,000. Each charity raised more than $30,000 for its cause," says Havers.

Although she won the award in 2014, it took 18 months to pull together the event, given Kindred Spirit Foundation is run by people who volunteer their time and also hold down full-time jobs running other businesses.

"We also received support from my licensee, the BT Group. Westpac provided the venue and BT paid for the catering, staff and equipment," she explains.

"It's a great story of leverage, because you can't do it very successfully alone in philanthropy and community development. But it's amazing what can happen if you use your networks and collaborate. The passion, enthusiasm and happy giving vibe in the room was mesmerising for all who attended, I couldn't sleep afterwards that night, I was high on happiness," she adds.

Future2 Wheel Classic heads west: early bird offer closes soon

Future2's flagship fundraiser heads to Western Australia this year with a circular route starting and ending in Perth from 17 to 23 November just in time for the FPA Professional Congress.

The 2016 Future2 Wheel Classic follows a seven-day, 930 kilometre route through coastal and southern WA to Margaret River, where it will take advantage of the Gourmet Escape Food & Wine Festival, and return via Bridgetown and Mandurah. Online registrations are now open and include options to join the ride for three, four or seven days. Training is essential, however the Wheel Classic caters for a range of experience and a fully equipped support team is on hand to assist.

A 10 per cent early bird discount applies until 30 June. There is also a 20 per cent discount on registrations to the 2016 FPA Professionals Congress for Wheel Classic riders. Go to future2fundraising.org.au/event/wheelclassic2016 for more information.

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Roadshow update

The 2016 FPA National Roadshow has continued to draw crowds, as financial planners around the country gather to hear updates on legislation, and strategies in the area of further advice and aged care.

Registrations have well surpassed 2,000 and are expected to reach the same level as last year. Delegate feedback on the event content and speakers has been extremely positive from the first 17 locations.

Members are positive about the updated education and professional standards package announced by The Hon Kelly O'Dwyer that mean existing advisers do not have to complete a bachelor's degree and will have a greater amount of time to meet the new standards. Members are now eager to hear the detail that will be developed by the new education body.

The 2016 federal budget has been a point of discussion, with financial planners having to review client files and significantly change strategy for some pre-retirees as a result of the forthcoming superannuation reform.

To register for the FPA Roadshow visit www.fpa.com.au/roadshow.

The workbook has proved a hit with delegates, particularly the financial planning dashboard and 'trigger events' section. Go to page 37 for more information.

Balancing experience and education to safeguard standards

The FPA has welcomed the federal government's proposed changes to education and professional standards reform in financial advice, in particular the transitional arrangements for existing financial planners.

Commenting on the announcement FPA CEO Dante De Gori CFP® said he was pleased the government is progressing reforms, and thanked The Hon Kelly O'Dwyer MP for acknowledging and accepting many of the concerns put forward by the FPA and other industry bodies during the consultation period.

The reforms, released for consultation late last year, are designed to raise the education, training and ethical standards of the financial advice profession. The minister proposed establishing a standard setting body to administer the professional standards regime, as well as to develop the industry exam and code of ethics that will determine the education requirements for new and existing financial planners.

"We welcome the proposal to establish a standard setting body, and in particular the assurance that it will have appropriate input and representation from industry, education professionals and consumers," said De Gori.

The FPA has long been an advocate for raising the professional and educational standards of financial planners, but it is important to recognise that many existing financial planners have training and qualifications of a very high level, as well as years of experience.

In some cases experienced planners may be exempt from the new exam if their skills, expertise and experience are judged to be of an exceptionally high standard.

The FPA continues to work closely with the government to ensure education and professional standards reforms meet the needs of industry and consumers.

Early bird Congress registrations open

Registrations are now open for the 2016 FPA Professionals Congress, taking place between 23 and 25 November in Perth, Western Australia

Registering early will allow delegates to benefit from financial year tax savings, as well as having first choice of workshops when they are released.

This year's congress program has been designed to make it easier for those that need to travel. The congress will begin at lunchtime on Wednesday 23 November and finish at 2pm Friday 25 November, allowing delegates to be back home on Friday night.

The theme for this year's congress is 'Future Ready'. In 2016, change will be constant. Financial planners need to be more aware and better informed to embrace the changes, challenges, disruptions and opportunities.

The congress is a valuable opportunity for the professional financial planning community to connect and share knowledge, hear from inspiring speakers and learn from practical workshop sessions.

Those travelling to the congress also have a great opportunity to plan a holiday around it, with many top Western Australian destinations to explore before or after the congress, such as the Margaret River wine region, Rottnest Island and Broome's Cable Beach.

Delegates are encouraged to book flights to and from Perth as far in advance as possible to secure the best times and most affordable airfares.

For more information, go to fpacongress.com.au.

Speaker Cathy Burke meets delegates

FPA Western Australia Chapter Women in Financial Planning lunch

The FPA Western Australia Chapter hosted a sell-out Women in Financial Planning Lunch on 4 May at the Frasers Function Centre.

During the luncheon guests were treated to a two-course, plated lunch, while hearing from guest speaker Cathy Burke, author, global change maker and CEO of The Hunger Project who shared her story and achievements and spoke about how everyone can be an agent of change.

This event helped raise more than $500 for the Future2 Foundation, FPA's charitable foundation that supports underprivileged youth. Thank you to everyone who donated on the day.

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- Magellan Asset Management
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FPA Brisbane Chapter member networking event

On 4 May the FPA Brisbane Chapter hosted a member networking event at the Tattersalls Club.

At the event guests networked with industry peers and had the opportunity to hear from our guest speakers who presented a TED-style talk on their area of expertise. Guest speakers included Delma Newton CFP®, director and owner of Total Portfolio Management, Damien Edmonds, director of Edmonds Marketing, Philippa Sheehan, managing director of My Planner Australia and Chris Smith CFP® from VISIS Private Wealth.

Attendees at our TED-style event

FPA Northern Territory professional development day

On 19 May the FPA Northern Territory Chapter held a professional development day, followed by dinner and drinks at the Hotel H.

During the day, members heard from a variety of guest speakers. Kyleigh Perkins, national technical manager from CommInsure presented on insurance in industry funds, direct funds, estate planning, insurance and divorce. Asset protection and family law was presented by Tessa Czislowski, associate, and Catherine Giles, senior lawyer from Ward Keller. Susie Errat, from All Financial Services presented on the current ethical dilemmas in society.

Members were accredited with a total of seven CPD hours for attending this event, which included three CPD hours in ethics.

We look forward to seeing our members at the next local chapter event.
Visit www.fpa.com.au/events to see upcoming events happening at your local chapter.

Managing workflow towards 30 June

Q: What's the best way to handle the busy end-of-tax-year period?

STEPHEN WAIT CFP®

Director - sub authorised representative
The Farm Protectors

Managing workflow at tax time is the perennial issue that we all face, and we are thrown new challenges each year given constantly changing regulations and requirements.

So I find the best way to manage my time is to start early and organise client meetings to discuss their current situation and discover whether there is any way they can be assisted in a timely manner. This also allows us to plan for any issues that may arise out of those meetings such as personal, employer and self-employed contributions or additional reports that may be required. In addition it allows the client to action any issues that are forthcoming from the discussions.

There are often meetings with accountants to finalise end-of-year reporting. I prefer to be active in making these appointments to ensure they happen in an efficient manner and to reduce that last minute rush to place funds into accounts and run the risk of the funds not being cleared in time.

The difficulty is sometimes getting all the information together as some businesses and clients do have a lot of things to do at the end of the financial year, so it is important to keep up-to-date with all that is going on.

I find that following this process makes the end of the financial year much less stressful. In turn you and the client are far more organised. This makes tax time less stressful and keeps clients and staff happy and ready for the next year of productivity.

STEVEN O'DONOGHUE CFP®

Practice manager - Brisbane Central/
West and North QLD
Suncorp Advice

Tax time is a bit like Christmas and Easter. You know it's coming up, so the biggest thing is to plan for it. It shouldn't always be a surprise that it's happening. Like all things it's about time management and using your systems and processes to ensure you don't burn the candle at both ends. It's also about being realistic with clients that ultimately you can't be all things to all people.

We get so many e-mails these days and I use flags and tasks in Outlook to help me manage my time. I also use Outlook as my calendar, so every day I know what I've got to tick off, and it'll tell me what I have to do for tomorrow as well.

In terms of clients with last minute requests, it's about setting an expectation that if you've done everything right from your end but the clients have left everything to the last minute, be realistic there's only so much you can do. If you have a client base that needs to take advantage of any end-of-financial-year strategies, position them early and set an expectation within that positioning of what your time frames are.

RODNEY LAVIN CFP®

Practice principal
Lavin & Associates

End-of-financial-year is all about preparation and pre-planning. You can't fit everything into the last month, so you have to have been thinking about it well beforehand. So start planning in advance. If you can't do that this year, you're going to have to think about it for next year.

The main thing about 30 June is either taxation or superannuation contributions. If you have clients that need to contribute to superannuation or prepay interest it's important that they do that well before 30 June.

It's an idea to list all clients that want to make contributions on a spreadsheet. A good trick is to keep the final week of the financial year up your sleeve and don't book too many appointments for that time. Because you'll inevitably have clients with late, last minute requests. If your diary is fully booked you're not going to be able to see them. But if you leave it open you can still look after their requests.

It's also important to identify the clients who are likely to have last minute requests, try to talk to them beforehand and find out what needs to be done before the end of the financial year.

FPA introduces new membership category

The FPA has implemented changes to FPA membership categories to better reflect the needs of members and the evolving requirements of the regulatory landscape. The changes will come into effect on 1 July 2016.

Speaking about the changes, Pene Lovett, FPA chief operating officer said: "The changes we have made will provide more category options for members and enable us to create benefits that align with each stage of the career journey. We have a growing membership, and it is important we continue to support the diverse needs of members, whatever their role might be."

