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# Financial Planning

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## Generational transfer

Bernard Salt and the future of planning

**THIS ISSUE**

TPB REGISTRATION RENEWAL / ESTATE PLANNING / CONGRESS 2017 / SMALL BUSINESS CGT CONTRIBUTIONS / SUPER CONTRIBUTION SPLITTING

FINANCIAL PLANNING ASSOCIATION *of* AUSTRALIA

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# A growth mindset

The evolution of the financial planning profession continues, presenting us with lots of opportunities for growth.

Adopting a mindset that remains open to new possibilities and a desire to continually learn and improve is a powerful asset in the face of change.

## Learn, share and connect

Taking time out of your day-to-day to focus on growing your mind, connecting with like-minded colleagues and improving the way you operate, is important. And that's what we set out to deliver each year at the FPA Professionals Congress.

Over two-and-a-half days, you'll be immersed in sessions to develop your technical skills, enhance your client communications, as well as dive deep into hot topics in financial planning.

One such topic is the generational shift in Australian society that the future presents. With it comes great opportunities for the financial planning profession.

I'm excited that Bernard Salt AM will be joining us at this year's Congress, taking place in Hobart over 22-24 November, to address this and other key demographic and social trends that are set to shape our future.

Bernard always has a way of delivering insights in an authentic and engaging manner, and he's back by popular demand at Congress. You can read more about what Bernard has in-store when he joins us in Hobart, on page 16.

## It's time to #getaplan

Empowering and educating the Australian public was the theme of our recent Financial Planning Week initiative that took place from 21-27 August. We set out to inspire Aussies to 'live the dream' and #getaplan to achieve their goals and live a life without regret.

It was fantastic this year to receive such overwhelming support from the broader financial services community that got behind the campaign. This helped share the messages far and wide, raising awareness and trust in the financial planning profession among consumers.

On a global scale, we're also set to celebrate World Financial Planning Day on 4 October 2017. This coincides with World Investor Week (2-8 October), and aims to reach the public on a united, global scale to promote the value of financial advice.

We are taking part through our connection with the Financial Planning Standards Board (FPSB) – manager and operator of the CFP® marks outside the US. In Australia, the campaign is being steered by ASIC's MoneySmart and we're proud to be supporting it via a public relations campaign.

Back on the home front, we're continuing to focus on the development of our position papers for FASEA, specifically around exam, CPD and the professional year.

We're also busy working on some exciting research into technology and how it can be integrated into your practice. We'll be launching this at the FPA Professionals Congress and I am looking forward to sharing this with you.

Enjoy the edition.

**Dante De Gori CFP®**
**Chief Executive Officer**

*Follow Dante on Twitter @ddegori10*

We set out to inspire Australians to 'live the dream' and #getaplan to achieve their goals and live a life without regret.

# Edey to lead **AFCA transition team**

Former Reserve Bank of Australia Assistant Governor, Dr Malcolm Edey, has been tasked to lead the transition team to ensure the Australian Financial Complaints Authority (AFCA) is operational by 1 July 2018.

In making the announcement, the Minister for Revenue and Financial Services, Kelly O'Dwyer, said Dr Edey was chosen because he was respected and had extensive knowledge in a broad range of economic fields, including time spent as a member of the RBA's senior policy committees and as Deputy Chairman of the Payments System Board.

The establishment of AFCA was announced in the May Federal Budget.

This new dispute resolution body will replace the Financial Ombudsman Service, the Credit and Investments Ombudsman and the Superannuation Complaints Tribunal, thereby removing consumer confusion or uncertainty about which body has jurisdiction to hear a particular dispute relating to financial complaints.

**Kelly O'Dwyer**

"AFCA will provide a critical one-stop-shop for external dispute resolution, as recommended both by the Ramsay Review and the report of the Small Business and Family Enterprise Ombudsman," O'Dwyer said.

"It will provide access to justice in a timely manner, with an independent arbiter and compensation where appropriate."

O'Dwyer added that AFCA will also be able to hear disputes of a "significantly higher value", enabling more consumers and small businesses to have their case heard and receive "fair compensation" if they have wrongfully suffered a loss.

AFCA will be funded by the financial services industry and its decisions will be binding.

# **Women's super** falling behind

On average, Australian women are not as engaged with their superannuation as men. This was one of the key findings from a survey of around 1,000 Australians conducted late last year by the Association of Superannuation Funds of Australia (ASFA). Other findings include:

- Only 15 per cent of women knew their exact super balance, compared to about 25 per cent of men;
- Nearly 30 per cent of women said they needed to know more about superannuation;
- Only 8 per cent of women were confident about how much retirement savings they need, compared to 16 per cent for men.
- 30 per cent of women said they always read their superannuation statement, compared to 45 per cent of men; and
- 10 per cent of women said they have a very good understanding of their super statements, compared to 25 per cent of men.

