PP 243096/00011

OFFICIAL PUBLICATION
OF THE FINANCIAL PLANNING
ASSOCIATION OF AUSTRALIA

Financial Planning

August 2016

$15.00

Small goals, big gains

Claire McGregor takes out Gwen Fletcher Memorial Award

THIS ISSUE

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Contents

August 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

Recognising excellence

Whilst we focus on the uncertainty of tomorrow, we often forget to stop and celebrate the achievements of today.

With the recent Federal Election, proposed superannuation changes and several significant financial planning reforms underway, there is no doubt we are going through an unsettling period. Whilst we await clarity and detail on some of these changes, it's business as usual at the FPA. This month, we wrap up some exciting initiatives, and kick start some new ones.

FPA Awards

On 1 August, we were delighted to open the 2016 FPA Awards. Winning an award can significantly enhance your career and business, according to our 2015 winners. On page 12, last year's award winners share their insights on how their award has impacted them – personally and professionally. It's a great read.

This year we have added two additional categories; the FPA Professional Practice of the Year Award and the FPA Paraplanner of the Year Award, so that we recognise excellence beyond the individual financial planner.

If you have delivered outstanding advice, client service or practice management, seek the recognition that you deserve and apply for an award. Entries close on Friday 2 September, so make sure you get in quick. You can find out more at fpa.com.au/awards.

Our August edition also features a story on Claire McGregor of Elston Partners, our fifth Gwen Fletcher Memorial Award Winner. Claire's high achievement in the CFP® Certification Program is no easy feat, and her commitment to striving for the best financial advice possible is one example of the passion that exists in our community. A big congratulations to Claire on an outstanding effort.

Financial Planning Week

In the blink of an eye, our 16th consecutive annual Financial Planning Week has come around. This year, we are taking a new approach with an emotional and inspiring campaign that will encourage Australians to dream again. As part of the 'Dare to Dream' campaign, we are developing a video transformation series to demonstrate the power of financial advice in making dreams come true.

The campaign will also involve national sentiment research, ambassadors, social media and a toolkit, so that you can help us promote the campaign and continue the conversation with clients and potential clients. We'll be communicating more about the campaign throughout the month. In the meantime, you'll find more information on page 19.

Advertising campaign

Last month we wrapped up our 2016 'It's all you need to know' consumer advertising campaign, which reached six million Australians online. This year we built on the campaign with new channels, such as mobile advertising, plus advertising in magazines such as *Women's Weekly, Money* and *Real Living*.

We also continued with metropolitan and regional print and radio advertising around the country. We are confident that our continued efforts will shift the dial and raise awareness about the internationally recognised CFP® designation.

Whilst this is all going on, we are of course also busy progressing the program for the 2016 FPA Professionals Congress, taking place in Perth on 23-25 November.

On page 20, our US-based CFP® professional and respected ethics presenter, Dan Candura, tells us how he plans on bringing the subject of ethics to life at this year's Congress. We know that financial planners are often faced with difficult choices that are not black and white. Dan will use case studies, animated video and polling to support his principles that ethics does not have to be dull or boring.

If you haven't yet booked for Perth, don't forget there are up to 15 CPD hours on offer and early bird closes on 31 August. Visit fpacongress.com.au to find out more.

Enjoy the edition.

Dante De Gori CFP®
Chief Executive Officer

Follow Dante on Twitter @ddegori10

This year, we are taking a new approach with an emotional and inspiring campaign that will encourage Australians to dream again.

Consumer campaign wraps up

The FPA's annual national consumer advertising campaign has wrapped up, but not before achieving its objective of raising awareness of the CFP® designation in Australia by reaching six million consumers online.

The three month campaign, which was funded by an advertising levy from CFP® professionals, kicked off in April. The campaign's key message was – 'It's all you need to know'.

According to FPA Head of Marketing, Fosca Pacitto, the campaign's simplified creative and message was designed to cut through the noise of consumer marketing and advertising to deliver a simple, clear message to consumers about the credentials of a CERTIFIED FINANCIAL PLANNER® professional.

The integrated campaign ran across digital, print and radio, including national, metropolitan and regional newspapers and radio stations. Again, online display advertising ran alongside social media and paid search advertising, which captured the attention of consumers when on Google searching for a financial planner.

Pacitto said she was pleased with how well the FPA's newly introduced mobile-responsive advertising performed, generating the highest click through rate of the campaign.

In addition, advertising on www.realestate.com.au also performed extremely well, enabling the campaign to reach consumers actively engaged in the process of buying a home.

"I am delighted with the way this year's consumer campaign has run and the reach it achieved with consumers," Pacitto said. "This campaign is another step in creating greater awareness of the CFP® designation in Australia."

Pacitto urged CFP® professionals to help reinforce the campaign's awareness strategy by using the Good Advice lock up on their website and email signature.

6 million Australians reached online

41,000 clicks on online advertising

22,800 visits to the Find a Planner directory

50 print adverts ran in 44 national, metropolitan and regional newspapers

1,800 radio adverts ran on 41 national, metropolitan and regional radio stations

Second issue of academic Journal

The second issue of the *Financial Planning Research Journal (Volume 2, Issue 1)* has been published and is now available online for financial services academics and practitioners.

The Journal is a joint project between Griffith University's Department of Accounting, Finance and Economics and the FPA.

Articles in the second issue of the Journal include:

- Characteristics of trust in personal financial planning (by Michelle Cull and Terry Sloan);
- Can stakeholders be satisfied with accountants' education to act as advisers to self-managed superannuation funds? (by Brett Freudenberg and Dale Boccabella);
- Averting poverty and government budgetary pressure through releasing home equity: A safe and informed solution for baby boomer homeowners (by Dianne Johnson, Mark Brimble and Andrew Worthington); and
- The equity risk premium in Australia (1900–2014) (by Robert J Bianchi, Michael E Drew and Adam N Walk).

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

The publication is co-edited by Griffith University Head of Finance and Financial Planning, Professor Mark Brimble and Griffith University's Griffith Business School senior lecturer, Dr Rakesh Gupta.

To read the articles, go to www.griffith.edu.au/financial-planning-research-journal

The editors can be contacted at FPRJ.Editor@griffith.edu.au

2016 FPA National Roadshow wraps-up

After three months on the road, the FPA National Roadshow has finally wrapped up for another year, but not before visiting 33 locations across all 30 FPA Chapters.

The Roadshow, in partnership with Challenger, kicked off on 27 April in South East Melbourne, finishing up on 22 July in Wollongong.

Over 3,200 delegates registered for the events, which provided updates on the latest legislative developments, as well as practical strategies and advice opportunities in the retirement income and aged care markets.

The FPA thanks all members who supported this year's National Roadshow and for their ongoing support of local Chapter events.

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who have been admitted as CERTIFIED FINANCIAL PLANNER® practitioners.

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Joel Edelman CFP®
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UPCOMING CHAPTER EVENTS

Masterclass: Aged care and estate planning

The **Sydney Chapter** will be hosting a breakfast masterclass session on Aged Care and Estate Planning on Thursday, 25 August. There are two sessions available: a breakfast session at the Grace Hotel (Sydney CBD) and an evening session at Parramatta UNE Future Campus.

Three industry experts will bring advice to life in this masterclass presentation on aged care and estate planning, which will include how to have relevant and practical conversations with clients about these topics.

In a time when planning businesses are under increasing pressure from all directions – legislative, markets, credibility and technological disruption – it is important to focus on business solutions that create deeper relationships with clients. Aged care and estate planning are two such solutions.

Pathways at Elev8

The **South Australia Chapter** is hosting its Elev8 Young Planners Networking event at The Hackney Hotel on Wednesday, 31 August.

This session will be focusing on pathways to becoming a CFP® professional, which will be presented by Howard Cook, Head of Academic Relations at the FPA.

The event will also feature a panel of CFP practitioners, who will share their thoughts on the profession and provide valuable tips for the young (and not-so-young) planners in attendance. The panellists include:

- John Molnar AFP® – 2015 Financial Planner AFP® of the Year Award winner
- Asha Burrows CFP®
- Carmella LaStarza CFP®

Networking drinks will follow the presentations.

AFL Grand Final lunch

The **Melbourne Chapter** is hosting the annual AFL Grand Final Lunch, in support of the Future2 Foundation, which will be held on Monday, 26 September at Etihad Stadium.

This event will once again include football legends, Tim Watson and Billy Brownless. Joining them will be Brian Taylor, who will interview the first female superstar of AFL – Daisy Pearce.

Along with a star filled AFL panel line up, well-known comedian Lawrence Mooney will be performing at this event. His irreverent style of stand-up comedy will certainly get attendees laughing.

We look forward to seeing our members at the next local Chapter event.

For upcoming events in your local Chapter, go to fpa.com.au/events

Seeking clarity on policy

Q: The Turnbull Government has just been re-elected for another term. Is this good for financial services? Why?

TONY GILHAM CFP®

Founding Partner, GFM Wealth Advisory
Licensee: GFM Wealth Advisory

We could start with a feeling of betrayal, getting to understand the implications of retrospective legislation, and trying to come to terms with successive Federal Governments that have continually overspent, and now find themselves in a 'black hole', looking to raise more tax income, and hence fiddling with the superannuation 'honeypot'.

We heard the quote from the Liberal party so often that we found it easy to memorise it: "There will be no adverse changes to superannuation in this term of Parliament." Yet on 3 May 2016, there were several very adverse changes, even though the Federal Treasurer basically promised that there would be no changes to people in the retirement stage of superannuation.

And yes, the $500,000 lifetime limit on Non-Concessional Contributions is both ridiculously low and retrospective. Counting previous contributions retrospectively back to 1 July 2007 is unfair and almost unworkable. I have a fair expectation that the retrospective nature of this legislation will be quashed by sensible members of Parliament that understand its retrospectivity.

Peter Costello and Paul Keating must both be seething. Keating introduced compulsory superannuation in 1992.

Costello simplified the system in 2007, by removing the tax payable on pension income after age 60, which certainly is not unreasonable, considering that money going into superannuation is already taxed at 15 per cent, and the earnings on the superannuation fund during the accumulation phase are also taxed at 15 per cent.

As it worked prior to 2007, with the various tax offsets applying to superannuation pension income for a person over age 65, they basically didn't pay any tax on superannuation pension income of around $49,000 a year, and potentially $98,000 a year, if 50 per cent of your super fund balance was made up of a 'tax-free component'.

From 2007, the attraction of superannuation savings really took off, and the sector blossomed. We should be very proud to have such a good system in Australia.

Hard-working Australians who have made themselves completely self-funded at retirement age, not only miss out on getting the Age Pension of $34,252 (for a couple, homeowner), but look like they will now be further penalised by having to pay additional tax in the pension phase, and heavily restricted on future contributions in the accumulation phase.

WAYNE LEGGETT CFP®

Director, Paramount Financial Services Group
Licensee: Fortnum Financial Advisers

Notwithstanding the potential implications of the proposed changes to superannuation put forward in the most recent Federal Budget, the industry is more than likely relatively pleased with the election result.