From 1 July, the Associate membership category will be re-named "Allied Professional". This non-voting category will be appropriate for those who have a professional interest in financial planning and wish to be connected to the profession.

Alongside this, a new "Associate" category for financial planners will be introduced. The new category will be a voting category designed for financial planners, those on their way to becoming a financial planner, or working in a role that supports a financial planner. As voting members, financial planners in this category may benefit from TASA course exemptions and will also be bound by the FPA Code of Professional Practice and CPD Policy.

"We will be reaching out to members who are affected by these changes, to ensure they are in a category that is right for them. If not, we will ensure there is a smooth transition process," Lovett added.

Pene Lovett, FPA

2016/17 FPA MEMBERSHIP CATEGORIES: A SNAPSHOT	
CFP® Professional	Financial planners who have completed the CFP® Certification Program
Financial Planner AFP®	Degree qualified or experienced (6-8 years) financial planners
Associate	Financial planners, those on their way to becoming one, or working in a role that supports a financial planner
Allied Professional (non-voting)	Those who have a professional interest in financial planning and wish to be connected to the profession
Student (non-voting)	Those studying full-time

FPA MEMBERSHIP BENEFITS - Below is a summary of the membership benefits for each category option.

	Student	Allied Professional	Associate	Financial Planner AFP®	CFP® Professional
Global recognition					X
Find a Planner listing				X	X
FPA Awards	X			X	X
Professional framework			X	X	X
Voting rights			X	X	X
TASA course exemptions			X	X	X
Contribution to policy			X	X	X
Committee participation			X	X	X
Consumer awareness			X	X	X
Future2 grants access	X	X	X	X	X
Member resources (Guidance booklets, toolkits, fact sheets)	X	X	X	X	X
Free webinars	X	X	X	X	X
Event savings	X	X	X	X	X
Financial Planning magazine	X	X	X	X	X
Members-only LinkedIn forum	X	X	X	X	X

A super approach to business

Integral Asset Management's business model centres on servicing corporate super funds and leveraging the relationship with these entities to drive superior returns for the practice, writes **Alexandra Cain.**

Financial services is in Belinda Meyers' blood. The chief executive officer of Integral Asset Management got her first taste of the sector through her father, who worked for one of the big banks for more than 40 years, which guided her into the industry.

Today, she runs her own thriving financial planning business. But she followed her own path to get where she is today.

"I was always going to land in financial services. I did a number of years in a couple of the big banks and a couple of small non-bank businesses. Then ten years ago I started working in financial planning with AMP," says Meyers.

"I worked my way up the corporate food chain for a number of years. A couple of years ago, after having my children, I found an opportunity to move into a financial planning business just five kilometres from home. In fact it was a business I coached as a business coach going back 10 years. It's funny how things come around; I took the long way to get to where I feel I should have always been," she adds.

Today Integral Asset Management has around 20 staff members, including nine financial planners, a mortgage broker, as well as an in-house paraplanning team and administration services. Marketing is also managed internally. The business is 30 years old, and many team members have worked with the business almost since the start. The company has experienced strong growth, essentially doubling in value and size every five years for the last 10 years.

Says Meyers: "It's been a growth story. The focus has been a two-pronged approach to corporate super. We service a number of small and large corporate super plans and look to access opportunities to create more connections with the members of those corporate super plans on a personal basis and also from a referral perspective."

The business has around 7,000 clients and just under $400 million in assets under management. "We don't need to find clients, they find us because our reputation precedes us," she explains.

Corporate culture

It's not possible to have a great business without a great culture. As such, Meyers says the business is fortunate it has always had a strong culture of loyalty and putting the customer first.

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Continued from page 13

"When I came into the business my focus was on how to continue to strengthen those great traits, but also ensure I'm getting the best, from a high performance perspective, out of the team. It's important to me that everything we do in the team, we do right first time. We're aiming for the stars and rewarding ourselves when we get there. If we miss an opportunity occasionally, it's important to reflect on that so we can grow and develop further," says Meyers.

"It really is about having great people in the team, and then making sure everyone knows what success looks like for our business, customers, shareholders and our staff. This is from the receptionist right through to my senior financial planners. It's important everyone understands what their role is in achieving those goals," she notes.

Accordingly, Meyers is fully focused on ensuring everyone in the business lives and breathes the same mind-set. "For us it's about ensuring we provide the best outcomes for our clients, whether they're focused on protecting their family, growing their revenue, retirement or how to own their own home. We are fully focused on our customers' needs."

> It really is about having great people in the team, and then making sure everyone knows what success looks like.

Lessons from the past

Meyers says some of the lessons she learnt while at AMP still guide her approach to business.

"One of the main areas of focus was on retaining existing customers and continuing to build the client base, rather than always looking to win new clients. So that was one of the aspects I took with me to Integral Asset Management when I came to this practice a couple of years ago," she explains.

Subsequently, emphasis has been not only on how to create opportunities with new clients, but also on how connect with the existing client base.

"That's not just during the annual review. It's figuring out how we assess and review the client base a year out, and plan a series of campaigns, or interactions, based around engaging the right client to talk to, about a particular opportunity or consideration, at the right time," she says.

An example is the recent federal budget and its impact on clients. The business immediately assessed which clients were going to be affected by some of the initiatives announced at the time. Then, the team proactively contacted those clients by e-mail and phone to explore how Integral Asset Management could assist and put them in the best position possible, despite the changes to the superannuation system.

"That's the best way to retain existing clients. In another example, we recently ran a campaign around encouraging clients to consolidate their super and we found a client that had just $20,000 dollars with us. We phoned him and found out he had $300,000 in another super account and that he had just inherited $700,000, and he is working with us now to mange that. We are able to create more value for the business by contacting our existing client base and this is having a strong impact on the stickiness in terms of revenue, but also growing the business from an asset base perspective."

To market, to market

Given the importance of retaining existing clients, from a marketing perspective, Integral Asset Management is focused on engaging its existing customer base. Other marketing activities centre on engaging and connecting with members and employees of the corporate super funds with which the business has a relationship.

"We have a real opportunity with these businesses and their employees to deliver education around financial planning, wealth management and growth, owning your own home and protecting your assets for your family and future generations," says Meyers.

The business plans marketing campaigns on a 12-month basis, but it also takes care to ensure it maintains one-on-one relationships with clients.

"Initial conversations with clients are just as important as campaigns, which can be planned around clients that have similar needs, or clients in a similar demographic or who may live in the same area. "We look to engage them and find out if there are other opportunities to talk to them about financial advice or just remind them that we're here if they need us," she adds.

Industry emphasis

As to the future of the financial advice profession, Meyers says the industry is facing challenges, but also has the opportunity to achieve an immensely rewarding future.

"I think some of the changes that continue to bombard include a shifting regulatory landscape, the changing nature of competition

in the industry and the need to change the consumer mindset so that they see us as a trusted profession. These dynamics will continue to drive change within the financial advice industry. Things can only get better," says Meyers.

"A number of well-regarded professions, including accounting, law and medicine were all once an industry at some point in time. They also had to overhaul how they were perceived and how they operated as an industry to become a profession. So I think financial planning will also get there over time. More than 80 per cent of Australians still have not received financial advice, which is a great opportunity for our industry to demonstrate the value we can deliver in protecting people's wealth, assets and inheritance for their children, not only today but for many years down the track," she adds.

Advice for young practitioners

Meyers encourages anyone who has a passion for helping people achieve their financial goals to consider a career in financial planning. She has some advice for anyone who wants to pursue this path.

"Our field can be complex. So it's important to be strong from a technical perspective and ensure you get the right education. Make sure you remain up-to-date with all of the changes and regulations, and all of the opportunities from a strategy perspective.

"But at the same time, it's absolutely essential to continue to be customer-centric. For someone new coming into the industry, it's not just about getting the university degree or qualifications, although they are obviously important. It's also around how we can best learn about our customers and talk to the people that we're interacting with. It's critical to sit down and take that moment to really understand why a potential customer is sitting in front of us, and that's where your opportunities will come. I think financial planning is a very rewarding profession and career for anyone that joins the industry."

No doubt with this philosophy, Integral Asset Management will continue to be a huge success.

It's important to be strong from a technical perspective and ensure you get the right education.

A new approach to advice

Corey Wastle CFP® is among a new generation of financial planners who are doing things differently to deliver truly life-changing advice to clients, writes **Alexandra Cain**.

The usual path to a career in financial advice is not generally via marketing. But for Corey Wastle, a financial adviser with Verse Wealth, a degree in PR and marketing at Monash University was the perfect platform from which to build a practice.

From an early age, Wastle has been passionate about the impact good financial decisions have on life. "I've always known it intuitively but I think my parents teaching me good money habits had a lot to do with it. I've always wanted to make sure money never gets in my way of doing all the things that I want to do in life."

He has also always had a commitment to his own financial foundations, having worked multiple jobs through high school and university, at the same time developing a strong savings ethic.

"I started investing in my teens and borrowing money to invest through a margin loan. It didn't work out so well in the short term when I lost the equivalent of my first house deposit during the GFC, but it was also a great learning curve. It wasn't until my now brother-in-law, who was an adviser, suggested I consider becoming one myself that I gave it thought. That was really the trigger."

Wastle started his career as a servicing financial planner at the Commonwealth Bank in 2011, before moving into a financial planner role within the branch network a year later. "I learnt a lot very quickly. I was really relentless about improving as a professional in as many areas as I could, as quickly as I could. This included plenty of informal study as well as formal study, which led to receiving my CFP® designation in 2014."

What struck him early in his career was the scepticism clients have when it comes to advice. "I also recognised that the approach I was being exposed to wasn't the one that delivered the sought of life changing help that I knew advice was capable of, the sought of help that I truly believe many people are desperate for and would truly value. This set off a chain of events that has me where I am today."