However, ASFA chief executive officer, Dr Martin Fahy said the survey did find that women recognised the importance of superannuation and saving for retirement, with just over half the women surveyed believing superannuation was a good way to save for their retirement.

Fahy said it was concerning that more than 80 per cent of women were currently retiring with insufficient super savings to fund a comfortable lifestyle.

"One in three women are retiring with no super at all and many older women are struggling in retirement," he said.

The average super balance for women when they retire is around $150,000 less than the average for men. Average super balances at retirement today are $138,150 for women compared to $292,500 for men.

"Several factors are contributing to women's lower super balances, including longevity and the fact that women take time out of the paid workforce to have children and are more likely to care for family members," Dr Fahy said.

"They are also more likely to be in part-time or lower paid employment. Women, on average, earn lower wages compared to their male counterparts and this is then reflected in their super balances."

Dr Fahy said the current level of superannuation savings do not provide economic security in retirement for a large proportion


of the Australian population, and welcomed any measures, such as increasing the Superannuation Guarantee (SG) from 9.5 to 12 per cent as soon as possible, to help improve the economic security of Australian women and men in retirement.

"ASFA also recommends removing the $450-a-month threshold for the SG. We also think the Government should enable employers to contribute more to superannuation for women, without being considered to have breached anti-discrimination legislation," Dr Fahy said.

# Take the Tassie challenge

Delegates attending this year's FPA Professionals Congress (22-24 November) have the option of participating in one of four unique challenges prior to the start of Congress. All four challenges are in support of the Future2 Foundation.

The first challenge is the annual Future2 Wheel Classic. Now in its eighth year, this year's ride will follow a seven day route, starting in Devonport on 16 November and finishing in Hobart on 22 November. The seven day route covers a distance of 726km.

And for those not into the seven day cycling challenge, there are three other options available:

- A four day Future2 East Coast Challenge, which has been graded 'easy' and includes multi adventure activities, like kayaking, cycling and hiking across the east coast off Tasmania;
- A four day Alpine Hiking Challenge, which is graded 'moderate' and features a series of day walks; and
- A five day Extreme Hiking Challenge, which is graded 'difficult'. Participants walk the Mount Anne circuit, which is one of the world's classic hiking treks.

By signing up to one of these Tasmanian challenges or the Wheel Classic, participants will undertake to raise at least $1,500 for Future2.

For more information, email **info@future2foundation.org.au** or go to **future2foundation.org.au/events**

# Veteran steps down after 44 years

After having notched up 44 years of delivering financial planning advice, GFM Wealth Advisory founding partner, Toby Gilham CFP® officially retired from the practice on 3 August.

Tony first started in the industry back in 1973 as a sole practitioner, working as a self-employed life insurance and superannuation adviser with Legal & General. By his own admission, back then, the world of financial services was incredibly simple by today's standards.

It wasn't until 1986 that Tony got his first financial planning licence with Financial Wisdom. In April 1996, Tony helped set up his first SMSF. This began Tony's long association with SMSFs, with his practice eventually going on to specialise in the provision of SMSF advice and administration.

In 2003, Tony made the decision to apply for his own AFSL, which enabled Gilham Financial Management to operate independently of any financial institution.

In 2014, Tony was involved in the rebranding of the practice, which was known as Gilham Financial Management, to GFM Wealth Advisory, where it specialises in SMSFs, as well as investment management, financial planning and accounting.

The practice currently has a team of 26, including five financial planners and four accountants.

Tony is particularly proud of GFM Wealth Advisory's full independence, with the practice owned entirely by its senior staff, who also make the investment decisions.

Taking over the helm at GFM Wealth Advisory is senior partner, Paul Nicol AFP®, who has been with the company for 18 years. Paul is a significant shareholder of the business and has been running the practice for the last few years, during which time Tony has been slowly winding down to retirement.

**Tony Gilham CFP®**

## AUSTRAC issues AML/CTF reminder

The Australian Transaction Reports and Analysis Centre (AUSTRAC) has issued a timely reminder to all reporting entities in the finance sector about the importance of meeting their Anti-Money Laundering (AML) and Counter-Terrorism Finance (CTF) obligations.