As unpopular and unhelpful as many of the Budget measures may be, both the financial services industry and their clients, alike, would probably take these outcomes over those which may have been likely brought to bear by a Labor government under the leadership of Bill Shorten.

In the absence of adverse commentary on the Government's Budget super proposals, other than declaring they would remove the 'retrospective' component of the new Non-Concessional Contribution cap, Labor would appear to support the Coalition's proposals, but have also announced a plan to introduce a measure to tax the earnings on account-based pensions (ABP) in excess of $75,000 per annum.

Given that this is:

A. the equivalent of earnings of just under 4.7 per cent per annum on the Coalition's $1.6 million proposed ABP cap; and

B. proposed to apply to all ABPs, not just those in Transition to Retirement (TTR) mode these measures are a more severe impost on the retirement plans of today's Australians than those announced in May's Budget.

Add to that, Labor's stated intention to remove negative gearing on property other than new construction and you begin to form the view that, as unpalatable as some of the proposed super changes are, things could have been worse under the alternative government.

That said, let's hope that common sense prevails before these measures receive Royal Assent. The most contentious of these measures are the massive reduction in Concessional Contribution caps and the introduction of taxation of earnings on Transition to Retirement Income Streams (TRIS) pensions. Let's hope neither ideas see the light of day.

Continues on page 12

DAVID FRENCH AFP*

Managing Director, Capricorn Investment Partners
Licensee: Capricorn Investment Partners

From Brexit to Trump to the threat that is ISIS, the Western world is experiencing a time of self-flagellation and upheaval.

Reminiscent of the Romantic period, there is a propensity to reverse great gains, and revert to a doctrine of individualism. The rights of the individuals are promoted ahead of the overall good, and people with learning are ignored. The internet is the highway of self-righteous indignation, and the efforts of people who seek to do good are dismissed as (obviously) corporately aligned and (therefore) not trustworthy. Falling living standards provide evidence of the wrongs that have gone before, and people chop and change political allegiances as they look for a magic fix.

Against this background, the election of a Turnbull Government is a minor miracle. For the financial planning profession it provides at least some continuity; an opportunity to drive home the education and negotiation process. Properly managed, it might provide an avenue to, without undue influence from the left, finally bed down the legislative changes that have been in process for more than a decade. What a breath of fresh air that would be.

The Budget changes to superannuation were a disappointment, more so because they were presented as a revenue initiative and not as part of a broader package of measures integrating and balancing taxation, superannuation and social security.

Turnbull is at the beginning of a journey. If it's to be a long one, then he needs to show genuine leadership. That means looking forward, being bold with policy and standing up for the broad interests of the community. Ultimately, that means setting in place measures for economic growth, and improved living standards. Malcolm knows this. The big question is whether he can strap his 'balls' on and execute.

SCOTT BROUWER CFP®

Financial Planner

Given the tight election result and likely issues getting policies through the Senate, the outlook for the next three years appears uncertain.

The constant changes to superannuation are destabilising, as were the changes to superannuation outlined in the 2016 Budget. If the changes are implemented, the need for advice will be heightened, which will be positive for many financial planning businesses.

A focus on 'innovation' to drive the economy may assist financial planning businesses, with extra funding available for Fintech companies.

The prospect to access incentives for clients, such as tax offsets and tax-free gains, may assist planners with strategic planning opportunities, while the proposed small business corporate tax cuts will assist many financial planning businesses, as well as their clients.

With over one million Australians currently using negative gearing as a strategy to build wealth, the Coalition's commitment to retain this strategy provides a continuing option for investors.

However, the lack of focus on Australia's ageing population in the election is an opportunity for groups, like the FPA, to provide the necessary dialogue and leadership for age care funding. There is without doubt an enormous opportunity for planners, who have the requisite skills, to assist those entering age care, along with their families.

The Coalition's campaign slogan was 'Jobs and Growth' – a delivery of these has got to be good for the financial planning profession.

DAMON BENSEIN CFP®

Head of Private Wealth, Elston
Licensee: EP Financial Services

Although the outlook for financial services is still a little cloudy, we believe having the Turnbull Government re-elected is a positive step, as it does help provide us with some certainty. The Turnbull Government has provided some direction on the superannuation system going forward and it has promised to keep the tax concession that applies to gearing for investment in place.

Now that negative gearing is confirmed as a legitimate strategy, we feel that investors may start allocating funds back into property, which hopefully in turn will stimulate prices. This, coupled with progressive tax cuts for business, should have a positive knock on effect for the economy and our clients' wealth in general.

Overall, we feel that the Turnbull Government provides a much clearer vision of the future for Australia through its proposed changes to superannuation, it's commitment to tax cuts for business and the certainty they are providing to Australian property investors.

Had a Shorten Government been elected, we feel the impacts to financial services and confidence in the economy in general would have been negative.

Continues from page 11

DARYL LABROOY CFP®

Financial Adviser, Hillross Financial Services
Licensee: Hillross Financial Services

The re-election of the Turnbull Government is good for the financial services industry as the conservative side of politics usually adopts a more pragmatic approach to the sector, rather than the opposition which is more ideological.

However, the economic environment facing the re-elected Government remains challenging. It has to ensure the health of the financial services sector remains sound over the next three years, but economic forces are out of its hands. An external financial shock could send the economy into recession, although none is being forecast as I write, which would put pressure on the banks.

Recently, the banks have had to improve their capital positions and hopefully this will protect them against a potential downturn.

Apart from the Life Insurance Framework legislation that will be presented in Parliament soon and the foreshadowed education requirements, financial advisers should see some stability over the Turnbull Government's next term from a regulation perspective.

There is a bit of uncertainty as to whether the recent superannuation changes announced in the Budget will get through unchanged. Regardless, the Federal Budget remains under pressure and savings have to be sought over the next three years.

It wouldn't be a surprise to see further changes over the next three Federal Budgets aimed at cost savings or revenue raising in relation to superannuation.

The best thing the Turnbull Government can do over the next three years is manage the economy really well. If it manages to do this, the financial services sector will benefit, as the economy remains healthy. A good economic result will benefit our clients and in turn, be helpful for advisers. The slogan 'Jobs and Growth' may have got the Coalition across the line but now it's time to deliver on that promise, which is the hard part.

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

Call for clarity of direction

With the July Federal election returning the Turnbull Government for another term, *Financial Planning* spoke to Ben Marshan about what the profession can expect from the 45th Parliament.

It was a close call, but with a greatly reduced majority, the Turnbull Government has been re-elected for another term. But what will this mean for financial services and importantly, the financial planning profession?

"Hopefully, a commitment to policy frameworks," says Ben Marshan CFP®, the FPA's newly appointed Head of Policy and Government Relations.

"The FPA hopes the Government stays committed to the new Professional Standards and Education frameworks that it set out to implement prior to the election. We are hoping the legislation will be passed through Parliament and implemented as quickly and efficiently as possible," he says. "These reforms are not only good for the profession but ultimately, they benefit consumers. It's a real game-changer, if they are implemented."

In terms of the Life Insurance Framework, Marshan is also optimistic this will also be quickly dealt with by Parliament, but with a new timeframe, given that the original proposal for a 1 July start date has come and gone.

"The Life Insurance Framework will be good for the profession, as it will help to reduce conflicts around advice when it comes to recommending life insurance products. It also decreases the cost of insurance products for consumers, which is a positive move that we would like to see the Government implement."

Ben Marshan CFP®

And what of the Budget proposals, particularly to superannuation?

Marshan agrees that the Government's proposed changes to superannuation probably did it no service in the recent Federal election. Instead, he is hopeful the result might convince the Government to re-examine this policy.

"We believe the proposed changes to the Non-Concessional Contribution cap and Transition to Retirement are significant issues that need to be re-examined. As they stand, these changes will detrimentally affect the ability of Australians to actually fund their own retirement, which is the objective of superannuation.

"While it has received less attention, the reduction in the Concessional Contribution cap is the most concerning, as this reduces the ability of Australians to build their superannuation funds and be self-sufficient in their retirement."

Direction

With no clear majority in the Senate, the incoming Government will again have to rely on the Senate cross bench to have legislation passed, which will provide the Government with yet another challenge to overcome.

"I think the problem with the Turnbull Government is that it has trouble articulating what it wants to do as a Government moving forward. While it did have a position around what it wanted to achieve through the Budget, I don't think it extended much beyond getting those Budget measures passed," Marshan says.

"So, I believe it's important for Prime Minister Turnbull to come out early and articulate the Government's vision of where the country needs to go and how it will get there. I think that's what has been missing over the election campaign, and more broadly, over the past few years."

It's this clarification and direction of Government policy that the FPA most wants to see from the incoming Government over the coming months.

"The only certain thing at the moment is uncertainty," Marshan says. "The best thing the Government can do now is provide clear messages and a clear direction in relation to policy. This will give greater clarity to planners and their clients in terms of their financial plan and position."

While Marshan concedes the last 12 months have been busy for the profession, with a raft of proposed legislation, including for Professional Standards and Education, as well as the Life Insurance Framework legislation, he says that with the assortment of proposed Budget measures, there still remains too much uncertainty for the profession.

"What we at the FPA need to work on with Government is making sure that, firstly, there is certainty with respect to policy direction, and secondly, that the outcomes the Government is trying to achieve are in line with what's best for consumers," he says.

"Get ready. It's going to be another busy 12 months ahead of us."

Professional excellence

Entries are now open for the **2016 FPA Awards**, which recognises excellence within the profession.

The search for Australia's top financial planners, paraplanners and students of financial planning is now underway, with entries now open for the prestigious 2016 FPA Awards.

The awards recognise excellence in their respective categories, as well as acknowledging FPA members who have gone above and beyond for their local community.

This year, The FPA has added two new categories: the FPA Professional Practice of the Year Award and the FPA Paraplanner of the Year Award. Both awards recognise excellence in service.

Winning an FPA Award is not only prestigious but brings a range of benefits to the award recipient.

The chart below highlights these benefits.

The deadline for entries closes Friday, 2 September, with the winning awards announced at the FPA Professionals Congress in November.

For more information on the 2016 FPA Awards or to download an entry form, go to fpa.com.au/awards

The six categories open for submissions are:

FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award - This category recognises CFP® professionals who provide superior outcomes for clients, while aligning their professional expertise to the FPA's Code of Professional Practice and Code of Ethics;

FPA Financial Planner AFP® of the Year Award – This category recognises Financial Planner AFP® members who have delivered best practice advice that have led to outstanding client outcomes;

Future2 Community Service Award – This category recognises CFP® professionals and Financial Planner AFP® members who have supported their local community through pro bono and volunteer work, assisting disadvantaged young Australians for a brighter future;

FPA University Student of the Year Award – This award recognises students who are excelling in the finance field. Students who have demonstrated exceptional performance will be put forward by their respective accredited educational institution, and the FPA will invite these candidates to apply for this award;

NEW
FPA Paraplanner of the Year Award – A new category that recognises a paraplanner who has demonstrated excellence in paraplanning; and

NEW
FPA Professional Practice of the Year Award – A new category that recognises the top performing practice in the FPA Professional Practice Program, as assessed via the Business HealthCheck survey.