So Wastle became obsessive about preparing himself for his future. "I read business books and articles in every spare moment I could find. At the same time I became obsessive about educating myself on people, decision making, communication and leadership."

He also made a decision to form a business partnership with a CBA colleague, James O'Reilly. "From the time that we first met, we were on the same page both personally and professionally. We decided to go into a partnership together. We're both intent on helping create a new world of advice. We made a good decision at the time to partner with Synchron as our licensee because they've given us the flexibility to do things differently."

Life at Verse

Fast forward to today and Wastle says Verse is a pretty exciting place to be right now. "We're growing quickly and we know something really special is happening here. We're a young business but we are already a team of four and we will continue grow. It's just the start."

But he says it's hasn't just been a race for revenue. "It's been a methodical approach to building from the ground up. We've got big plans and know that tall things fall over when they don't have great foundations."

This has meant the team has put in an enormous amount of time and energy into thinking about, crafting and refining a unique client experience, a scalable and personalised advice process, company culture and brand message.

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One of the best things we did was use LinkedIn to build about thirty business partnerships in the first six months.

"We've sought to take a blank canvas approach to designing and building Verse. James and I keep asking ourselves, 'what would advice look like if we started with a blank canvas?' This is why we didn't go and buy someone else's book of business; we didn't want to inherit the old traditions of advice. We want to create new ones," says Wastle.

"Our advice is comprehensive and personalised. In a nutshell, we give our clients all the advice, coaching, accountability and leadership they need to get rid of any money problems they might have and achieve the things that really matter to them. This means that we're generalists. We specialise in helping people do the things they want to do in life. We work with people that have highly complex needs, as well as clients with much simpler requirements," he adds

Verse's clients come from a number of sources and it is being increasingly well supported by referral partners, including accountants, mortgage brokers and lawyers.

"We do owe a lot to a few firms in particular for helping us build momentum early on. One of the best things we did was use LinkedIn systematically to build about thirty business partnerships in the first six months. We were super selective and focused on finding what we call 'culturally compatible' businesses, as we want to ensure Verse clients only receive great service and advice. I think part of our success in building these relationships with accountants and lawyers came from the respect they have for our objective and impartial approach."

The business is also getting many referrals from current clients. Wastle says client referrals is one of the business's most important KPIs. They're also able to generate referrals from social media, especially Facebook.

Cultural connection

At Verse, company culture is the number one priority. "I believe when you get the culture right in an organisation everything else starts to fall into place. When you have an environment where people are inspired, challenged, have fun and want to be their best, the effect is higher quality work, greater care for clients, better ideas and an infectious passion and drive that can take your company anywhere. We've sought to create a company culture that gets the best from everyone, that really adds something to their lives."

In fact, one of Wastle's first tasks when Verse was established was to determine Verse's company values. "To have a great culture, you need to be able to define it and then live it. The process of putting the values together along with clarifying statements helped to codify who we are and what we aspire to be. They're designed to be aspirational yet hold you accountable. They also need to be committable, for everyone."

He says the Verse values have become a framework for everything. They guide how the team interacts with each other, its clients and business partners. "We consider them to be the house rules. They also guide our strategic decisions as a business as well as recruitment, recognition and remuneration. We want absolute alignment."

The values also drive a relentless pursuit of improvement and innovation but also make for a fun, positive and often unpredictable environment. "When the business turned one, we had a crazy Mexican party with ponchos, moustaches, burritos, nachos, piñatas and tequila shots. It was nine o'clock in the morning and the whole thing was a surprise set up by the team for me. The video went on Facebook and was viewed more than 1,000 times. I think I've had more than twenty people mention the video to me since. People love it."

Wastle says the team seeks to bring the values to life every day. "For instance we have a 'Wow' file on every client. It's full of things they're passion about, things they've mentioned in meetings and ideas to surprise them now or in the future. It could be as simple as a record of their favourite restaurant. In the name of pursuing growth and learning we've got a culture library full of books to help the team learn, improve and stretch themselves to be better as a professional but more importantly as a person."

The Verse difference

What sets Verse's approach apart is a commitment to personalised service and purposeful advice. "We start with 'why'. This means we get to the heart of why our clients are seeking our advice before we even begin to consider how we can help. We talk in great depth about the things they're working towards, motivated by and what has been getting in the way of them getting ahead financially.

"Once we start working with someone we're all in. Our promise is that we will do everything in our power to help them do all the things in life to which they aspire. That's what

advice is about and that's what people value," Wastle says.

Every client conversation is recorded and used to personalise advice documents. At the firm's inception Wastle and O'Reilly invested hundreds of hours building repeatable processes for all client meetings so that irrespective of who is sitting in client meetings, they all follow the same process. They're even scripted at key points to make sure that the right expectations are set at the right time. Importantly, the scripts still provide ample room for personality and flair.

"These consistent processes will help us grow with fewer growing pains as we have a process that is coachable, repeatable and scalable. We don't intend to be a small business for too long."

"When it comes to the client experience, we want to bring advice to life," says Wastle. For instance, the Verse team recently surprised a prospect at his initial meeting, in the name of Verse value 'Deliver remarkable'. "He had mentioned over the phone that he indulged in donuts on the odd occasion he came to the city. We thought we'd give him a little 'wow' to kick off our relationship by having a few of Melbourne's best donuts waiting for him on arrival. He will tell ten people about his meeting with us because of the donuts. Don't underestimate the power of delivering an experience that delights and surprises. People talk about this sort of stuff far more than salary sacrifice arrangements."

Goals-based advice

"Great advice is not about products or strategies," says Wastle. "It's about helping people do all the things they want to do in life and overcome the obstacles that might get in the way. The most valuable role financial advice can play in the life of a consumer is to be the thing that joins all the dots between their financial decisions and their goals. This is what we do. These are real outcomes and the ones we should, as a profession, aspire to deliver. People need and deserve our best work."

So at Verse, discovery meetings don't include a discussion about advice, strategies or fees. "We just want to ask great questions and as many of them as we can. We say to 'clients to be' that we want to walk out of that meeting with absolute clarity on where they are at right now, what they are hoping to achieve and most importantly why they want to achieve it."

"Only once we have this information can we begin to think about what advice we might need to provide. A doctor can't provide a prescription until they take the time to understand the symptoms and make a proper diagnosis. Whether it's cash flow management, investment advice or calling in other professionals to help assist, we try not to leave any stoned unturned in helping them achieve the outcomes that matter."

As a result, Verse's clients choose to work with them because they recognise that the business is going to give them the best chance of filling their life with all the experiences and achievements that mean something to them.

Says Wastle: "They're committing to the process of planning rather than simply a plan. We have clients who want to open a wine bar, write a cook book, buy their forever home, own and race harness racers, live overseas for an extended period, write a book on their science and play on the US seniors golf tour. Our 'new world' approach is exciting, valuable and it's meaningful work. I believe that there's countless advisers out there still operating in the old world who once they get a taste of the new world, will want to be involved."

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Marketing is about brand awareness to create resonance, trust, likability and credibility.

New world marketing

In the same way the business's values drive the rest of its operations, it's also critical in Verse's marketing initiatives.

"Marketing is about your values. It's about creating an emotional connection to something; people have and will always buy with their hearts," says Wastle.

"Marketing has never been tougher, yet opportunities have never been greater. What I mean by that is that it's harder than ever before to cut through the noise and capture people's attention. Yet there's never been more capacity to reach consumers in a highly personalised way at tremendous scale," he explains.

Wastle explains that once a business is able to reach the people in its target market, it's important to recognise they are themselves a media company. "Clients might have 200 friends on Facebook that value their opinion and a few thousand followers on Instagram that would like to be just like them. That's leverage right there, if you can tap into it."

As a result, he's perpetually thinking about ways to tap into this. "We're thinking of how we can cut through the noise and tell a story or deliver an experience that is worth sharing, worth remarketing about. So much of our marketing principles have been inspired by the amazing work of Seth Godin; and his books take up plenty of space in the Verse culture library."

The business has engaged in a range of marketing initiatives, including podcasts, live streamed video as well as continuous engagement on social platforms including Facebook, Twitter and LinkedIn. "We've also got a database of more than 2,000 that receive our monthly Next Verse newsletter in their inbox."

In February, Verse launched the myverse campaign on Facebook. Each myverse post provides an insight into clients' values, achievements and hardships. Stories are told in clients' own words and through a selection of photographs that they provide.

"We believe it is stories from advice seekers that will get people thinking about and inspired to seek financial advice. The aim of the myverse campaign is to get the story of great advice spreading as far and wide as possible without ever making one reference to advice. It's counter intuitive but it's right. People want things that are real, things that are authentic," says Wastle.

"These posts wouldn't have the impact they have without the support and trust of our clients. They've been so honest, open and at times vulnerable to help put these stories together. We really work with some amazing people. They're all inspiring in their own way," he says.

As the business is still in its early days marketing is largely about brand awareness to create resonance, trust, likability and credibility.

Says Wastle: "These are all assets that we will leverage in the future in different ways. We're cultivating and nurturing a network of followers, many of which will become clients at the right time for them in the future. Because of the relationship we will have built, they won't go to Google to find an adviser. Once they're on board, we will do everything we can to turn them into walking talking advocates; on the ground marketers, if you will."

Future fee models

As a new business, it's important Verse get pricing right and Wastle says the approach to pricing is simple.

"Provide the simplest and clearest link between what's being charged, the service provided and the complexity of the work required. Our second value, 'total transparency' really does drive our approach to pricing. This means we don't take commissions, don't charge asset based fees and aren't linked to any financial product providers whatsoever," he explains.