The reminder comes in the wake of AUSTRAC initiating court proceedings against the Commonwealth Bank of Australia (CBA) for "serious and systemic non-compliance" with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006.*

"By failing to have sound AML/CTF systems and controls in place, businesses are at risk of being misused for criminal purposes," said AUSTRAC acting chief executive officer, Peter Clark.

"AUSTRAC's goal is to have a financial sector that is vigilant and capable of responding, including through innovation, to threats of criminal exploitation."

AUSTRAC's action against the CBA is over an alleged 53,700 contraventions of the *AML/CTF Act,* particularly in relation to the use of intelligent deposit machines.

**The FPA congratulates the following members** who have been admitted as CERTIFIED FINANCIAL PLANNER® practitioners.

## NSW

**Darren Ramke CFP®**
NAB Financial Planning

**Preston Foster CFP®**
Hordern Advisory

**Ross Marett CFP®**
Regis Wealth

**Allana Elliott CFP®**
Vogue Financial Planning

**Ricardo Poletti CFP®**
William Buck Wealth Advisors

**Lei Wang CFP®**
BT Financial Group

**Teigan Dagg CFP®**
Three Pillars Wealth Management

**Gregory Weeks CFP®**
First State Super

**Michael McLean CFP®**
Challenger

**Cameron Stuart CFP®**
Osborne Yuille

**Alexander Tasker CFP®**
ANZ Financial Planning

**Chelsea Peard CFP®**
StatePlus

**Billy-Joe Phillips CFP®**
Commonwealth Financial Planning

**Kaizad Madon CFP® LRS®**
Commonwealth Bank of Australia

**Thomas Rouse CFP®**
Australian Catholic Superannuation & Retirement Fund

**Lara Notarianni CFP®**
RCB Investment (T/a Finance Control)

**Scott Relf CFP®**
Centenary Financial

**Grant Fisher CFP®**
Bridges Financial Services

**Salena Stonehouse CFP®**
Fitzpatricks Private Wealth

**Nicholas Grady CFP®**
NAB Financial Planning

**Shaun Parton CFP®**
Successful Ways

**Andrei Chorokhov CFP®**
**Robert Tayoun CFP®**
Dixon Advisory & Superannuation Services

**Ryan Cormican CFP®**
Dixon Advisory and Superannuation Services

**Mark Johnson CFP®**
Lifestyle Wealth Partners

## QLD

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AMP Financial Planning

**Todd Cole CFP®**
NAB Financial Planning

**Kenneth Bunney CFP®**
NAB Financial Planning

**Danny Stojovski CFP®**
Advice First

**Bronnie Abraham CFP®**
Dolfinwise

**Shane Russell CFP®**
Dickensons Financial Services

**James Marshall CFP®**
Stratus Financial Group

**Ryan Morse CFP®**
Euler Wealth

**Clifford Baker CFP®**
AccuVest

**Cameron Felice CFP®**
IQ Financial Planning

**Christopher Murphy CFP® LRS®**
Boston Private Wealth

## VIC

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NAB Financial Planning

**Michelle Johns CFP®**
Compaspe Financial Services

**Mark Henry CFP®**
Foundations 4 Wealth

**Tony Vikram CFP®**
National Australia Bank

**Vaishali Chitale CFP®**
NAB Financial Planning

**Marie Fook Seng CFP®**
National Australia Bank

**Benjamin Waite CFP®**
NAB Financial Planning

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**Larissa Hall CFP®**
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**Alexander Perini CFP®**
Summerhill Financial Services

**Bilal Bux CFP®**
BT Financial Group

**Mark Roberts CFP®**
Westpac Financial Planning

**Anna Till CFP®**
Ambleside Wealth Advisers

**Yun Sun CFP®**
Sun Financial Advisory

**Tom Barlow CFP®**
Roskow Independent Advisory

**Dennis Wong CFP®**
AMP

**Matthew Rigby CFP®**
Hanmoore Financial Solutions

**Luke Galashchuk CFP®**
First State Super Financial Services

**Tracey Mitchell CFP®**
Comprehensive Financial Solutions

**Samuel Wakefield CFP®**
Optalife

**Mark Buisman CFP®**
The Pentad Group

## WA

**Jackson Dongray CFP®**
Aspen Corporate Financial Planning

**Hoa Ta CFP® LRS®**
Primestock Securities

**Christopher Taylor CFP®**
Gilkison Investments

**Wing Wong CFP®**
Sterling Financial Planners

**Samuel Gray CFP®**
Incito Wealth

**Zacary Leeson CFP®**
HPH Solutions

**Trent Doust CFP®**
Sage Financial Group

**Lauren Walker CFP®**
Lighthouse Capital

# Taking financial literacy to schools

**Students are ready to face the future armed with proper financial skills.**

**The FPA has entered into a partnership with online financial education company, Banqer, to help raise the financial literacy of Australian school students.**

Banqer is an online interactive learning tool designed to improve the financial literacy of primary school students. According to Banqer co-founder, Kendall Flutey, the Banqer software creates a mini-economy in the classroom for students to interact with.