BENEFITS OF WINNING

	FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award	FPA Financial Planner AFP® of the Year Award	Future2 Community Service Award	FPA University Student of the Year Award	**NEW** - FPA Paraplanner of the Year Award	**NEW** - FPA Professional Practice of the Year Award
$5,000 towards professional development or a professional event	✓	✓	✓			
Personalised email signature	✓	✓	✓	✓	✓	✓
Media opportunities	✓	✓	✓	✓	✓	✓
Complimentary 2017 FPA Professionals Congress registration	✓	✓	✓	✓	✓	✓
Complimentary 2017/18 FPA Allied Professional Membership				✓	✓	
Complimentary first semester entry into the CFP® Certification Program				✓	✓	
Complimentary 2017/18 FPA Professional Practice renewal						✓

Christopher Smith CFP®

Practice: VISIS Private Wealth
Award: 2015 FPA CERTIFIED FINANCIAL PLANNER® Professional of the Year Award

John Molnar AFP®

Practice: ipac SA
Award: FPA Financial Planner AFP® of the Year Award

Christopher Moore CFP®

Practice: Optimum LifeFocus Financial Planning
Award: 2015 Future2 Community Service Award

What they said

Last year's winners share their views on the FPA Awards and explain how their award has helped them and their business.

> "Being recognised by the FPA and my peers was truly a humbling experience. The award opened up a number of media and public relations opportunities for me, including newspaper and radio coverage.."
>
> – John Molnar AFP®

Why did you decide to enter the 2015 FPA Awards?

CS: I have always had a competitive spirit and was seeking recognition of my ability. These awards are a chance to benchmark yourself individually against the best advisers in the country.

In addition, I believe winning respected industry awards are key to gaining wider professional recognition, while allowing my firm to clearly differentiate itself in our marketing strategy.

CM: It was a chance to turn the spotlight on people who need help. I seek to love my neighbour, and if I can do so not only by helping them myself, but also by encouraging others to help, then that multiplies the good done.

I wanted to show others what I've done, and encourage them to do something too, because there will always be someone in need of help.

How have you made the most of your award?

CS: I have developed a new marketing plan for the business, with several aspects centred around the award. Primarily, the focus has been on marketing collateral to increase my personal brand and profile to exisiting and prospective clients.

I have also executed a media and public relations program, which has resulted in several media appearances and invitations to contribute articles in the print media.

JM: Being recognised by the FPA and my peers was truly a humbling experience. The award opened up a number of media and public relations opportunities for me, including newspaper and radio coverage.

CM: The support the award has given in regards to marketing and raising the profile of Container of Hope (the charity I support), has been invaluable. The more circles and different fields that it can infiltrate, the better. And the more that Container of Hope is supported, the more we can support those in need.

How has winning the award made a difference to your business?

CS: The award recognises that we are providing market-leading advice and service to our clients, as well as furthering the reputation of the wider profession. I believe the award has helped my firm to internally reinforce our culture of high performance and values, and this has directly led to a higher retention rate of staff.

In terms of client marketing, our new client numbers have increased, leading to an excellent period of sustained growth. This has led to new opportunities for VISIS Private Wealth, both in terms of executing business improvement initiatives and acquisition opportunities.

JM: The award recognises professionals who deliver best practice and superior outcomes for their clients. Winning the award has allowed me to reaffirm to my clients that they are in good hands and that I strive for a high professional standard, which is important now than ever before.

Winning the award from a leading professional association also provided a valuable point of difference for me. It has allowed me to stand out from the crowd when dealing with new clients who are seeking advice.

What advice do you have for someone thinking of entering the awards?

JM: Just go for it! By entering the award you are saying to yourself, and those around you, that you believe in what you do. It's important to invest in yourself. Entering the award shows character, confidence, self-determination and dedication to success. This is an opportunity to see who you are and who you believe you can be.

CM: I just want to help people, and I feel that shined through in my application. If your base reasons for doing community service start and end with the person in need, then all you need to do is show that.

I would encourage anyone involved in community service work to not put it in a box. Let it spill over into all aspects of your life – you never know who might be in need of help.

Small goals, big gains

Claire McGregor is the winner of this year's Gwen Fletcher Memorial Award for being the highest achieving student in the CFP® Certification unit for semester one. She attributes words of wisdom from her grandmother and the support of colleagues for instilling her with the discipline required to complete the program, no matter what it took.

NAME: CLAIRE MCGREGOR CFP®

Educational Qualifications: BA, CFP, Adv Dip FS (Fin Plan)
Position: Strategic Wealth Adviser
Practice: Elston
Licensee: EP Financial Services Pty Ltd
FPA Professional Practice: No
CFP designation: 17 June, 2016
Years as a financial planner: Four years

> I feel a real sense of pride to have received this award as a woman in the profession... I can bring a lot to the financial planning relationship of women.

She didn't know it at the time, but Claire McGregor became the fourth woman out of five recipients to take out the Gwen Fletcher Memorial Award for being the highest achieving student in last semester's CFP® Certification Program - a remarkable achievement considering only 25 per cent of students undertaking the program are women.

Claire, who was eight months pregnant at the time of winning the award, was taken back on hearing that she had won the award, believing she had not done well.

"The calibre of men and women completing the CFP Certification Program is extremely high, and the fact that I'm one of the few who have been honoured with this award is a huge achievement," Claire says.

In only her fourth year as a financial planner, the Brisbane-based strategic wealth adviser, credits her colleagues and workplace for the encouragement and support to obtain the profession's highest designation.

"Since I first started working in client service, I have been surrounded by CFP professionals and so, this has always been the benchmark for me. Elston, the company I work for, see a lot of value in CFP Certification and actively encourage all Elston planners to undertake the program. Therefore, for me, it was never a question of whether or not to do it," Claire says.

So, what does winning the award mean for the 31-year-old?

Claire says it's about commitment and furthering the role of women in the profession.

"Gwen Fletcher contributed greatly to the financial planning profession and furthering the role of women in financial planning. Therefore, I feel incredibly proud and honoured to have won this award," she says.

"It is becoming more and more common for women to get involved in financial planning, and Gwen Fletcher continues to be a role model who we can all aspire to. Gwen's enduring commitment to improving the financial planning profession has helped us get to where we are today.

"So, I feel a real sense of pride to have received this award as a woman in the profession. Indeed, half the population are women, so as a female practitioner, I believe I can bring a lot to the financial planning relationship of women."

In congratulating Claire as the 2016 semester one recipient of the award, FPA chief executive officer, Dante De Gori acknowledged Claire's "unwavering commitment to the CFP Certification Program" and "her dedication to providing quality financial advice, which exemplifies the professionalism and excellence that we encourage all planners to strive towards".

Studies

Claire admits that it was challenging having to juggle her CFP Certification studies, with a busy career and family life, while being pregnant. But she was adamant to complete the program, no matter what it took.

"I knew that completing the CFP Certification Program, while working full-time, would be hard work and it did require some personal sacrifices. However, I also felt that by putting in that work, it would be well worthwhile to achieve the CFP designation, which I can now carry through the rest of my career," she says. "It did involve some sacrifices, but it was absolutely worth it."

When asked about how she approached her studies, Claire says it was important for her to begin her studies as soon as possible, and part of this was setting herself small goals to complete each week, "as it's difficult to be motivated to study after a long day at work".

Claire says that by breaking down the assessments into smaller parts helped her to avoid feeling overwhelmed and ensured that she kept moving in the right direction.

Professionalism

So, how important is structured and ongoing education for planners in their journey towards professionalism?

Claire says it's an absolute necessity.

"Given that we work in an environment that is continually evolving, I think that it's very

Continues on page 18

Continued from page 17

THE GWEN FLETCHER MEMORIAL AWARD

The Gwen Fletcher Memorial Award was established in 2014 in memory of Gwen Fletcher AM, who was considered by many to be the matriarch of financial planning in this country.

The award honours in perpetuity the memory of Gwen Fletcher, and supports one of her key legacies in her lifelong endeavours to champion the vital role of education and its central importance in nurturing the financial planning profession.

Gwen Fletcher was not only a respected financial planner but also an educator and mentor, and helped shaped the industry into an emerging profession. She was also responsible for bringing the CFP® Mark to Australia in 1990.

The Gwen Fletcher Memorial Award is presented each semester to the highest achieving student in the CFP Certification unit, which covers all three required assessments in the CFP Certification Program.

As part of the award, recipients receive a certificate of recognition and $1,000, which is funded by the FPA.

The next Gwen Fletcher Memorial Award winner will be announced in November at the 2016 FPA Professionals Congress in Perth.

important to have a good education as a foundation and to ensure that this knowledge base is continually updated," she says.

"Ensuring that all planners have a minimum standard of education will assist in improving the consumer perception of the financial planning profession, and will enable mum and dad investors to be confident that they are receiving a consistently high standard of advice."

Challenges

Apart from constantly changing legislation, Claire still sees many challenges on the horizon for the profession. She identifies automated advice as one such challenge, but remains pragmatic to its possible consequence.

"While automated advice might be appropriate for some people, I believe this form of streamlined advice will only serve to further differentiate us. As CFP professionals, we provide personalised, tailored and high quality financial advice, which is much different from this automated advice offering. I believe the planner-client relationship and providing a high level of service that meets individual needs, will become even more important."

Advice

And what advice does Claire have for any planner considering becoming a CFP professional?

"If you are thinking about completing the CFP Certification Program – do it. I found the program to be very relevant to my day-to-day interactions with clients and it improved my technical knowledge," she says.

"My grandmother always told me from a young age to 'spend less than you earn'. It might sound simple and boring but this is key to any successful financial strategy. I've never forgotten these words of wisdom and they've helped to build the foundation upon which my career is based," Claire says. "It's a career and profession I'm proud to be a part of."

Dare to Dream

This month, the FPA is calling upon Australians to 'Dare to Dream', as its theme for the 16th consecutive Financial Planning Week (22-28 August).

Australian households carry some of the highest debt levels in the world. Add to this the volatility of global markets and a constantly changing regulatory environment, the need for financial advice has never been as important as it is now.

This year's Financial Planning Week will inspire more Australians to dream again. With an optimistic and emotional campaign, the FPA is looking to educate consumers about the power of financial advice, and how it can be a catalyst for achieving dreams.

The 'Dare to Dream' campaign is designed to:

Inspire: Generate consumer awareness about the importance of financial self-awareness and its positive effects;

Educate: To raise consumer awareness of the importance of planning for the future and at every life stage – from young, to mid-life to retirees, which is best achieved by working with a professional financial planner; and

Empower: A call-to-action for consumers to take the 'Dare to Dream' quiz and to locate their nearest planner by using the Find a Financial Planner directory.

The campaign will use a range of channels, including videos, research, ambassadors, social media and a toolkit.

Video series

The 'Dare to Dream' video series has been developed for social media and features real life stories from real Australians. In each video, Aussies speak about their 'before' and 'after' scenarios, having worked with an FPA practitioner member they have been paired with. The videos are a personal and powerful way to demonstrate the transformation that professional financial advice can bring.