This approach has delivered several benefits. "Despite the fact that we're opting to forgo a significant amount of revenue in many instances, our clients know that there's nothing that gets in the way of looking after their needs. We've been able to remove the scepticism, build trust quicker, strengthen relationships and become more referrable which increases the lifetime value of a client.

"Pricing is really all about value and value is subjective. It's not an equation and you can't tell people what they value. To every client, we make an offer that we believe is the right one and it's for them to decide whether they see value," says Wastle.

The combination of the right values, a personalised and systemised client experience as well as a commitment to doing things differently is certain to set Wastle and the Verse team on a sure path to success.

The bespoke approach to financial planning

Three FPA members share self-managed super fund client case studies that show when it comes these funds, there's never a one-size-fits-all approach, writes **Alexandra Cain**.

Self-managed super funds are a high growth area in financial advice and represent a revenue opportunity for many financial advisers. But as the three financial planners profiled in this story can attest, every client has very different needs.

Trust your instincts

David French CFP®, managing director, Capricorn Investment Partners, explains SMSFs are a major part of his business; he assists in the management and administration of more than 150 SMSFs.

While some can be vanilla, that's not the case for all of them. An example is an SMSF he administers for a farming family that had not built up super and whose wealth had diminished to a point at which they only had a small cash free float. As they owned a substantial farm, family members had no Centrelink entitlements.

"We made a recommendation the money should be invested to increase returns, while the family considered the sale of all or part of the farm. The clients said once they reached the age of 75, they would sell the farm and move to town," says French.

"Soon after presenting this advice, an indignant son appeared insisting that we knew ways to obtain a Centrelink pension and we should be recommending as such. Back then I had an attitude that 'the client is always right' so we reworked the advice, putting in place a plan to transfer the liquid assets and certain blocks of the farm into an SMSF, and to set up a life expectancy complying pension

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(LECP) using the land assets on which rent was to be paid. Our calculations showed that using the liquid assets and the rent, there would be no problem in funding the LECP over its payment period, further supported by the understanding that clients would sell the farm when they reached the age of 75," he explains.

The result was that the client received a full Centrelink pension, something that over the time has generated more than $200,000, tax free.

Says French: "After we set up this complex arrangement the client began complaining she did not like paying rent to the super fund; she would not accept that it was just a matter of transferring money from one pocket to the other. Then the father died, leading to reversion, and therefore a longer life expectancy for the complying pension. Later still the GFC hit, reducing the value of the liquid assets. Then the remaining client decided she did not want to sell the farm."

French has now been managing the situation for more than 13 years. "We have introduced new members to the fund and used their contributions to fund the LECP. This is only fair, because the property will end up in their hands when the mother dies, but as you might imagine, it's not popular with the other members."

He says the lesson is not to be unduly influenced by clients' requests. "Our complex plan has produced extraordinarily positive financial results, but the client does not respect or seem to value that. "There are all sorts of clever solutions to client problems, but in the end it is essential to go with your instinct, even if it is not what the client wants to hear."

Gavin Runde CFP®*, Journey Financial Group*

SMSFs no panacea

Gavin Runde, financial adviser, Journey Financial Group stresses how important it is for SMSF clients to seek the timely opinion of a properly qualified, financial planning professional.

"My clients, a married couple, had been relying on the casual advice of their accountant and their own internet research. They were advised by their accountant to set up a transition to retirement (TTR) pension for the female client before the recent federal budget because he had heard rumours it would be outlawed in the budget. The male client is 65 and retired, whilst his wife is 57 and still working," says Runde.

He says it would have been more timely for them to consider this strategy when the female client reached preservation age, rather than in response to budget rumours.

"The same accountant had advised them to establish an SMSF in 2003. Both clients are trustees and members of the fund, with a combined value of $140,000. All funds except $10,000 are invested in commonly available managed funds and cash. It's worrying that after 13 years the balance of the SMSF remains less than the ATO guidelines and they are not undertaking any strategies that would necessitate an SMSF," he adds.

There are all sorts of clever solutions to client problems, but in the end it is essential to go with your instinct.

The female client had two former employer super funds, and wanted to rollover the proceeds into the SMSF. However she is the primary income earner with no personal insurances outside of her non-SMSF super funds. The clients still have a $250,000 mortgage. Says Runde: "Thankfully we were able to reverse the rollover request before they cancelled her only insurance policies."

Given the limited time available with which to arrange replacement insurance cover, rollover her super funds and complete interim SMSF financials before their self-imposed deadline of budget night, the clients asked to proceed with the TTR on the limited funds in the SMSF.

"Before preparing my advice, I arranged to have their trust deed reviewed to ensure it actually allowed for a TTR income stream. The deed hadn't been updated since 2003 and did not make reference to transition to retirement income streams. So they couldn't even consider the strategy inside their SMSF without first arranging to update their trust deed," Runde explains.

Throughout the advice process he uncovered numerous other minor issues, which he also brought to their attention.

"At the end of our final meeting it became clear to the clients they had a lot more to learn about being responsible trustees of their own super fund. Given the number of issues uncovered and the unexpected costs associated with implementing a TTR strategy, including updating the trust deed, annual actuarial certificate and statement of advice fee, the clients decided they would be better off taking some time to reassess their intentions with the SMSF rather than rushing into an ill-prepared strategy."

Ultimately the clients decided that they are out of their depth with SMSFs and are now investigating their options to use industry or retail super funds instead. "You guessed it, they are going to have a go at researching this themselves on the internet first," says Runde.

Always a balance

Louise Lakomy, CFP® director, Crystal Wealth Partners, has substantial experience providing advice to SMSF clients. She says it's always a balance finding the right solution when there's an age difference between fund members. In this case, the clients are 67 and 61 and recently sold their home for $2 million.

"They were a referral to our business from an accountant who had been taking care of their personal and SMSF tax returns. They want to repurchase a home in

the next six to 12 months with $1.5 million of the sale proceeds, which has been put in a term deposit. They came to me seeking advice on where to invest their additional $500,000 of savings. They have an existing SMSF worth $500,000, made up of employer contributions for them with similar values for each of them. Neither member has contributed any non-concessional contributions into their SMSF," Lakomy explains.

The clients' main objective was which vehicle to use to invest the funds as they also had a family trust, which had nil assets.

"They also wanted advice on investing the funds into direct shares and managed funds. I asked them if they would be interested in advice on accessing the age pension and they both laughed and said surely they wouldn't be eligible with $1 million in super, but if I could get them access then yes that would be great. The male client was still working earning $30,000 a year and the female was earning $50,000 a year. They were both going to fully retire at the end of the year."

Lakomy explains one of the important things to consider when one member is younger than the other is the ability to place funds into the younger partner's accumulation member balance to effectively remove those assets from the asset test for age pension purposes.

"The tax payable inside the superannuation fund also needs to be considered and compared to the age pension received. I recommended in this instance to place $500,000 into the female member's balance. The accountant was thinking of recommending placing $250,000 into each member's balances. Once I talked him through my strategy and reasoning he was happy the clients received the best outcome."

They were also able to reduce some of their capital gains tax liability through a portion of self-employed concessional contributions being made.

Says Lakomy: "The clients received the advice they required and advice that they didn't know they needed around age pension entitlements. They now feel confident that on retirement they will be able to fund their needs from their SMSF with top ups from the government age pension, which they didn't think they would be able to access."

Gearing up for an AFSL

Achieving an Australian Financial Services Licence may not be as onerous as it seems. While the application process is rigorous, there are many advantages to pursuing this path. **Alexandra Cain** reports.

Many financial planning firms will at some point consider whether applying for an Australian Financial Services Licence (AFSL) is a potential future path for the business. While the right way forward will differ for every practice, it's worth understanding what the application process involves for planners to be able to make the right decision for their businesses. Here, four FPA members describe the journey they went on to achieve their AFSL.

Ticking boxes

Michael Rees-Evans CFP®, director, Libertas Wealth Consulting decided to apply for an AFSL to be independent. "I wanted to be able to operate in line with my interpretation of our requirements as professional

advisers compared to a larger dealer group. It's also extremely difficult to provide independent advice without your own licence."

Rees-Evans was awarded his licence in July 2012, and he started the process of applying for it in June that year. He says the key to getting a license is to be able to demonstrate to ASIC the business has the right processes to be able to discharge its obligations as a licensee.

"You need to demonstrate or explain how you are competent to provide advice. You need to show that you're qualified. You will need to describe your business, outline the financial services and products you provide and estimate your income from those activities. You also need to explain how you're going to grow, how you'll deliver services, where you operate from, what services you're going to outsource and to whom, how often they'll review that service and an organisational chart," he explains.

Rees-Evans gives advice on margin lending and managed discretionary accounts (MDAs) and so he had to provide more details on these aspects of his business to achieve the licence. "ASIC wants to know about how you're going to control risk. So for margin lending, they ask about your recommendations for loan-to-value ratios and how you structure margin loans."

He also explains financial adequacy is something with which ASIC is concerned and there's different ways to demonstrate this. A common approach for small licensees is the 90-day cash flow rule, which

Brett Walker, SMART Compliance

means the business must have enough cash to meet 90 days of cash flow requirements. ASIC also wants potential licensees to provide information about who will audit the business, how it will monitor compliance with cash flow needs and how records will be kept.

When it comes to challenges, Rees-Evans says the main one is developing a thorough understanding of what ASIC is looking for and completing the paperwork.

Rees-Evans' advice for other businesses looking to receive an AFSL is not to be put off by a perception that it's too expensive, complicated and risky. "Be really clear on why you want to get your licence and don't be too influenced by people that have a different view to you."

He says the cost to establish an AFSL is around $2,000 and the set-up process took about eight hours of his time. He received advice and support from SMART Compliance, which took care of much of the paperwork. Professional indemnity insurance is another expense. The cost will be different for each practice, but expect to pay at least $10,000 for this.