**Kendall Flutey: "Not only are we improving the knowledge base of our students, we're also instilling within them sound financial behaviour."**

"Students all have access to their own Banqer account, which acts as a super-charged bank account. They then have access to transact with their classroom currency, which they can earn as income for class jobs or privileges, or spend on bills, such as managing the rental of their desks," Flutey said.

"From those base financial concepts, students then progress to experience paying taxes, mortgage applications, dealing with superannuation and much more."

Flutey believes that by participating in their virtual Banqer economy, students are able to improve their financial literacy through exposure to, and experience with, financial concepts.

"This early exposure to these concepts prepares children for financial situations before these skills are needed. This leaves a generation of kids prepared to tackle the financial world that lays ahead of them," Flutey said.

"Importantly, not only are we improving the knowledge base of our students, we're also instilling within them sound financial behaviours."

The partnership between the FPA and Banqer began in July. Banqer will work with the FPA to extend its financial literacy program into schools by leveraging the networks of FPA members.

FPA members will be able to directly support Banqer by sharing the online program with schools in their local community. The aim is to provide the program to 15,000 students during the current financial year.

Flutey confirmed that Banqer will provide support to planners to enable them to feel confident in introducing Banqer to schools, and providing a pathway of interaction with those schools after the initial introduction.

"This is a genuine way financial planners can support raising the financial capability of our young, as well as continue on their journey with them," Flutey said.

"As an extremely credible association, we couldn't think of anyone better to team up with than the FPA, when trying to combat the financial illiteracy epidemic in Australia," Flutey said.

"The FPA believes in our product and the mission we're on and are wanting to increase the impact we can make in Australian communities. The FPA recognises the role it plays in the fight against financial illiteracy and through this partnership, is taking a giant step towards eradicating it."

Commenting on the partnership, FPA chief executive officer, Dante De Gori CFP® said Banqer aims to equip young people with the skills they need to make smart and informed financial choices as adults.

"By supporting the adoption of programs like Banqer in our schools, the FPA and our members can help children learn about money in a practical way at an early age. This will give them the foundation to make the right financial decisions later on in life," De Gori said.

The Banqer financial literacy program is currently being used by 84 schools across Australia and in 500 schools in New Zealand.

**To find out how to get involved, go to banqer.com.au/fpa**

# Services and features

## Q: What are the types of services and features a planner should look for when considering joining a new licensee?

**Susie Erratt CFP®**
Financial Planner, Advanced Financial Planning Solutions
Licensee: Financial Services Partners

I have had many changes of licensees – some of my own doing, some not, due to mergers and acquisitions.

In my opinion, the single biggest factor I look for when employing a licensee is just that – I am employing them.

They need to understand that and have a clear vision of their offering. This includes:

- how they can help me grow my business;
- how they conduct their compliance and audit regime; and
- how much they charge for their services and group services, such as planning software and professional indemnity.

Every practice is different, just as every planner is different. Make sure your practice ethics match the licensee's, because it's exhausting trying to get them to change. In fact, you simply won't be able to get the licensee to change.

So, research well, ask lots of questions and try to get it as right as possible the first time. Equally, if it isn't working for you, then shop around. Remember, you hold the power.

**Daryl La'Brooy CFP®**
Financial Adviser, Hillross Financial Services
Licensee: Hillross Financial Services

Financial planning these days is extremely highly regulated and over the next six years, it's set to become more so. Therefore, being part of a licensee that can provide excellent support to ensure you are compliant as an adviser is a very important matter.

Ongoing training is another really critical issue. My licensee not only offers face-to-face professional development days, but also web-based training and remote (website) self-assessment opportunities.

Clearly, cost may be a factor in the selection of a licensee. However, like anything in life, you generally get what you pay for. The lower the cost of the licensee fees, the less in the way of services and support that is offered.

If you are a part-time adviser or new entrant with little revenue coming in, then a low cost licensee may be all you can afford.

If you have substantial revenue, then the cheapest option may not be the wisest. As a larger business, you have a lot more at stake and much to protect. Trying to economise on something that will safeguard your ability to stay in business, will be foolhardy.