Research

Demographic and consumer sentiment research from McCrindle will be used to demonstrate consumer aspirations and reinforce the importance of financial planning advice in achieving lifestyle and financial goals.

The research will be rolled-out to the media – including major metropolitan and regional newspapers, radio news and talkback programs, television lifestyle programs and online publications – prior to and during the campaign.

In addition, McCrindle social researcher and trends analyst, Eliane Miles, will make national television and radio appearances to talk about the 'Dare to Dream' campaign's insights and findings.

Member toolkit

A consumer-friendly report and infographic of the 'Dare to Dream' campaign research findings will be available for download by the media and FPA members.

Social media

To create shareable social media content during Financial Planning Week, and increase consumer engagement, a 'Which personality are you?' online quiz will be launched via a Facebook campaign, enabling consumers to discover their own 'finance/dream' personality.

Ambassador

To help spearhead this year's 'Dare to Dream' campaign, a celebrity ambassador will be used to not only raise greater awareness of the campaign, but also help in communicating the FPA's key messages through their own personal journey.

"The 'Dare to Dream' campaign is a new approach for us," says FPA chief executive officer, Dante De Gori.

"It's an inspiring campaign that we believe will encourage Australians to dream again – for a better lifestyle and a comfortable retirement. This is all achievable through good advice by a professional financial planner."

FPA *Professionals* CONGRESS
PERTH 23-25 NOV 2016

Good ethics, good business

Respected ethics trainer, Dan Candura CFP®, will present two interactive workshops at this year's FPA Professionals Congress in Perth, where practitioners will be challenged with client scenarios they will all too readily recognise. **Jayson Forrest** reports.

For many years now, Massachusetts-based planner, Dan Candura CFP® has been the 'go-to' man when it comes to ethics training in the US. Ethics, as he puts it, is not only good for business – it's good for everybody.

However, in late 2014, he was faced with his own very personal ethical dilemma.

Diagnosed with stage four cancer, he not only confronted the emotional demands of coming to terms with his condition but also faced the tough decision of whether to inform his clients and prospects about his health condition. Ultimately, he turned to the CFP Board's Code of Ethics principle of fairness to guide his decision. As he says, "It was ethically the right thing to do".

"For me, fairness means treating other people the way you would want to be treated," Dan says. "I knew that I would want to know, before starting a relationship with someone, whether they had a serious health condition that might impact the relationship at some point. So, I decided I needed to tell them."

Ethics is Dan's passion, it's what drives him. Visit his LinkedIn profile and under interests is 'ethics'.

While many of us may think of ethics as beige and as something best left for professional development days, Dan is adamant that ethics is the foundation upon which the financial planning profession sits. Spend some time talking to Dan, and it won't take long for his infectious enthusiasm to rub off. And that's precisely what he hopes to achieve in his two ethics workshops at this year's FPA Professionals Congress in Perth.

Ethics

Prior to becoming a planner in 1982, Dan was an elementary school teacher. He attributes his training as a teacher for equipping him with the skills necessary for being able to transfer learning concepts to everyday experiences.

And so, it's in this capacity as a specialist ethics trainer to practitioners that Dan will be presenting his two ethics workshops.

"The one constant thing I see when planners violate an ethical requirement of the CFP Professional Standards, is that it's not because they were inherently bad people, but because they really didn't understand the rules. They were trying to do what they thought was the right thing for their clients. So, sometimes, bad things do happen to good people," Dan says.

Dan's two workshops will be structured around assisting planners to better understand and utilise the principles that the FPA and the CFP Certification Program has in place to help them in the planning process, while providing them with an improved structure around their decision-making.

"So, the theme of my workshops will be about helping planners to understand that while planning can be complex, you don't have to go it alone. You can turn to these principles and apply them to actual situations," he says.

"In the two sessions that I'll present, I will lay out ethical challenges that planners would typically face in situations where the answers aren't black and white but somewhat grey. They will be realistic situations that practitioners will recognise. Together, we will work out the right ethical outcomes."

Trust

Dan accepts that when it comes to financial planning advice, consumers don't necessarily seek the services of a planner. Instead, they look for somebody who they can trust, who is knowledgeable and can help them avoid making big mistakes. As is often the case, many turn to friends and family.

"So, it's this notion of a 'trusted individual' that is key to working in the financial services industry. We have to become that trusted individual. As the Government continues to regulate and professional standards improve, trust will continue to become more important, with ethics playing a large part in re-establishing this trust with consumers."

However, Dan concedes that ethics suffers a reputation for being a dry topic and not nearly as "sexy" as other parts of financial planning. But through audience interaction and a good dose of humour, he promises to add colour to this topic.

"One of the fundamental principles of adult learning is that you have to provide situations that people can identify with. So, I try to make my sessions as interesting as possible by making them as real life as possible. And, of course, mixed in with all this knowledge will be a bit of humour to keep the sessions reasonably light, but informative and practical," he says.

"Some presenters forget that adult learners require a very different approach. For adults to learn, concepts must be relatable to their everyday experiences. It has to be something they can internalise, otherwise we tune out and stop paying attention."

To prevent this from happening, Dan will draw upon his own experiences and case studies, having been a successful practitioner for 34 years, as well as having served on the Board of Directors of the CFP Board of Standards for four years and serving as a past Chair of the Board of Professional Review.

"I seek to engage planners with situations they will recognise," he says. "I also think it's important for adults to be able to test their learning. So, I use interactive polling. Several times during my two workshops, I'll reach out to the audience. They will use their smartphones or tablets to vote anonymously on a number of example scenarios. In fact, it's not uncommon for

> "For many of us, we want to be the complete solution for our clients, and we feel threatened when we have to bring somebody else in. It's hard for some planners to let go."

Continues on page 22

Continued from page 21

the answer that most of the audience chooses to actually be the wrong answer.

"So, my goal is to make these two workshops the best ethics session planners have ever attended."

Challenges

As an ethics trainer, Dan comes across many situations that test the ethics of planners. He believes one of the greatest ethical challenges facing practitioners is knowing when to let go of a client.

"I think the most difficulty that planners have is actually in the client/planner relationship. They want to do the right thing for their client when that might mean stepping back from that relationship because they don't have the technical knowledge or expertise or the right services and solutions for their client," he says.

"It's hard for planners to give up that control. And it's hard for us to admit when we're no longer the right solution for the client. For many of us, we want to be the complete solution for our clients, and we feel threatened when we have to bring somebody else in. It's hard for some planners to let go.

"Some of us believe that we are the only professionals who can do what we do at the level we do it. In reality, there are plenty of good planners and aligned professionals who can work with our clients. It's so important to put ego aside and ensure that clients get placed with the right professionals in circumstances where we can't help them. It's something I believe planners still struggle with."

Dan also identifies costs as a continuing issue affecting the profession, both in the US and in Australia.

"Costs to clients is a key issue. Trends such as algorithmic advice, such as robo-advice, and how planners respond by delivering advice to a broader segment of the population at a lower cost, is challenging. There is a massive amount of mid-tier people who need our advice, but aren't getting it," he says.

"So, if you're not in the market to buy a product, it's very hard to find someone to provide you with assistance. We have to find a way to better deliver straight-forward and objective advice to people that isn't wrapped in the sale of a product. Fee-for-service is part of the solution, but advice still needs to be affordable for those mid-tier clients."

Dan also acknowledges the loss of confidence with planners by consumers. He says the solution to rectifying this is 'trust'.

"If consumers don't feel they can trust the planning industry, where do they then go for advice?," he asks.

"So, the big challenge then is to restore that consumer confidence. In the US, we over-promised and under-delivered. It's a big mistake. If you're going to make your living by promising that you can out-perform the market, you need to realise that's an incredibly hard thing to do. Instead, in my practice, I tell my clients that I don't try and beat the market, I just try and 'get' the market – we're just going to be average on performance. It's about managing client expectations.

"The whole idea of selling performance just doesn't work. There's no evidence that people can do that consistently over time, or that we, as planners, can select those people consistently over time.

"Our profession has been guilty in saying that it's consumer-orientated when in reality it has

YOUR SPEAKER

Dan Candura CFP® has been a financial planning practitioner since 1982. He is also the founder of his own education and consulting firm, Candura Group, where he provides ethics training across the United States, Canada and Europe.

As president of PennyTree Advisers – a registered investment advisory firm based in Massachusetts, Dan provides personal financial planning for consumers and litigation support for lawyers.

Dan taught financial planning, insurance planning and retirement planning in the Sawyer School of Business at Suffolk University in Boston. He is also a Financial Industry Regulatory Authority (FINRA) arbitrator in the US, as well as a CFP® ambassador for the Boston area.

Dan writes a monthly column 'Ask the Ethicist' for Investment News and has appeared as a featured expert on the PBS documentary, 'Retirement Revolution'. He has been profiled in *The Journal of Financial Planning, Investment News,* and quoted in *The New York Times* and other publications.

Dan has served on the Board of Directors of the CFP Board of Standards from 2004 to 2008 and is a past Chair of the Board of Professional Review. He has also chaired the taskforce on continuing education and competency for the CFP Board.

been more dealer group and institution orientated in most cases. We have to shift that paradigm, so that we're really focused on 'what does my client need'.

"So, cleaning up our own houses, our own distribution systems, and separating product distribution from advice needs to happen."

The solution, he says, is placing greater emphasis on ethics and the client's best interest, and making these the pre-eminent goals within financial planning. By doing so, Dan says, it will help to overcome many of the challenges facing the profession today.

Future Ready

And what does Dan make of the 'Future Ready' theme of this year's Congress?

"It's a great theme and so timely for the profession," he says. "The future belongs to those practitioners who can demonstrate the highest professional standards of conduct. Good ethics is good business – it's good for everybody. The more ethically you behave, the more likely you are to have a growing practice, satisfied clients and more referrals.

"If you can embrace that, then I think we're ready for whatever the future brings along."

> "The future belongs to those practitioners who can demonstrate the highest professional standards of conduct."

EARLY BIRD CLOSING SOON

The 2016 FPA Professionals Congress will take place at the Perth Convention and Exhibition Centre on 23-25 November.

FPA members will receive $150 off the standard registration fee, if they register before 31 August.

Before the Congress officially kicks off at lunch on Wednesday, there will be an FPA Professional Practice workshop from 11am-2:30pm. This complimentary workshop, which will focus on sharing best practice ideas and strategies, is open to those practitioners working in an FPA Professional Practice. There will also be a special workshop for paraplanners from 12:30pm-2:30pm.

Networking drinks will follow the opening keynote session on Wednesday at 5pm. Other social events at Congress will include the highly anticipated Future2 Gala Dinner on Thursday evening and a 'Women in Financial Planning Breakfast' on Friday 25 November.

The Congress will offer practitioners up to 15 CPD hours, with workshops covering best practice concepts, technical solutions, leadership and personal growth.