Brett Walker, managing director of SMART Compliance says it's important to have the right documentation to prove you have appropriate qualifications to ASIC. "Without that you're going to have trouble convincing ASIC of your aptitude to be a responsible manager."

He says advisers need to think carefully about the type of business they want to operate before lodging an application and prepare appropriate information about the financial health of the business, including balance sheets and cash flow forecasts.

"They will expect to see clearly thought out line items, such as how regular revenues are, what ordinary expenses there are likely to be and how often they will be incurred."

"Ultimately, the job of an AFSL is to make sure you provide financial services efficiently, honestly and fairly. It's around having proper conduct and disclosure, and all advisers should be doing this anyway," Rees-Evans adds.

No regrets

Trent Alexander CFP®, principal of Financial Planning Expert, has had an AFSL for six years. He says he regrets not getting his licence earlier.

"It was tough at the start because we had to build up the

> Be really clear on why you want to get your licence and don't be put off by people that have a different view to you.

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Dacian Moses CFP®, Waterfall Way Associates

client base. After the first couple of years we got good traction and we haven't looked back," he explains.

Alexander took 12 months to plan for his application, and received external advice about how to successfully apply. "I figured if I didn't present something properly on the application to ASIC perhaps that would reflect badly and they wouldn't give me the license. I thought I should get help to maximise the likelihood of getting the licence and to expedite the process."

In terms of getting help, he initially explored his options with a lawyer. "I had preliminary meetings with a couple of firms but the fees were too high. I remember being quoted $20,000 just to have them review the application that I had done. I very quickly knocked that on the head and decided to look elsewhere."

Alexander decided to appoint a firm that specialises is helping planners achieve their AFSL, AFSL Compliance. "Their process was end-to-end. They handled the entire application. The only exception to that was probably half a day's work gathering and clarifying information, but they did all of the legwork. After the application was submitted I had the license within 14 days."

Aside from working with experts, Alexander's other recommendation is not to be afraid to apply for an AFSL. "Once you get the initial set-up done and the licence in place, running it is actually less hassle in terms of compliance than working with the larger dealer groups."

FAST FACTS

According to Investment Trends' Planner Business Model Report from May 2015:

- Of the 17,500 financial planners in Australia, 15 per cent or 2600 have an AFSL.
- Financial planning businesses with an AFSL are more inclined to recommend direct shares and exchange-traded funds.
- 71 per cent recommend direct shares (compared to 55 per cent of independent and aligned planners).
- 53 per cent recommend ETFs (compared to 44 per cent of independent and aligned advice practices)

Natural next step

Dacian Moses CFP®, principal of Waterfall Way Associates, saw an AFSL as a natural progression of his career in financial planning over the last 20 years. He received his licence in 2006.

"Owning your own AFSL is the ultimate expression of control and independence. This was a view shared by my previous licensee, Ray Griffin, who actively supported my professional development and my AFSL application," he explains.

He says the starting point for anyone wanting to get an AFSL is ASIC's AFSL licensing kit. "Have a clear picture of how your business will operate and meet the various obligations of being a licensee. Putting together the proof documents to support your application is a very bureaucratic process, but the business principles that underpin the process are sound. I was fortunate to be able to leverage the experience of advisers who have already successfully obtained an AFSL through Boutique Financial Planners."

The Boutique Financial Planning Principals' Group (BFP) is a not-for-profit association that represents the interests and high ideals of non-aligned Australian Financial Service Licensees. Membership requires FPA membership.

The group provides practical assistance to advisers who operate or intend to apply for their own AFS licence.

Moses says being able to draw on the experience of a peer

> Owning your own AFSL is the ultimate expression of control and independence.

group was invaluable. “Small business are resource scarce, so allocating those resources as efficiently as possible is the key. Getting used to the professional indemnity market and successfully obtaining cover was a challenge. The broker needs to understand how your business works. Only then has the underwriter got a chance of correctly assessing the risk your business represents. So get a good broker.”

His advice to other firms that want an AFSL is to firstly know why you want to have your own licence. “Build compliance into daily business practices instead of overlaying a compliance structure afterwards. Pay heed to the FPA code of professional practice and seek out advisers who have done it before.”

Future footing

Mira Macura, head of finance and operations, Stanford Brown, decided to pursue an AFSL because she wanted the freedom to choose her own future, and the ability to better manage clients’ best interests.

“Having an AFSL provides us with the ability to move quickly on opportunities like robo advice,” she explains.

Macura set up a team to manage various aspects of the AFSL project including operations such as IT, marketing and re-branding, professional indemnity insurance, brokerage and external services providers, compliance and corporate governance, advice and documentation, approved products list, media and client

Mira Macura, Stanford Brown

announcements. “The initial process was about ensuring we had all the right people in place, and formalising various roles and committees to satisfy ASIC requirements.”

This also involved setting up compliance policies and procedures and a risk management framework, as well as determining which functions would be done in-house and what would be outsourced. “This involved undertaking an extensive due diligence process to select our outsourcing partners for the journey ahead,” she explains.

According to Macura, the main challenge was determining the legal requirements of changing the licence. “As a matter of best practice, it was agreed that all clients on an active, ongoing service agreement would be provided with a foundation statement of advice (SOA) at their next review. This required careful planning of administration and paraplanning resources.

“While this caused great strain on resources in the short term, the planning and management of this aspect of the AFSL project resulted in a tremendous achievement where almost all clients have received a foundation SOA within 12 months of licence transition,” she explains.

For firms with the right scale, she suggests hiring a compliance officer and engaging with an external compliance and corporate governance expert to ensure there is adequate support for the technical and compliance team.

“Gaining an AFSL is not as easy as it sounds. It’s a significant undertaking. Ensure you have a robust project plan in place and a competent team managing the transition to your own licence. Be prepared to spend a lot of time and money on your compliance obligations,” says Macura.

“It’s also important to know your numbers. The brokerage transition process is by far the most critical. It can take between two weeks and two months for fund managers and life insurance companies to transfer business. Fortunately, due to months of preparation in this area, we were well equipped in advance of the transition,” she adds.

Her advice is to engage a really good specialist lawyer and compliance adviser, and outsource as much as possible to external parties. “It’s all worth it when you come out the other side.”

Having our own AFSL provides us with the ability to move quickly on opportunities like robo advice.

To answer questions
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Lessening the burden of mental illness

There has been extensive media coverage on the life insurance industry and its practices. Focus has been placed on unsuccessful claimants, including one individual suffering from mental illness. This article considers the prevalence of mental disorders in Australia, levels of government support available, and the implications for insurance advice.

When someone suffers mental illness, ongoing treatment is essential to allow recovery and continued mental stability. While women are more likely to seek treatment than men, overall most mental illness sufferers do not receive recurring treatment[1]. This may be due to a reluctance to do so, or a lack of mental health resourcing available, especially in rural areas. For individuals that do seek help, it is generally through their general practitioner (GP).

Clinical care and community support

Significant government spending has been made into the area of mental health, with a total budget of approximately $3.5 billion (2015/16). This includes an increase of approximately $1.5 billion over the last seven years. Despite the prevalence of mental illness, Australia only spends around eight per cent of its health budget on mental health, while most other OECD countries spend between 12 to 16 per cent[2].

While funding may be available for clinical treatment, there appears to be a gap in funding for ongoing community services that provide practical solutions and support to help mental health sufferers get their life back on track. Furthermore, the mental health care system is fragmented and not easily navigated.

Government support

Medicare

Medicare rebates are available to patients for selected mental health services provided by GPs, psychiatrists, psychologists and eligible social workers and occupational therapists. This benefit is limited to 10 sessions per year for individuals who have been assessed as having a mental disorder who are either referred by a GP or psychiatrist, or are under a GP mental health treatment plan.

Income support

Up to 19 September 2016, the maximum amount of Disability Support Pension (DSP) payable is $873.90 (single) or $658.70 (each member of a couple) per fortnight. This is well below average fortnightly income of $3,207 for a full-time Australian adult[3].

To receive income support certain eligibility criteria must be satisfied, including (among other things) the requirement the applicant has a physical, intellectual or psychiatric impairment. Impairment tables are used to assess the degree of disability, with a rating of at least 20 points (severely impaired) as a minimum requirement.

Alternatives to government support

As government assistance can be limited those who suffer from a mental illness may wish to look into using private health cover or life insurance.

Private health cover

If a client requires overnight mental health care in a hospital, there are a number of out-of-pocket expenses they may incur. For example, if there are any cost gaps, private health insurance may only cover up to the Medicare Benefits Schedule fee, unless the provider has a 'no gap' arrangement with the client's private health insurer. There may also be co-payments or excess payments incurred during a hospital stay.

Generally, a waiting period may apply before private health insurance benefits can be used, and the availability of a psychiatrist or psychologist will be limited to those who have an agreement with the private health insurer.

Life insurance

In the context of life insurance, we can consider the implications on

the sum insured, policy terms and exclusions, and claim assessment.

Eligibility for cover

Depending on circumstances, pre-existing, or prior, mental health disorders may impact the individual's ability to obtain life insurance cover. The availability of cover varies across insurers as well as the approach taken for one form of mental illness over another. If cover is offered loadings or mental health exclusions may apply.

If the client is already unable to work due to their mental condition, TPD cover would generally not be offered. An application for trauma and term life cover will not automatically be declined simply on the grounds the client is unable to work. But it is likely comprehensive information would be required regarding the client's history, current condition, prognosis and circumstances of any existing claim (such as income protection) to determine the availability or terms of cover.

Amount of cover

On average, it has been shown a person with cancer, diabetes, stroke or coronary heart disease will stay in hospital four times longer if they also experience a mental illness[4]. This can vary depending on the type of condition suffered, as shown in the table below.

Further, people with a mental illness experience higher unemployment rates than the general population (19.5 per cent and 5.9 per cent respectively); and lower rates of labour force participation ie. the rate of working-age individuals who are employed or seeking employment (28.2 per cent compared to 63.4 per cent for the general population)[5]. These increased medical costs and loss of future income may impact the required sum insured for TPD or trauma policies, or the benefit period for income protection policies.

Blanket exclusions

It is common that suicide and self-inflicted injuries are exclusions on lump sum and income protection policies. Suicide will generally be excluded for 12 or 13 months from policy commencement for death cover, while self-inflicted injuries are often excluded for all other cover types for the life of the policy.

Individuals living with a mental illness are more likely to participate in self-harm compared to the general population. Further, the rate of suicide for sufferers of severe mental illness is up to 15 per cent, compared to a rate of approximately one per cent for all Australians[6].

Policy benefits

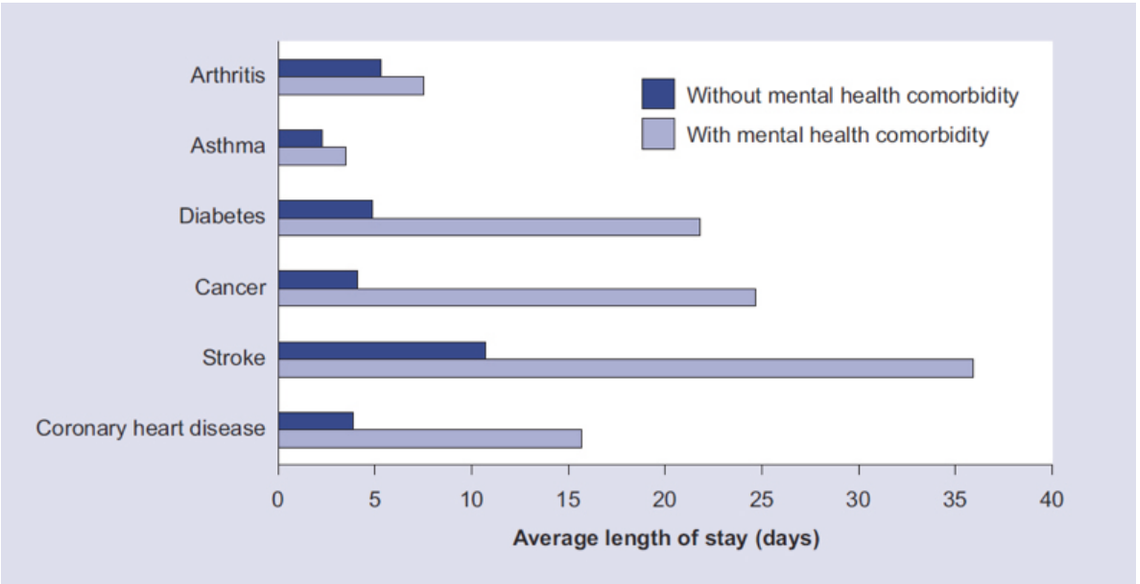
There are included or optional benefits that may prove useful to clients when making a life insurance claim.

Income protection policies - waiting period requirements

Some retail income protection policies will offer 'day one partial'. This means the insured person does not need to be totally disabled for any days during the waiting period for the waiting period to commence. Even if the policy does not have provide 'day one partial', most retail policies will allow a combination of total and partial disablement throughout the waiting period.

Many retail policies will also allow the insured person to return to full-time work, up to a certain number of days, without restarting the waiting period. For example, if the waiting period is 30 days, the policy may allow the insured person to return to work for up to five days. Or if the waiting period is greater than 30 days, they may return to work for up to 10 days without impacting the waiting period.

This flexibility is particularly useful for mentally ill clients whose symptoms and ability to work may vary over the course of the waiting period.



Source: AIHW National Hospital Morbidity Database.

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Income protection policies – total disability definition

Generous policies will offer a number of different ways that the client can qualify for a total disability payment. For example, the following definitions may apply:

- Ten hours – where the insured person is unable to work more than 10 hours per week in their usual occupation.
- One duty – where the insured person is unable to perform one or more important income producing activities of their usual occupation.
- Loss of income – where the insured person is able to work, but is not able to earn more than 20 per cent of pre-disability earnings.

While all of the above definitions are useful when making an income protection claim for a mentally ill client, the loss of income provision can be of particular interest to clients earning larger incomes. In the case where they suffer from, for example, an anxiety disorder that prevents them from maintaining their current role, they may be able to secure a lower paying role and top-up their salary with total disability payments.

The 10-hour definition may also be of use, allowing the client to continue to work, and keep in touch with their work place, but through limited hours. Mental health advocates agree that staying connected to work is an important element of recovering from a mental health disorder.

Partial disability

Partial disability payments allow the insured person to receive a pro-rated payment, based on pre and post monthly earnings. More restrictive policies will have a capability clause, which effectively limits the amount of partial disability payment by ascertaining what the insured person is capable of earning, even if they are unable to find work. In contrast, more generous policies will base the partial disability payment on actual post-disability income.

A mentally ill client may fluctuate in their ability to work from one month to another, and therefore the availability of partial payments allows the client to maintain an overall level of income, regardless of their work participation.

Future insurability benefit

The advantage of the future insurability benefit is that upon certain life events, the sum insured or monthly benefit can be increased without further medical underwriting. With income protection policies, the increase in cover can be up to 15 per cent. It's important to note, however, that the income ratio (the amount of insured monthly benefit compared to monthly earnings, determined at policy commencement) cannot increase. For lump sum cover, increases are based on life events rather than policy anniversary. Some policies include only three or four life events that allow the sum insured to be increased without medical disclosure. Comprehensive policies offer up to 15 life events, including a periodic increase every three years.

Other benefits

There are also other useful ancillary benefits that may be included in holistic income protection policies such as counselling and rehabilitation benefits. Remember mental health issues and physical issues can be intertwined, and therefore assistance with one issue can help with the other. Rehabilitation benefits can be used to cover the cost of a rehabilitation program, mobility or agility aids, re-education expenses, or home or workplace modifications.

Assistance at the point of claim

It has been shown there is a clear link between an individual's return to work, and their return to wellness. Health support teams that include rehabilitation psychologists working within life insurers can be critical to a client's recovery, and are best placed to determine what the optimal course of action is. Progressive insurers focus on the client's wellbeing and wellness when providing holistic solutions, and do not limit themselves to assessment of claim payment only.

Case study

Sebastian suffered from an undiagnosed physical condition that the health support team identified as a potential mental health issue. Due to early engagement with the client, the health support team was able to direct Sebastian to a mindfulness based stress reduction (MBSR) course, which was funded by the insurer. After this course, the client was able to return to work for 30 hours a week, with a full recovery likely in the near future.

In this scenario, there were initial concerns that the client would not be able to return to work at all. However, due to a combination of early intervention by the health support team and upcoming rehabilitation, the client is likely to return to full-time work soon.

The underlying psychological issue was the driver of the physical issue. Therefore, by addressing the psychological issue early, both conditions could be managed. The health support team was also able to engage with Sebastian's employer to provide work flexibility such as changing his role to include suitable duties only, and working from home.

Along with mental illness, musculoskeletal conditions and cancer make up the top three leading causes of claim for income protection and TPD

policies. Mental illness is the most common cause of claim for income protection policies, and the second most common reason for claim on TPD policies[7].

Conclusion

Given the prevalence of mental illness in Australia, it is likely advisers will need to consider the implications for their clients at some point. Government support is lacking, and therefore the right package of life and disability insurance is essential. There are many benefits within life insurance policies that are appropriate for all types of clients, but they become invaluable when assisting clients with a mental disorder.

Footnotes

[1]https://www.sane.org/mental-health-and-illness/facts-and-guides/facts-figures
[2]http://www.abc.net.au/news/2015-05-10/australia-lagging-on-spend-on-mental-health/6457766
[3]ABS report 6302.0 - Average Weekly Earnings, Australia, Nov 2015
[4]AIHW, Australia's Health 2008
[5]ABS, 2010
[6]https://www.sane.org/mental-health-and-illness/facts-and-guides/facts-figures
[7]The Risk Store: Industry Stats 2014

Rachel Leong, product technical manager, Life Insurance, BT Financial Group

QUESTIONS

1. A Medicare rebate is available for certain mental health services provided by:

a) GPs, for up to 10 sessions per financial year.
b) GPs, psychiatrists, psychologists, and eligible social workers and occupational therapists, for up to 10 sessions per calendar year.
c) GPs, psychiatrists, psychologists, and eligible social workers and occupational therapists, for an unlimited number of sessions per calendar year.
d) GPs, for an unlimited number of sessions per financial year.

2. The Disability Support Pension (DSP) is available if applicants meet the following criteria (among other things):

a) The applicant has a physical, intellectual or psychiatric impairment with a rating of at least 20 points.
b) The applicant must be unable to work, or be retrained for work, for 15 hours or more per week at or above the relevant minimum wage within the next two years because of their impairment.
c) Both of the above.
d) None of the above.

3. The types of expenses incurred when using private health cover may include:

a) Cost gaps between hospital expenses and the Medicare Benefits Schedule fee, unless under a 'no gap' arrangement.
b) Co-payments and excess payments.
c) Psychiatrist or psychologist services who do not have an agreement with the particular private health insurer.
d) All of the above.

4. The waiting period requirements for total disability payments under generous income protection policies:

a) Require total disability throughout the entire waiting period.
b) Require total disability on day one and then allow partial disability for the remaining waiting period.
c) Allow return to work of up to 15 days, without restarting the waiting period.
d) Allow total or partial disability during the waiting period, and a return to work of up to five or 10 days, without restarting the waiting period.