The Congress ticket entitles delegates to the following:

- networking drinks;
- all keynote sessions;
- all workshops (delegates will have an opportunity to pre-select their workshops);
- access to the exhibition hall;
- Congress app; and
- lunch and light refreshments.

There is an additional cost for the Women in Financial Planning Breakfast and the Future2 Gala Dinner.

The Congress will officially close on Friday at 2pm, ensuring East Coast delegates have plenty of time to make their flights back home.

For more information on this year's FPA Professionals Congress or to register and receive the Early Bird discount (available to 31 August), go to fpacongress.com.au

A shameful secret

With financial and psychological abuse of the elderly averaging 7 per cent nationwide, there is a significant role the financial planning profession can play in actively preventing elder financial abuse. **Jayson Forrest** reports.

In 2014-15, 155 matters of financial abuse of the elderly was reported in Queensland alone, represented a staggering $49,925,800, with 51 of these matters involving Enduring Powers of Attorney and the misappropriation of $10,968,500.

These are big figures from a relatively small number of reported cases, but sadly, the financial abuse of the elderly is one of those topics that barely raises a blip on our TV screens or in the wider media. Why?

Kirsty Mackie – the current Chair of the Queensland Law Society Elder Law Committee and Director of KRM Legal – says the 'shame' factor prevents many older Australians from reporting domestic violence, whether it's financial, psychological or physical abuse.

"Like most victims of domestic violence, there is a strong case of shame associated with being abused by a loved one," Mackie says. "Often, elderly victims rely on the perpetrator for care. They are too embarrassed and feel ashamed to report any incidence of abuse by a loved family member."

Mackie recalls a client who was oxygen-dependent. "When she reported incidences of financial abuse, her son withheld her oxygen until she withdrew the complaint. Often psychological abuse accompanies financial abuse."

Typically, it's the 80-84 age group that Mackie is seeing the highest incidence of elder financial abuse. But this age group isn't your Gen X or Gen Y. Instead, they tend to be very private, with strong traditional family values. "Not only are they ashamed that this abuse is happening to them from a family member, but they consider this to be family business, so they keep this abuse to themselves," she says.

"There is also research that shows that sons and daughters who witness family violence perpetrated by the father to the mother, will also take a similar vein with respect to domestic violence," Mackie says. "And regrettably, the victim of family violence comes to see this abuse as normal. It's what they've been accustomed to. So, they don't think there is anything to report."

Financial abuse

So, what is elder financial abuse?

The definition comes under the umbrella of elder abuse, which has been defined by the World Health Organisation in 2002, as: 'A single or repeated act or lack of appropriate action, occurring within any relationship where there is an expectation of trust which causes harm or distress to an older person.'

"The important thing to remember from this definition is that it primarily happens out of a relationship of trust – a family relationship or a carer relationship," Mackie says. "It's very rarely that it will be a stranger financially abusing an elderly person."

In Queensland, financial abuse – at 43 per cent – is the leading type of abuse reported to authorities, with psychological abuse coming in second at 33 per cent. And in 2013-14, the reports of financial abuse in the Sunshine State increased by 19 per cent.

According to Mackie, while these statistics are Queensland based, they are consistent with other Australian states.

Typically, most victims of financial abuse are in the 80-84 age bracket, with their abusers generally in the 50-54 age bracket. Women are twice as likely to be abused than men, while the perpetrators tend to be primarily sons (52 per cent) and daughters (45 per cent).

In her capacity as Chair of the Queensland Law Society Elder Law Committee and a specialist elder lawyer, Mackie has seen many cases of elder financial abuse. She says this type of abuse typically falls into six areas:

1. Misuse of the Power of Attorney;
2. 'Granny house' scenarios where the older person sells their home, then gives money to a family member in return for construction of a granny house and care. The relationship breaks down and the older person is forced out with no money or place to live.
3. A family member moves in with an older person but never leaves. This family member fails to pay any bills, contribute to household expenses and claims a Centrelink carer's pension but no care is actually provided. On occasion, this person convinces the older person to change their Will, bequeathing the house to the 'carer'.
4. Forced changes to Wills and Enduring Power of Attorney.
5. Controlling access to finances.
6. Guarantees, personal loans, mortgages and reverse mortgages signed under duress.

SNAPSHOT

2-1 Women are twice as likely to be abused than men.

80-84 The age bracket of most victims of financial abuse.

50-54 The age bracket most abusers are in.

52 The percentage of perpetrators who are sons.

45 The percentage of perpetrators who are daughters.

Source: KRM Legal

Prevalence

However, without any national Government studies to fall back onto, Mackie turns to various state and agency data to come up with an unofficial figure for elder financial abuse in Australia at between 4-10 per cent – an average of 7 per cent. But, she is hopeful a new national study will provide greater clarity on these figures.

"The Commonwealth Attorney General, Senator George Brandis, announced on 24 February 2016 that the Australian Law Reform Commission would conduct a study into elder abuse in Australia called 'Protecting the Rights of

Continues on page 26

Continued from page 25

Kirsty Mackie

Older Australians from Abuse'," Mackie says. "The Issues Paper was released on 15 June 2016."

The Australian Law Reform Commission is currently taking submissions from the public and specialists working in the area of elder abuse. Submissions close on 18 August 2016, with a reporting date of May 2017.

Mackie is hopeful the study will eventually provide the data required to rollout a national initiative to address the rising incidence of elder financial abuse.

Action

But Mackie concedes that Government interest in the issue of elder financial abuse has at best been sporadic and largely state based. Not until the Federal Attorney General's announcement earlier this year about a study into elder abuse, has there been any Commonwealth led interest in this issue.

"The reality is the Commonwealth has limited ability to put into place a legal framework for preventing and responding to elder abuse," Mackie says. "On a practical level, the responsibility rests with the respective states. While the Commonwealth has the ability to fund a national elder abuse strategy, it then relies on the states to implement the strategy."

At present, there is no state-based dedicated agency with a statutorily mandated responsibility to investigate cases of elder abuse, co-ordinate interagency responses or seek any legal recourse, because no state has yet put in place elder abuse legislation.

According to Mackie, the closest legislation we have is in Victoria, which in September 2015, amended its *Powers of Attorney Act* to provide the Victorian Civil and Administrative Tribunal with greater powers to order compensation for any loss caused by an Enduring Power of Attorney contravening the Act. It also created new indictable offences for dishonestly obtaining or using and Enduring Power of Attorney, with punishment up to five years imprisonment.

NSW conducted a Parliamentary Inquiry into elder abuse in September 2015. The final report was published in June 2016, with the Government response due in January 2017. Queensland has also conducted a Parliamentary Inquiry in August 2015, but legislation has yet to be put in place.

Profession

Sadly, Australia has the fourth highest old age poverty rate in the OECD, with an estimated one in four older Australians living below the poverty threshold. Queensland figures in 2013-14 indicated that approximately two-thirds of that state's elderly – aged over 75 – have weekly incomes of less than $400.

Homelessness is also becoming an increasing problem for the elderly, with estimates suggesting that persons aged 55 and over comprise approximately one-fifth of all homeless people in Australia. Of this number, 70 per cent experience first time homelessness having had a history of conventional housing but then experienced a 'critical housing incident', such as eviction, estrangement from family, affordability and relationship breakdowns.

But this is where Mackie believes the financial planning profession can step in.

With a lack of legislative safeguards, planners can work alongside other aligned professionals, like accountants and lawyers, as protectors of their older clients' financial wellbeing.

"Financial planners are already playing an important and essential role as frontline responders when it comes to elder financial abuse," Mackie says. "Through their close relationship with their clients, they play a vital role in monitoring their clients' financial affairs, so they are well positioned to see when things maybe going wrong."

She says that it's important for planners to be aware that older clients are more vulnerable to financial abuse and scams from individuals wanting to access their assets. And with one in 10

FAILING TO REPORT ABUSE

TOP 7 REASONS WHY the elderly fail to report abuse.

- Living with the perpetrator and relying on them for care.
- Fear of the perpetrator, including further violence and recrimination being directed at them.
- Fear of breakdown of the family relationship.
- Love of the abuser/perpetrator who is typically a family member.
- Shame and embarrassment that the perpetrator is a family member, and they fear a breakdown in the family relationship if the abuse is reported.
- Impaired and declining capacity of the victim, so they don't come across as a reliable witness.
- Fearful of being abandoned and placed in an aged care facility, which is often held over the victim as a threat to comply with the abuse.

people aged over 65 suffering from some form of dementia or impaired capacity, Mackie says it's equally important for planners to be aware of cognitive decline in their older clients.

"Approximately 17 per cent of Queensland victims of financial abuse suffered from some sort of capacity impairment," she adds. "This makes the role planners have with their older clients even more important."

As trusted professionals of their clients, financial planners are well positioned to play a pivotal role in safeguarding against elder financial abuse.

Key to this, she says, is better education and awareness of the types of elder abuse that exists within society, and how to recognise it and appropriately respond to it.

"It's really important to understand that with older people, these conversations might not take place with financial planners themselves. It could take place with the receptionist, for example, who might pick up on something unusual happening with the client just by talking to them in reception. In a lot of cases, more intimate conversations happen in an informal setting, unlike the formality of a client review process, where clients can be more guarded in their responses."

Mackie says potential red flags of financial abuse include:

- a sudden change of Will and Enduring Power of Attorney to a new friend or unknown person;
- large withdrawals of money;
- new mortgages and guarantees;
- problems paying bills;
- transfer of property for no payment;
- sale of house with no proceeds received;
- anxiety and fear around family members; and
- withdrawal from activities.

"These are all signs that planners should be looking out for," she says. "Then it's a matter of probing into any odd changes that your client may want to make. Don't be afraid to challenge them, after all, everything a planner does is in their client's best interest."

And what of the dynamics of a client's family?

"Yes, it's just as important to get to know your client's family dynamics, as it is to know the client," Mackie says. "Often, financial abuse comes from inheritance issues with the children and family power plays that happen in the background. So, it's important to understand these family dynamics."

However, Mackie warns that planners do face a greater risk of lawsuits from aggrieved clients and their families in circumstances where they fail to take appropriate action over what they believe could be the financial abuse of their clients.

"A family could look at a financial planner as being somewhat responsible for not acting in the best interest of the client by failing to recognise financial abuse and stopping it.

"So, in the absence of any legislation protecting against elder abuse, maybe a civil lawsuit could be the only recourse for the victims or their families. The best safeguard against this is for planners to be vigilant and proactive with their clients, elderly or otherwise."

Action

And what advice does Mackie have for a planner if financial abuse of a client is detected?

"It really depends on the type of abuse," she says. "If it's a fraudulent activity, I would suggest going to the police. But it's probably best to take a collaborative approach and talk to the client's lawyer, who they would have used for their estate planning.

"While there are some legal steps you can take, such as injunctions, especially if the client has impaired or declining capacity, it's still good to have that relationship with the client's other professionals, like their lawyer and accountant."

And while this relationship is important, she adds that it's just as important for aligned professionals, like lawyers, to reach out to planners and work closely with them to safeguard their client's best interest.

"While there's no doubt that elder financial abuse is a very real and increasing problem in Australia, it affects our most vulnerable citizens," Mackie says.