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

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www.fpa.com.au/cpdmonthly

CATHERINE CHIVERS
PERPETUAL PRIVATE – ADVICE DELIVERY

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes
- Overview of the rules.
- Overview of borrowing in super.
- Safe harbour provisions summarised.

Background to the superannuation borrowing rules

Section 67 of the Superannuation (Industry) Supervision Act 1993 (Cth) provides the general prohibition preventing superannuation fund trustees from borrowing, except in very limited circumstances.

Those limited circumstances include borrowing to make a payment to a beneficiary, if:

a) the payment is required to be made by law, or by the governing rules of the fund

b) apart from the borrowing, the trustee would not be able to make the payment

c) the period of the borrowing does not exceed 90 days, and

d) the total amount borrowed does not exceed 10% of the value of the assets of the fund.

The so-called limited circumstances also include borrowing to cover settlement transactions for the acquisition of securities and certain other financial instruments, if:

a) at the time the investment decision was made it was unlikely that the borrowing would be needed

b) the period of borrowing does not exceed 7 days, and

c) the total amount borrowed does not exceed 10% of the value of the assets of the fund.

Despite these limitations, trustees have managed to leverage into investments in various ways. For example:

- By investing in listed securities that offer exposure to borrowing, by virtue of the fact that the relevant companies have taken on debt to fuel their businesses.

- It is also generally possible for a superannuation fund to gear indirectly via either an investment in a 'widely-held' geared unit trust, or where unrelated superannuation funds acquire interests in a 'closely-held' trust that itself gears to purchase assets.

- Prior to 11 August 1999, investments in related geared unit trusts were generally allowable, subject to restrictions.

- Finally, superannuation funds have generally been able to invest using listed equity instalment warrants. It was argued that, because of the limited recourse nature of these arrangements, instalment warrants did not give rise to a borrower/lender relationship, considered by the Australian Prudential Regulatory Authority (APRA) to be a key element for determining the existence of a borrowing (see APRA Superannuation Circular II.D.4).

Towards the end of 2006, both APRA and the Commissioner of Taxation publicly stated that, in their view, instalment warrants constituted a borrowing and were, therefore, a breach of section 67.

In September 2007, legislation was passed which introduced a new exception to the borrowing restriction, providing certainty to trustees when investing in instalment warrants.

Titled 'Exception – instalment warrants', the rules contained within sub-section 67(4A) of the SIS Act allow the fund trustee acquire any permitted asset, as long as certain criteria are observed.

In July 2010, subsection 67(4A) was repealed and sections 67A and 67B were inserted. The aim of these amendments was to ensure that:

- the borrowed funds could only be used to acquire a single asset, or a collection of identical assets that have the same market value

- borrowings could be used to meet expenses incurred in connection with the borrowing

or acquisition (such as loan establishment costs and stamp duty) as well as costs involved with maintaining or repairing the asset acquired with the borrowing

- in the event of default, any recourse that the lender or any other person may have under the arrangement against the trustee is limited to the acquired asset
- borrowings could not be used to improve an asset acquired with a borrowing, and
- the asset acquired with the borrowing can only be replaced by another acquirable asset that the fund is otherwise not prohibited from acquiring, but only in very limited circumstances as specified in the legislation.

Superannuation borrowing since July 2010

Since July 2010, there has been massive growth observed in the self-managed superannuation fund (SMSF) sector. As of June 2015, the Australian Taxation Office (ATO) estimates that SMSFs account for 99.5% of all superannuation funds on a purely numbers basis, and comprise almost one-third of Australia's $2 trillion in total superannuation base[1].

Further, the total value of assets held by SMSFs via a limited recourse borrowing arrangement (LRBA) as a proportion of total SMSF assets has grown from $1.4 billion as at 30 June 2011 to be approximately $18 billion by 30 June 2015[2].

Due to such massive growth in LRBAs within such a short timeframe – particularly those involved related party borrowings – questions have been raised in several quarters about whether these are being structured on arm's length terms.

On 6 April 2016, the ATO released Practical Compliance Guideline PCG 2016/5, which seeks to provide increased clarity surrounding the 'safe harbour' terms that a SMSF can structure LRBAs, such that they are consistent with the principle of 'arm's length dealings'.

Why it's important for LRBAs to be on arm's length terms

When a SMSF acquires an asset using LRBAs, where the terms of the arrangement are not conducted on an arm's length (or commercial) basis, the non-arm's length income (NALI) provisions contained within section 295-550 of the Income Tax Assessment Act 1997 could apply.

The intention of the NALI provisions is to prevent income being diverted into superannuation entities that receive concessional taxation, as a shelter against the normal tax rates applicable to other entities, and especially the comparatively punitive marginal tax rates that apply to individual taxpayers[3].

Where the NALI provisions apply, any ordinary or statutory income generated by the asset that is the subject of the borrowing will be taxed at 47%, rather than the concessional maximum rate of 15% which applies to complying funds.

How NALI can occur in an SMSF

Income derived by a SMSF as beneficiary of a trust (other than because of the holding of a fixed entitlement) is considered to be NALI.

Additionally, even where the SMSF has a fixed entitlement to income of a trust, that income may still be assessed as NALI if it is:

- derived from a scheme in which the parties were not dealing with each other at arm's length, and
- more than the SMSF might have been expected to derive if the parties had been dealing with each other at arm's length.

Other circumstances where NALI can arise include:

- dividends which are paid to a SMSF by a private company (unless the dividend is consistent with arm's length dealings), and
- income that is derived from investments that have non-commercial terms – for example, LRBAs with zero percent interest loans.

Since July 2010 there has been massive growth in the self-managed superannuation fund sector.

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Relevance of the PCG 2016/5 'safe harbour' provisions

PCG 2016/5 follows on from ATOIDs 2015/27 and 2015/28[4] which provided clear confirmation of the Commissioner's view that borrowings on non-commercial terms (such as zero percent interest rates) may result in NALI to the SMSF.

Additional clarity was provided on this topic by an ATO announcement in October 2015 that they expected SMSF trustees with LRBAs to be on 'commercial terms' by 30 June 2016. Unfortunately at that time, there was no clear guidance provided by the Commissioner on what he would consider to be 'commercial terms'. This necessitated the issuing of PCG 2016/5 to provide the required 'safe harbour' conceptual definition of such a term.

The 'safe harbour' provisions - summarised

PCG 2016/5 applies to all LRBAs established under the provisions of section 67A of the SIS Act – and former provisions within superannuation law – irrespective of the actual commencement date of the LRBA.

The 'safe harbour' terms applying to the acquisition of real property via an LRBA are:

i. interest rates that are aligned with the Reserve Bank of Australia's Indicator Lending Rates for banks providing standard variable housing loans for investors, and

ii. loan terms not exceeding a maximum period of 15 years (with a maximum period of 5 years available for fixed rate terms within that maximum 15 year period), and

iii. a Loan to Market Value Ratio not exceeding 70% irrespective of whether the asset is commercial or residential property, and

iv. repayments of both principal and interest occur on at least a monthly basis, and

v. a written and executed loan agreement supports each relevant LRBA.

Note: separate 'safe harbour' terms exist for LRBAs comprised of share acquisitions. These points have not been focussed on here.

It is important to highlight that LRBAs which do not strictly comply with the 'safe harbour' guidelines within PCG 2016/5 could still be considered to be on arm's length terms. That is, while SMSF trustees won't receive the certainty provided under PCG 2016/5, they will need to show in other ways that the LRBA was entered into and maintained on terms that are consistent with arm's length dealings. As stated by PCG 2016/5, one way of achieving this is ... 'by maintaining evidence that shows their particular arrangement is established and maintained on terms that replicate the terms of a commercial loan that is available in the same circumstances.'

LRBAs that do not strictly comply with the 'safe harbour' guidelines could still be considered to be on arm's length terms.

Finally, all SMSF trustees need to be mindful that the 'safe harbour' guidelines relate to the requirements that the Commissioner considers necessary to maintain a LRBA on an 'arm's length' basis. As previously mentioned, the NALI provisions can be triggered in several ways, other than due to the structuring of a LRBA.

Urgent action required by 30 June 2016 for all SMSF trustees with existing LRBAs

It is important that all SMSF trustees with existing LRBAs are satisfied by 30 June 2016 that theirs is consistent with dealing on an arm's length basis. In meeting these requirements advisers may need to assist their various SMSF trustee clients in a number of ways. Such advice may ultimately involve any one of the following outcomes:

1. Altering any terms of the loan to meet the PCG 2016/5 requirements listed above, or

2. Refinancing through a commercial lender, or

3. Repaying the LRBA and bringing it to an end by 30 June 2016 and also ensuring that any required payments of principal and interest for the relevant part of the 2015-16 year are made. Such required payments may cause a SMSF to have cashflow constraints given the very limited time available between now and 30 June to access such funds.

All SMSF trustees will need to act swiftly to enable sufficient time to access relevant advice/ documentation and facilitate any necessary cash flow transfers prior to 30 June. If this timeframe is unlikely to be met, specific advice may be required to be developed now, which could involve some form of negotiated outcome with the ATO. Failure of the SMSF trustee to ensure their LRBAs are structured on an arm's length basis by 30 June 2016 will leave the fund open to further compliance action for the 2014-15 and prior income years.

Action required from 1 July 2016 for all SMSF trustees with existing LRBAs

To enable the LRBA to remain covered by the 'safe harbour' guidelines, regular monthly repayments of principal and interest will be required. Prior to 1 July 2016, some LRBAs may well have had significantly more flexible arrangements. This may mean that changes to the fund's investment mix are required, which also may necessitate change to the fund's Investment Strategy.

This may be particularly important where a fund is either already paying a pension, or is looking to do so in the short-term. Additional calculations may be required to determine if the fund can still meet its liabilities under the current investment mix, whilst also adhering to the 'safe harbour' guidelines.