"By safeguarding the financial wellbeing of their clients, the financial planning profession can play an invaluable role in reducing and eventually eliminating this blight within our community."

10 TIPS TO AVOID FINANCIAL ABUSE

1. Don't give your PIN number to anyone.
2. Don't permit anyone to register for online/internet banking on your behalf.
3. Get independent legal advice before loaning money to family, moving in with family or allowing family to move in with you.
4. Talk to Centrelink before loaning or gifting money as your Age Pension may be affected.
5. Make a Will and review it every three years.
6. Make an Enduring Power of Attorney and appoint an attorney you trust. Review this every three years.
7. Don't be pressured to sign a new Will or Enduring Power of Attorney.
8. If you don't understand it, don't sign it.
9. Join a group and stay healthy. Keep active, maintain a network of friends and supportive family.
10. Speak up. Elder abuse and financial abuse is a form of family violence. Talk to your financial planner, your GP, your lawyer or the local police if you are concerned abut yourself or someone else who may be a victim of financial abuse.

Source: KRM Legal

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

MONICA RULE
SMSF SPECIALIST

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes
- Borrowing to improve a property
- Acquisition of assets by an SMSF
- Paid services to trustees by an SMSF
- ATO penalties

Alterations on a property owned by an SMSF

Many Self-Managed Superannuation Fund (SMSF) trustees regard property as a good investment, especially since the superannuation law permits SMSFs to borrow to acquire properties using a limited recourse borrowing arrangement.

However, superannuation rules are complex and care needs to be taken when considering alterations on a property owned by an SMSF which has an outstanding loan.

Take a situation where an SMSF acquires a residential property via a limited recourse borrowing arrangement (LRBA). Soon after the acquisition, the local council rezones the property from 'residential' to 'mixed use'. This means the property can now be used for commercial purposes. The SMSF member decides that, with the change to the property's zoning, his accounting practice will lease the property from his SMSF to conduct its business.

Prior to the member moving his accounting practice into the property, however, the property needs some alteration work done to comply with *The Disability Discrimination Act* and local council regulations. A toilet in the property needs to be upgraded to allow ease of access and functionality for a disabled person. Therefore, the existing fittings must be removed and replaced with compliant fittings. An additional parking space is also required on the property.

These are quite significant alterations. So, before making these changes, an SMSF trustee should carefully consider the following questions, in order to comply with various provisions of the superannuation law.

Would the alterations change the character of the property?

Under the borrowing rules, an SMSF is prohibited from borrowing to improve a property. However, improvements can be made using the SMSF's own funds, as long as it does not alter the character of the property to the extent that the property becomes a different asset. This is supported in the ATO's publication *Self Managed Superannuation Fund Ruling (SMSFR) 2012/1.*

At paragraphs 144 and 145, *SMSF Ruling 2012/1* states: "If property is leased by the holding trust, the tenant may be permitted to make changes to that property, for example, by adding a fixture. If the changes made by the tenant are of such significance that they result in a different asset being held on trust under the LRBA and the fixture is the property of the holding trust, the exception under section 67A to the borrowing prohibition ceases to be satisfied from the time the change to the asset is made. If the borrowing is maintained, the trustee of the SMSF will contravene subsection 67(1). However, particular laws of a State or Territory may mean that property in a fixture remains with the tenant. If this is the case, the changes made by the tenant would not result in a different asset being held on trust under the LRBA."

In our example, the property acquired by the SMSF was originally a residential property and was zoned 'residential'. In spite of the change in zoning to 'mixed use', the character of the property would still be considered to be residential. Therefore, the proposed alterations would change the character of the property from a residential dwelling to a commercial property.

However, if the lease agreement between the related party tenant and the SMSF trustee contains 'retention of ownership' and 'make good' clauses, the alterations would not change the character of the property. These clauses require that at the end of the tenancy, the tenant must remove all added fixtures, so the property is left in the same state as it was on entry. As the

alterations remain with the tenant, the property would not become a different asset being held in trust under the borrowing provisions.

Would the alterations paid for by the tenant amount to the acquisition of materials by the SMSF from the related party?

ATO publication, *SMSF Ruling 2010/1*, states at paragraph 61: "The following examples illustrate the acquisition of an asset if a related party lessee makes improvements to an SMSF property.

"(a) A member of an SMSF leases a shop owned by the SMSF and installs display cabinets to the value of $5,000. The lease agreement requires the member to make this improvement and the display cabinets are a landlord fixture. An asset is acquired as the display cabinets are not insignificant in value and function. Subsection 66(1) is contravened in this circumstance.

"(b) A member of an SMSF leases SMSF property and retains the right to remove office partitioning at the end of the lease term. If the member subsequently removes the office partitioning, an asset has not been acquired by the SMSF. If the office partitioning is not removed, a trustee or investment manager acquires an asset (assuming it is of value at the end of the lease term) for the purposes of subsection 66(1). However, depending upon the circumstances, it may not have been intentionally acquired by a trustee or investment manager."

Normally, an object affixed to a property will form part of the property and will constitute an acquisition of that object by the SMSF. However, if the lease agreement contains 'retention of ownership' and 'make good' clauses, any items that the tenant affixes to the property remain the sole property of the tenant and the tenant must remove these items upon the expiry of the lease.

The tenant needs to ensure that the property is left in the same condition as it was provided at the end of the lease term with fair wear and tear excepted. Provided this is done, alternations made and paid for by the tenant will not be treated as an acquisition of assets or material by the SMSF.

Would the alterations paid for by the tenant amount to contributions being made to the SMSF?

Tax Ruling 2010/1 states that a contribution is anything of value that increases the capital of a superannuation fund provided by a person, whose purpose is to benefit one or more particular members of the fund, or all of the members in general.

If the lease agreement between the SMSF trustee and the related party contains 'retention of ownership' and 'make good' clauses, and the alterations are required to be removed upon the termination of the lease, the alterations will not be considered to be contributions to the SMSF. This is because the capital of the SMSF is not increased by the alterations, as the tenant retains ownership of these.

Can the tenant (who is a member and trustee of the SMSF) perform the alteration work himself?

Under the superannuation law, an SMSF trustee cannot receive remuneration from their SMSF to perform their trustee duties. However, an individual trustee or a director of the corporate trustee can be paid for providing services to their SMSF for other work performed (i.e. other than in their capacity as a trustee or director of the corporate trustee), provided they are:

- appropriately qualified and licensed (if necessary) to provide the service;
- their services are ordinarily provided to the general public through their own business; and
- the payment is no more favourable to the individual than if it were made on an arm's length basis in the same circumstances.

Therefore, if the member performs any work on the property owned by his SMSF (e.g. painting or renovating), he can only be paid for work performed if he provides the same service to the general public via his own business. If the member performs the work and decides not to charge his SMSF for any work performed, then the increase in the value of the SMSF property would be treated as contributions to the SMSF.

Can the SMSF sell the property before the building is returned to its original character, without incurring a penalty from the ATO?

The limited recourse borrowing arrangement provisions require the property to be maintained as a single acquirable asset while the loan remains outstanding. Permanent alterations to the property can only be done once the loan is fully repaid and after the property is transferred from the holding trustee to the SMSF trustee.

SMSF trustees need to keep in mind that all transactions in which their SMSF is a party to must be entered into and maintained on arm's length terms. Therefore, it will be up to the SMSF trustees to ensure the property is returned to its original state upon the cessation of the lease.

If the reason for selling the

Continues on page 30

Continued from page 29

property with the alterations was due to the tenants not complying with the lease terms and this was beyond the control of the SMSF trustees, then the ATO may not impose a penalty. However, in our example, as the tenant is a related party to the members of the SMSF, it would be hard to convince the ATO that a scenario such as this was unintentional.

As the tenant is a related party to the SMSF, the ATO may also treat the increase in the value of the property, resulting from the alterations, as members' contributions. This may result in the members exceeding their contributions caps. The ATO may also treat the alteration as an acquisition of materials from a related party. If this is the case, the SMSF would contravene the acquisition rules under section 66.

As to whether the ATO would impose a penalty would depend on the reasons behind why the property was sold without the alterations being removed prior to the sale.

Would the SMSF contravene the law if the property is sold (while the loan remains outstanding) before the building is returned to its original state?

If the property is sold prior to being returned to its original state, it would amount to various contraventions which include:

- Section 66: Acquiring assets from a related party that cannot be acquired under the law;
- Section 67A: Making improvements to an asset held by the holding trust where improvements have changed the character of the asset;
- Section 67: The SMSF borrowing money from the related party to make alterations when it is prohibited under the law; and
- Section 109: The lease agreement not being maintained at arm's length.

SMSF trustees need to remember that the arm's length provisions treat the lessee and the lessor as separate entities. The lease agreement allows the lessee to make alterations. If the lessor were then to sell the property without honouring the terms of the lease agreement (as the lessee), the ATO would quite likely question whether that was the intent all along. As the lessee is a related party, it would be very difficult to argue extenuating circumstances in not making good the alterations before the sale of the property.

Would the SMSF be in breach of the superannuation law if the property is sold before the building is returned to its original state once the loan is fully repaid?

The superannuation law does not prohibit an SMSF trustee from making alterations or improvements to a property owned by the SMSF if there is no loan outstanding on the property and the SMSF trustee is the legal owner of the property.

Therefore, if an SMSF purchases a property via a limited recourse borrowing arrangement, it would be necessary for the property to be transferred to the SMSF trustee from the holding trustee once the loan is fully repaid, prior to any alterations or improvements being made on the property.

However, as the alterations made to the property had been paid for by the tenant, it may be possible for the cost of the alterations to be treated as member's contributions, so that the property could be sold without it being returned to its original character. It is also possible that the ATO may not allow this. Instead it may treat the alterations paid for by the tenant as the SMSF acquiring assets from members and therefore, the SMSF would be in breach of the acquisition rule.

Conclusion

It is important that SMSF members do not try and draw up lease agreements themselves or perform any work on their SMSF's properties themselves. This is

particularly important where SMSF commercial properties are being leased to related parties and the SMSF has taken out a loan to purchase the property.

I would recommend employing a professional to draw up lease agreements where things, such as 'retention of ownership' and 'make good' clauses are stated clearly in the lease agreement. It is also best to employ arm's length builders and trades people to perform alterations work on SMSF properties.

I would also advise SMSF trustees to seek approval from the ATO prior to selling a property owned by their SMSF, which has borrowed to purchase the property, where the alterations were made by related party tenants and the property is not returned to its original character prior to the sale.

Property can be a great investment for SMSFs. However, care must be taken not to permanently change the character of the property, or to make alterations that could be viewed by the ATO as a contribution or an acquisition.

Monica Rule is the author of 'SMSFs and Properties' - www.monicarule.com.au

QUESTIONS

1. Under a limited recourse borrowing arrangement, an SMSF:

a. can borrow money to make repairs on an existing property.

b. can borrow money to make improvements on an existing property.

c. can borrow money to build a house on vacant land.

d. can borrow money to purchase a new property.