QUESTIONS

1. Practical Compliance Guideline PCG 2016/5 seeks to provide SMSF trustees and their professional advisers with increased clarity surrounding:

a) The investments an SMSF is permitted to hold within its investment strategy.

b) The terms with which a SMSF can structure a limited recourse borrowing arrangement so that it can be considered to be on 'arm's length' terms.

c) The permitted commercial financiers of an LRBA.

d) None of the above.

2. When the NALI provisions apply, any ordinary or statutory income generated will be taxed within the SMSF at:

a) 12%

b) 17.5%

c) 47%

d) 51%

3. Key 'safe harbour' terms contained in Practice Compliance Guideline 2016/5 applicable to SMSFs that have LRBAs with real property acquisitions provide that:

a) Interest rates must be aligned to the RBA's Indicator Lending Rates.

b) Loan terms must not exceed a maximum period of 15 years.

c) Loan to market value ratios must not exceed 70%.

d) All of the above are 'safe harbour' terms which are contained within PCG 2016/5.

4. Where an SMSF trustee fails to ensure its LRBA is structured on an arm's length basis by 30 June 2016, this will expose the fund to further ATO compliance action from:

a) All income years from 1 July 2007.

b) 2014-15 and prior income years.

c) 2015-16 and prior income years.

d) 2016-17 and prior income years.

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

Catherine Chivers, manager – strategic advice, Perpetual Private – Advice Delivery.

Footnotes

1. ATO (September 2015) Self-Managed Superannuation Funds Statistical Report, obtained from https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/Statistics/Quarterly-reports/Self-managed-super-fund-statistical-report---September-2015/ (accessed 12 May 2016).
2. ibid.
3. Explanatory Memorandum, Superannuation Legislation Amendment Bill (No. 2) 1999 at paragraph 2.13.
4. Originally released in 2014 as ATOIDs 2014/39 and 2014/40.


VOLUME 1. ISSUE 1 – 2015

ISSN 2206-1386

FINANCIAL PLANNING RESEARCH JOURNAL

Journal of the Financial Planning Association of Australia

Challenges facing financial planners advising ageing clients with diminished financial capacity
John Teale

Just how safe are 'safe withdrawal rates' in retirement?
Michael E. Drew & Adam N. Walk

The conflict between financial decision making and indigenous Australian culture
Suzanne Wiggford & Sharon Taylor

A (W)hole in financial budget: Budgeting's influence on the effective use of credit card debt in Australia
Sanja Ajzerle, Mark Brimble & Brett Freudenberg

Understanding the relationship between fund flows and past performance in Australian managed funds
Sudharshan Reddy Paramati, Di Mo & Rakesh Gupta

Griffith UNIVERSITY

FINANCIAL PLANNING ASSOCIATION OF AUSTRALIA

Introduction

The ageing process can be associated with neurological conditions such as stroke, Alzheimer's disease, dementia and other progressive neurological disorders associated with ageing that cause a decline in financial capacity (Marson 2013). These disorders raise particular challenges for financial planners because new skills and processes are needed when dealing with this demographic (Karp & Wilson 2011). Financial planners must recognise clients with this condition before advising on a range of financial matters (Pew, 2015), which include investing to provide adequate retirement income, funding to live in retirement villages, health care and much more.

Research on ageing and associated diminished financial capacity has been published in psychology journals, for example, *American Journal of Geriatric Psychology*, *Neurology* and *Gerontologist*. However, that research focuses on the medical reasons for diminished financial capacity and not on the implications for financial planners providing financial advice to their aged clients.

So this paper seeks to address those implications for financial planners. The implications are discussed in four sections that focus attention on the reduced financial capacity of many in this group. The first section discusses the growth of the ageing population and explains the reasons for an associated decline in the financial capacity of many in this group. The next section provides a definition of this condition, identifies the abilities that signify financial capacity, and identifies a test to avoid confusion with lack of financial literacy. Then the third section highlights the common law courts' ruling on the validity of contracts involving individuals with diminished capacity. This section also identifies the liability issues facing financial planners for failing to detect the presence of diminished financial capacity, the 'red flags' that could indicate its presence, and the guiding principles to be used when diminished financial capacity is detected. Finally, the fourth section discusses important challenges faced by financial professionals.

8

Financial Planning Research Journal

The FPA published the first-ever academic journal dedicated to financial planning, *Financial Planning Research Journal*, in Australia earlier this year.

The publication is a joint project of the Department of Accounting Finance and Economics, Griffith Business School, Griffith University and the FPA. Co-editors of the journal, Dr Mark Brimble, head of finance and financial planning discipline at Griffith University,and Dr Rakesh Gupta, senior lecturer, Griffith Business School at Griffith University, are hard at work on the forthcoming issue. In the meantime, here are some excerpts of contributions to the first issue.

The journal aims to publish high-quality, original, scholarly, peer-reviewed articles from a wide variety of personal finance, investment and taxation disciplines.

Some of the topics covered in the journal include economics, finance, management, accounting, marketing, taxation, behavioural finance, financial literacy, financial education and law.

Understanding the relationship between fund flows and past performance in Australian managed funds

By Sudharshan Reddy Paramati, Di Mo and Rakesh Gupta.
Corresponding author: Dr Rakesh Gupta,

This study aims to understand the prevailing literature examining the effect of past performance of funds, risk of the funds, choice of fund legislation and the global financial crisis on the fund flows among the different asset classes in Australia.

The empirical findings of previous studies document that retail funds are more sensitive to the past performance of funds than those in the wholesale segment.

These studies further argue that risk of the funds seems to be ineffective in explaining the fund flows. Findings also report that the choice of fund legislation has resulted in attracting more funds into the managed funds. Finally, in the post global financial crisis period, there is a significant inflow of funds into the managed and equity funds.

A (w)hole in the financial budget: budgeting's influence on the effective use of credit card debt in Australia

By Sanja Ajzerle, Mark Brimble and Brett Freudenberg

Credit card debt has become intrinsic to our way of life, and credit cards are accepted as part of modern day living. This paper examines to what extent personal budgeting can influence the effective use of Australian credit card debt.

The findings suggest that the most effective credit card debtors are those who consider they do not need a budget due to low income and expenses followed by those without a budget but often earning in excess of $180,000 a year.

Participants with the lowest effective use of credit card debt are those who do have a budget but rarely follow it.

To find out more about how to contribute
EMAIL EDITOR.FPRJ@GRIFFITH.EDU.AU.

Roadshow resources: bringing you up to speed

Members attending the 2016 FPA Roadshow value the many new resources they have been able to access at these events across the country. Here's a snapshot of what you'll get when you attend.

One of the great advantages of attending the roadshow is being able to access material the FPA has produced just for this event.

One of the most well-received documents this year has been the FPA Member Guidance, *Delivering Excellence: Further advice solutions for a superior client experience* booklet, which focuses on building long-term relationships between financial planners and clients.

Further advice provides an opportunity to revisit client's goals and any changes in the external environment that may impact their financial plan. It is also an opportunity to help your client address financial planning needs that were not included in your previous advice.

In particular, event attendees have valued the trigger events – the points in a client's life when they really need advice – section of the booklet. Trigger events include marriage, death, the birth of a child, redundancy, plus many more life events.

Educating clients about trigger events and when it is important for them to initiate further contact will assist in managing the risk of these events going unrecognised by your client. A full list is included in the booklet.

The Client Needs Wheel included in the booklet is another way to show your client how a simple, single change or trigger event can activate multiple financial planning needs for your client, which further advice can address.

Another popular tool in the booklet is the Financial Planning Dashboard that appears as a fold out at the back of the booklet. The dashboard is a tool for tracking how far the client has come and for recording their future goals in an easily understandable format.

The full roadshow program can be found at: fpa.com.au/roadshow

FPA Client Needs Wheel

Keeping members up-to-date

Don't forget to pick up the 'Your Personal Library Of FPA Resources' USB when you attend your local roadshow.

The device contains member guidance workbooks that focus on recent policy issues. The five booklets are: *Bulletproof Financial Planning (FOFA Toolkit), A Guide to TASA, Taking Other Steps (Best Interest Advice), Life Insurance Advice Guide and Delivering Excellence (Further Advice solutions).*

It's must-have information for all financial planners.

Changes to the way parental income affects

student payments

Financial planners need to be aware of new rules around the Parental Income Test.

From 1 July this year, there will be changes to the way parental income affects Youth Allowance, ABSTUDY and Assistance for Isolated Children payments

Currently, only dependent siblings aged 16 to 21 years old are included in the Parental Income Test. This will be expanded to include all siblings in your client's family, or "Family Pool", including those aged nought to 15 years old, from 1 July 2016. As a result, your clients may see some changes to the payment rate for Youth Allowance, ABSTUDY and Assistance for Isolated Children payments.

If your client or their dependent child is currently receiving a part rate of one of these payments and there are younger siblings in the family, they may receive a higher rate of payment. If they already receive the maximum rate of payment they will not receive any more.

If your client or their dependent child has previously claimed one of these payments and their claim was rejected due to parental income, they may now qualify for payment if there are younger siblings in the family.

Some parents or guardians will be asked to provide updated details about the Family Pool. If updated details are required, your client or their dependent child will receive a letter from the department in April to notify them of the change and any action they may need to take.

In most cases, the change will apply automatically, they will not receive a letter, and they will not need to do anything. Any action that needs to be taken will be made clear in the letter if they receive one, so there's no need for them to call the department to check what they need to do.

If your client or their dependent child has previously claimed one of these payments and their claim was rejected due to parental income, they may now qualify for payment if there are younger siblings in the family.

If your client wants to check the current details of their Family Pool, they can quickly and easily check and update their details online. If they have a Centrelink online account, they can update their family's details at www.my.gov.au.

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