2. Under a limited recourse borrowing arrangement, an SMSF:

a. is able to use non-borrowed money to make alterations to change an existing property.

b. is able to use non-borrowed money to make alterations to an existing property, as long as the alterations do not change the character of the property.

c. is able to make alterations to change an existing property, as long as the cost of alterations is paid by the tenant.

d. is able to make alterations to an existing property, as long as the zoning of the property does not change.

3. Under the superannuation law, alterations made and paid for by the tenant, on an existing SMSF property:

a. would be permitted if the lease agreement entered into between the tenant and the SMSF trustee contains retention of ownership and make good clauses.

b. would be permitted and not be treated as an acquisition, if the cost of alterations does not exceed the member's contributions caps.

c. would be permitted and treated as an acquisition, if the cost of alterations exceeds the member's contributions caps.

d. would be permitted and not be treated as an acquisition, if the SMSF repays the tenant the cost of the alterations.

4. Under the superannuation law, an SMSF member is able to perform renovations on property owned by their SMSF:

a. if they are confident in doing the renovation.

b. if they are appropriately qualified and licensed to do the renovation, and they provide the same service to the general public through their own business.

c. if the SMSF does not have enough money to pay for the renovation.

d. if the members pay for the renovation themselves.

To answer these questions, go to **www.fpa.com.au/cpdmonthly**

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

KATHERINE ASHBY
BT

This article is worth
0.5 CPD HOURS
CRITICAL THINKING

Includes
- Eligibility of cover for expectant mothers
- Existing cover, parental leave and ceasing work
- Benefits for complications of pregnancy
- Stay-at-home parents

Insurance and pregnancy

Women now make up more than half the Australian population, have longer life expectancies than men and play a leading role in household spending decisions. Yet women make up only around one-third of policy holders for individual life and disability insurance, and have lower average sums insured.[1]

These facts are even more surprising when considering workplace participation statistics. Women make up 45.8 per cent of the total workforce, including 53.3 per cent of professional workers.[2]

It may be that as women are more likely to exit the workforce, or at least work part-time, when dependent children are young, and this coincides with a crucial need for insurance, that the main breadwinner in the family is considered a higher priority at that time for cover. But when doing the sums, advisers often find that the cost of replacing someone to provide childcare, transportation, household cleaning and cooking, along with family management, can be higher than replacing employment income.

One of the most misunderstood areas of insurance advice is pregnancy and its implications for existing and new cover. This article will examine considerations for advisers, when giving insurance advice to women of child bearing age.

Eligibility of cover for expectant mothers

Life and trauma cover
Life and trauma insurance are the simplest of cover types, as eligibility is not based upon work status. Therefore, whether or not someone is working will not be a deciding factor.

For Life and trauma benefits, unless there has been a history of complications, cover will usually be considered at standard rates. Where there have been serious complications in either a previous pregnancy or the current pregnancy, an Extended Medical Attendants Report (EMAR) may be requested.

Note that this does not include side effects of routine screening tests or procedures, such as a caesarean section. Therefore, unless there is a history of serious complications, pregnancy should not be a factor in whether or not cover is available.

Total and permanent disability (TPD)
For TPD benefits, like Life and trauma, unless there has been a history of complications, cover will usually be considered at standard rates. However, if the client is more than 30 weeks pregnant (or for some insurers defined as being in the third trimester), then attaining cover may be more limited. Some insurers will not approve TPD under an Any Occupation or Own Occupation definition, instead requiring the policy to be issued with a Home Duties TPD occupation. Others may not offer cover, or will defer a decision until after the birth.

Income Protection
Income Protection is usually available for employed expectant mothers up until the 30 week or third trimester mark (depending on the insurer). Once past this point, most insurers will not offer cover and will defer a decision until after the birth and the mother has returned to employment.

Existing cover, parental leave and ceasing work
Any changes to policy terms and coverage for periods of leave must be spelt out in the policy document for the policy in question. This means that every policy can be different. Life and trauma cover are generally unaffected by periods of unpaid leave or exiting the workforce, as these cover types are not linked to employment.

Total and permanent disability (TPD) policies can remain in force, however, the definition that now applies may vary. Policy terms can include:

- No change to definition – the insured continues to be covered by Own Occupation TPD, which is assessed based upon the insured's most recent occupation;

- Own Occupation reverts to Any Occupation when the insured has been unemployed for 12 months or longer; or

- The insured's occupation may be assessed as 'Home Duties' and therefore a Home Duties definition could apply, even though cover was put in place as Own or Any Occupation.

  Most insurers do not treat maternity leave as unemployment, unless the insured has ceased work entirely with her employer.

  Income Protection policies will be affected by the contract type, along with clauses that allow definition changes. Advisers should take note of the following:

- *Agreed or Indemnity:* If Agreed Value, the cover level is locked in, therefore, periods without income will not affect a claim. If indemnity, a claim will be based upon 75 per cent of pre-disability income. Periods without income can mean a claim is lower or non-existent.

- *Pre-disability earnings (PDE):* Whether Agreed or Indemnity, this definition is important, but more so for Indemnity policies. As Indemnity policy claim payments are made based upon 75 per cent of PDE, the wider the period of time PDE is based upon, the more generous the policy.

  PDE definitions may refer to 'the last 12 months of income prior to claim', 'the best 12 consecutive months of income during the last 24 months prior to claim', or 'the best 12 consecutive months income during the last 36 months prior to claim'. Some policies also specify that unpaid leave is not included in the time period.

  If a policy only allows for the last 12 months, periods of unpaid leave, including maternity leave, may reduce the claim possible.

  Example

  Jillian earned $80,000 per annum in 2013, $82,000 in 2014 and then was on unpaid maternity leave in 2015. Towards the end of 2015, she becomes disabled, and needs to make a claim. Her policy is an Indemnity contract, with a PDE definition of the last 12 months of income. As Jillian has not earned an income for most of this period, her claim will be significantly lower as it will only be based upon anything earned during this time. If the policy had a wider definition of PDE, the claim could have been based upon her 2014 earnings.

- *Superannuation ownership:* Super-owned policies must comply with superannuation law, meaning the definitions are often more restrictive.

  One principle is that the trustee can only release claim proceeds to the insured, in the event they have ceased work due to disability. It could be argued that individuals on parental leave cannot meet this requirement as they have already ceased work, and therefore policy terms may be aligned with this interpretation. It will depend on the definition as to whether the policy terms define parental leave as unemployment.

  Generally, this is not a problem with super-linked IP policies, as the non-super policy allows for a benefit to be paid. Super policies often tend to have more restrictive definitions of PDE, although not in all cases.

- *Pregnancy exclusions:* A standard IP exclusion is for normal pregnancy, uncomplicated childbirth or miscarriage. Some policies will exclude these conditions without a time qualification, while others will exclude pregnancy-related claims within 90 days of giving birth.

  The exclusions are generally not designed to exclude unusual serious illness or injury that may occur during this period, but rather some of the more common injuries and illnesses which can take place. For example, if the insured was recovering from an uncomplicated caesarean section which meant she was disabled for six weeks after birth, this would not usually be covered.

- *Guaranteed renewable:* Although uncommon, there are policies in the market, which are not guaranteed renewable in the event the insured has not worked for 12 months or longer. The policy may have a clause which allows the insurer to cancel the policy in this circumstance.

  The difficult part about this for the insured is that they will only find this is the case if they attempt to claim, as the insurer has no way of knowing if the insured is working or not while the policy is in force. This clause can generally be found in the section 'When does this policy cease' or by checking research software, such as Risk Researcher under the ratings provision, Guaranteed Renewability.

- *Premium waiver:* There are two types of premium waiver, which may be available. The first will generally be titled,'Pregnancy Premium Waiver' and entitle the insured to have premiums waived for three to six months for each pregnancy. The policy remains in force during this period, but premium relief is provided.

  The second is a 'Premium Holiday' or 'Policy Suspension'. This benefit allows the policy to be put on hold, rather than cancelled, for up to six months in the event of parental leave, other unpaid leave or periods of unemployment and/or financial hardship. The downside is that the policy is not in force during this period, meaning that any injury or illness that occurs during this period of cover suspension will not be covered.

Particular benefits for complications of pregnancy

A small number of insurers have specific benefits which

Continues on page 34

Continued from page 33

can be purchased to provide a lump sum claim in the event of serious pregnancy complications and congenital abnormalities. These benefits are usually either included in or are optional benefits for trauma cover. These benefits will cover three types of events:

1. Complications of pregnancy which lists complications such as eclampsia, ectopic pregnancy or disseminated intravascular coagulation. Note – although the category is 'Complication of pregnancy', the benefit is not open-ended. One of the listed serious complications must occur.

2. Congenital Abnormalities which provides a benefit in the event the child is born with one of a list of abnormalities. These include the absence of a hand or foot, blindness or deafness, Down syndrome and spina bifida.

3. Death benefit in the event the child dies during or shortly after birth, or is stillborn at least 20 weeks into the pregnancy.

Cover usually has a 12-month qualifying period, similar to many health insurance policies. The cover is also limited to certain ages, with entry expiring at age 40 and coverage at age 45.

Although the benefit is attached to or part of a trauma policy, the payment is lower than the sum insured. For one such cover, the claim amount is $50,000 for complications of pregnancy and congenital abnormalities, or $10,000 under the death benefit. In another, 20 per cent of the sum insured up to $50,000 is payable in all of the above listed events.

Stay-at-home parents

Most advisers will be familiar with Home Duties TPD and Income Protection policies. While these policies have a place, it should be noted that the definitions are generally more difficult to meet than occupational TPD or Income Protection. Therefore, if TPD (Any or Own) or Income Protection policies are already in place, they should not be replaced with Home Duties policies, unless the cover has become invalid.

If no cover is in place, Home Duties policies allow cover to be taken out, which will ensure household help can be funded in the event of disability.

Home Duties TPD definitions require that the insured be unable to perform their normal household duties, and is unlikely to be able to again. An example of a normal household duties definition is as follows:

Normal household duties means the household duties normally performed by a person who remains at home and is not working in a regular occupation, including part-time and/or voluntary work, for income. Normal household duties include:

1. *Cooking and preparing meals — meaning the ability to prepare meals using basic ingredients and kitchen appliances;*

2. *Cleaning the house – meaning the ability to carry out the basic internal household chores using various tools, such as a mop or vacuum cleaner;*

3. *Washing and drying clothes – meaning the ability to maintain the household's laundry by using the washing machine and being able to hang clothes on a washing line or clothes airer;*

4. *Shopping for groceries – meaning the ability to physically purchase general household grocery items with the use of either a shopping basket or trolley;*

5. *Looking after children – (if the insured person does this as part of their everyday activities at home) meaning the ability to care for and supervise children up to the age of 12 years, including the preparation of meals, bathing, dressing and getting the child to and from school by car or walking.*

It is important to note that Home Duties TPD definitions usually require that the insured cannot perform all of their household duties.

Home Duties Income Protection policies are less common, but are more likely to result in a claim, as the insured does not need to be permanently disabled. As an example, if the insured was in a car accident that resulted in physical disability for a period of six months, but then recovered, a Home Duties IP policy could provide coverage, where Home Duties TPD would not.

Home Duties IP policies generally cover up to $5,000 per month, for a two year benefit period. In the event the insured is unable to

perform their normal household duties due to sickness or injury for longer than the waiting period, a claim can become payable.

It is generally agreed that unlike other forms of Income Protection, Home Duties IP premiums are not deductible to the policy owner. This is because the policy is not linked to paid employment and not protecting any income.

Conclusion

When considering insurance for women, attention often falls on homemaker policies. While these have a role, putting comprehensive cover in place before the childbearing years results in more comprehensive cover over any time spent out of the workforce.

With this in mind, it is important not to forget that women are spending less time out of the workforce than ever before to raise families and that this only forms one life stage. At more than 50 per cent of the population, advisers cannot afford to ignore this segment of clients. Smart strategies can ensure comprehensive cover that changes and adapts over your client's lifetime.

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

Footnotes

1. Source BT Insurance.

2. ABS (2015) Labour Force, Australia, Detailed, Quarterly, Feb 2015, cat. no. 6291.0.55.003, viewed 8 April 2015, www.abs.gov.au/ausstats/abs@.nsf/mf/6291.0.55.003

QUESTIONS

1. Which of the following is true in regard to a pregnant woman wanting to take out insurance?

a. All covers will be available up to and after the birth, as it is illegal to discriminate on the basis of pregnancy.

b. Once pregnancy is confirmed, income protection will not be available.

c. All covers will be available in most cases up until 30 weeks, after which TPD and Income Protection applications may be deferred.

d. All covers are available, but home duties definitions will apply to TPD and Income Protection until after the insured returns to work.

2. Income Protection owned inside superannuation may be a concern for women taking time out of the workforce for which reason?

a. Periods out of the workforce, may be considered unemployment and a benefit may not be payable in the event of disability.

b. Income protection only covers injuries which are incurred at work, therefore not useful for pregnancy.

c. There are no concerns. Owning cover inside super is the same as outside super.

d. The definitions of disability are more restrictive.

3. Which of the following is true in relation to Home Duties Income Protection?

a. Claim proceeds are not monetary, but instead, the insurer provides a housekeeper and childcare.

b. The maximum benefit period is usually two years.

c. The maximum sums insured are the same as occupational Income Protection.

d. A successful claim requires the insured to be permanently unable to perform all normal household duties

4. Which of the following may be a concern when claiming on Indemnity Income Protection after a period of unpaid leave?

a. The cover is not valid, as the insured needs to be employed to be able to claim.

b. There are no issues, provided the policy was in place before the period of leave.

c. The insured cannot meet the waiting period, as they were not at work in the first place.

d. Indemnity payments are based upon pre-disability earnings, and the insured may not have earned anything during the specified time period.

To answer these questions, go to **www.fpa.com.au/cpdmonthly**

One step at a time

National Joblink (NJL) Darwin was one of eight 2015 Make the Difference! Grant recipients, receiving $10,000 for its Next Step Program. *Financial Planning* spoke to the Director/Manager NT at NJL, Antanella Kyle, about what winning the grant has meant for its program to develop the skills and knowledge of 18-25 year olds in remedial programs for alcohol and drug abuse.

Grant recipient: National Joblink Darwin
Grant amount: $10,000
Endorsed by: Susie Erratt CFP®, All Financial Services
FPA Chapter: Northern Territory

FP: How have you utilised the $10,000 Future2 grant for the NJL's Next Step Program?

AK: We have been working with Banyan House here in Darwin, providing training and support for their participants.

Banyan House participants have a range of issues they're dealing with but in particular, we have been working with those participants who are there to overcome their drug and alcohol addictions. Sadly, this is a major national problem. Not only does it affect the individual but also society in general.

FP: How important are grants, like the one from Future2, to NJL?

AK: Donations are extremely important. Being a not-for-profit organisation, NJL would have difficulty in conducting the Next Step Program without this support.

The course itself runs for over 12 weeks. We employ qualified trainers and mentors, particularly for those participants with low language, literacy and numeracy skills. We also provide transport and catering, as well as laptops, wifi, assessment materials and one accredited unit.

Importantly, this donation allowed NJL to provide job readiness skills to participants at Banyan House, therefore providing a course in a familiar, safe and supported environment.

FP: What other programs would you like to roll out?

AK: There is a growing gap in Australian society, not so much between the wealthy and not so wealthy, but between that group of people who literally have nothing. They have few resources allocated to them and yet their needs are the greatest. These people have high unemployment rates, as well as dysfunctional or non existent family structures.

We would like to continue to provide accredited and non accredited programs that assist this group of people. They are the ones who are both socially and economically disadvantaged. These programs assist people to engage with society and to become functional members of the community.

Programs such as these give some dignity back to these participants. They provide encouragement and empowerment to set these people on the path to employment.

FP: How can financial planners continue to support your community programs?

AK: Our clientele would benefit enormously from further support from financial planners. It would be good to have guest speakers from the profession, as well as support for our participants in the areas of budgeting, savings plans, goal setting and debt reduction methodologies.

Susie Erratt CFP® (All Financial Services), who endorsed our grant application, strongly believes in NJP and the Next Step Program. She has offered to do pro bono work for us, which is greatly appreciated.

Present at the Future2 grant presentation were (L-R): Alexandra Huxtable (NT Chapter Secretary), Susie Erratt (NT Chapter Chair), Antanella Kyle (National Joblink), Chris Frank (CEO Banyan House) and Jayne Parkin (National Joblink).

THE NEXT STEP PROGRAM

National Joblink (NJL) is a nationally registered training organisation providing a wide range of training and assessment services to businesses and jobseekers throughout Tasmania, Queensland, South Australia, NSW and the Northern Territory.

The Next Step Program focuses on developing the skills and knowledge of 18-25 year olds who are undertaking alcohol and drug programs at Banyan House – a residential therapeutic community located in Darwin that offers treatment for people recovering from alcohol and drug addictions and any co-occurring mental health disorders.

As part of the Next Step Program, each participant's goals and existing skills are identified, with a strategy then formulated for marketing them to potential employers. The program runs over a 12-week period, with additional days for work placements with mentoring support.

Go west, young man

This year, the Future2 Wheel Classic heads west (17-23 November), starting and ending in Perth, on a challenging 930km route. 'First time' cyclist Gene Youl CFP® and seasoned Wheel Classic rider Darren Stevens AFP®, talk about their motivation to participate in the 2016 ride.

What motivated you to ride in this year's Future2 Wheel Classic?

DS: The Future2 Wheel Classic allows me to combine two things that are very important to me.

Firstly, helping those people who need a hand, especially the younger generation and secondly, I love cycling. This will be my fifth Wheel Classic and the third one that I have completed the whole distance.

Meeting grant recipients and seeing how the fundraising helps at the grassroots level, is a motivational factor for all the riders.

GY: I really like the thought of being involved in an event that not only raises money, but that genuinely makes a difference to the lives of people less fortunate than us.

What do you hope to achieve by participating in the Wheel Classic?

DS: Each year that I have trained and participated in the ride, I have got leaner, faster and more confident in my riding. I have gone from being glad I was only doing one day of the ride, to being excited by the idea of seven days of riding with people who share my passion for helping others.

GY: I hope to have a personally satisfying experience by challenging myself to ride this distance. I hope to also create new friendships and to be part of something that will make a difference to so many other people that the Future2 Foundation supports.

What do you expect to be the most challenging aspect of cycling in Western Australia?

DS: There are three challenges for me this year. Firstly, this will be the first year that my family won't be at the start or finish lines. Seeing my children excited for me (and my wife just glad it was over) is very motivational.

Secondly, it's going to be extremely hard to keep riding past the wine and produce of southern Western Australia. Knowing some of the riders, there could be some purchases put into the support cars along the way!

And finally, it will be interesting to see what factor the Western Australia heat and winds play in November.

L-R: Gene Youl and Darren Stevens prepare for this year's Wheel Classic.

GY: I expect the most challenging aspects of the ride will be backing up, day after day, and also dealing with the terrain and the vagaries of the weather. However, I believe that as long as we support each other and are prepared, we can overcome any of these challenges.

Darren Stevens AFP® is adviser/director at Sapphire Coast Financial Services and Gene Youl CFP® is practice principal/director at Silvan Ridge Financial Services.

2016 WHEEL CLASSIC

The 2016 Future2 Wheel Classic is the Future2 Foundation's annual flagship fundraiser.

Over six years, financial planners, sponsors and their supporters have helped raise over $585,000 to help young Australians who are most in need.

This year's route begins and finishes in Perth (17-23 November).

The seven day route covers a distance of 930km, taking cyclists from Perth to Bunbury (170km), Bunbury to Margaret River (157km), Margaret River loop (135km), Margaret River to Bridgetown (117km), Bridgetown to Collie (100km), Collie to Mandurah (127km), and from Mandurah to Perth (124km).

Registration for the ride covers the cost of food, accommodation, support vehicles, third party liability insurance and a Wheel Classic jersey. By participating, each cyclist will undertake to raise at least $1,000 for Future2.

For more information on this year's Wheel Classic, go to: www.future2foundation.org.au/events/wheelclassic

FTB changes for families

Your clients may be impacted by changes to family assistance payments which took effect on 1 July 2016.

The time families can spend overseas and continue receiving Family Tax Benefit (FTB) has reduced from 56 weeks to six weeks.

From 1 July 2016, families receiving Family Tax Benefit, child care payments or Double Orphan Pension will only continue receiving these payments for a maximum of six weeks while overseas.

Prior to 1 July 2016, families could continue to receive payments for up to 56 weeks while temporarily overseas.

If your client left Australia before 1 July 2016, the previous 56 week rule will still apply. However, anyone travelling overseas after 1 July 2016, will have their payment stopped once their trip exceeds six weeks.

Payment will usually recommence on your client's regular payment date if they return to Australia within 13 weeks of payment stopping, as long as they continue to meet eligibility criteria. However, your client will need to reapply for payment if they return to Australia more than 13 weeks after their payment stopped.

The Department of Human Services encourages people receiving these payments to advise the Department of their travel plans in advance using their Centrelink online account through myGov, which will give tailored information about how their payments and concession cards could be affected.

The Large Family Supplement will no longer be paid

From 1 July 2016, the Large Family Supplement will no longer be paid. The supplement was $12.46 a fortnight for a family's fourth child, and each child born after that.

Family Tax Benefit Part B payments will stop for couple families when their youngest child turns 13

If your client has a partner and receives Family Tax Benefit Part B, this payment will cease from 1 July 2016, if their child is 13 years or older or when their child turns 13.

Previously, Family Tax Benefit Part B was paid in some instances up until the child turned 18.

This change does not apply to single parents or grandparent carers receiving Family Tax Benefit Part B.

However, if they have not already done so, grandparent carers need to tell the Department of Human Services they are a grandparent to ensure their Family Tax Benefit Part B payments continue.

For further information about these changes, go to www.humanservices.gov.au/families

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