Large licensees offer more services and support. You potentially have the ability to borrow money to expand your business, get discounts on IT and professional indemnity insurance. Corporate benefits, such as car hire, airline lounge membership and general insurance at reduced prices, could also be available.

I have been part of larger licensees and have also been self-licensed prior to the introduction of the FoFA regime. In my opinion, I'd rather be part of a well resourced group in the post FoFA world, where the regulator has a lot more power and isn't afraid to use it to enforce very high professional operating standards.

## Cody Harmon AFP®

Financial Adviser and Managing Partner, Hard Line Wealth
Licensee: Fitzpatricks Private Wealth

Having just gone through a tendering process for Hard Line Wealth, this was a very important decision for us.

We had a few important criteria that needed to be met and our current licensee met them comprehensively.

**1. Reputation:** We wanted to partner with a premium licensee with a reputable brand, and some of the top advisers nationally.

**2. Development:** A capacity to provide not just support but also push us to another level technically and improve our soft skills through executive coaching. If you want to be a 'black belt', you have to train with black belts.

**3. Economies of scale:** Scale used in an ethical way. When it is appropriate to recommend a model portfolio for our clients, we can run the investments with more favourable administrative pricing than a licensee without this scale. This also assists us with CRM pricing and other software.

## Charles Badenach CFP®

Principal and Private Client Adviser, Main Street Financial Solutions
Licensee: Fitzpatricks Private Wealth

When we left our corporate employer over three years ago, we were thrust into an unknown world of trying to find a dealer group that was compatible with the type of business we wanted to establish.

For the uninitiated, this was a daunting process.

There are a number of different models that are available, and we engaged the services of Rob Jones and Michael Harrison at Peleton Partners to help guide us through this process. Their experience and guidance was invaluable in what was a very challenging period for us.

If we were going through the process again, being older and wiser, we would outline a set of key criteria that we require as being 'negotiables' and 'non-negotiables'.

Some of these factors would include such things as:

- The type of adviser software they allow and support;
- A well established, stable and sustainable dealer model;
- Forward-thinking and innovative;
- The ability to use technological add-ons;
- Unaligned;
- Client value focused, not volume or product focused (success should be based on client outcomes, not volume of product or premiums );
- Transparent, good communicators and respected within the profession;
- Open APL;
- Strong compliance culture, whilst also having a commercial overlay;
- Business coaching or adviser support network;
- Fixed fees that are structured competitively and support our growth, as we attract more authorised representatives;
- That the advisers are highly respected and operate in a similar manner to how we do;
- Investment research and portfolio support; and
- Open dialogue with other members of the dealer group to facilitate best practice concepts.

This can be a daunting process, but finding the most appropriate dealer group for your business is something that will underpin your future development.

Good luck.

**Anne Graham CFP® LRS®**
CEO/Financial Planner, Story Wealth Management
Licensee: Securitor

Regardless of whether you are actively looking for a new licensee, it's wise to review the services of your existing AFSL on a regular basis – after all, that's what your clients are doing!

Your needs and expectations may have changed over time, so being familiar with what's on offer elsewhere makes sense.

Pricing is important but it's not the only issue. For me, value for money is probably more important than the price paid, and value can be in the eye of the beholder.

A few basics come to mind when thinking about services and features. These include:

- Reputation of the licensee and its financial advisers;
- Ability to deliver on promises in a timely manner;
- A supportive approach to compliance – it's in no-one's best interest to have a 'bare minimum' approach to compliance. However, it shouldn't be restrictive to the point of harming your business;
- What basic services are being provided?;
- Provision/access to quality investment and product research; and
- Software support (e.g. XPLAN).

Being a small business owner can be lonely at times and it's easy to get into your own little world. A good licensee can help create a like-minded community of professional practices and advisers.

Peer-to-peer sharing and collaboration can be facilitated and encouraged by the community of advisers, together with a licensee.

Culture, community and the support of the end user (our clients) are therefore important items for me when considering licensing options.

**Ben Coombs AFP®**
Corporate Development Manager, Elston
Licensee: EP Financial Services

Imagine what you would like your business to look like in 3-5 years. Once you have a clear idea of this, the next question to ask is what infrastructure and support do I need to bring that business into reality?

Make a list and think really hard about what you are prepared to compromise on and what are your non-negotiables. These services and features will be different depending on the stage that your business is in.

For example, practice management support and community is important in start-up phase, whereas independence of decision-making, choice of efficient implementation and technology solutions will be vital to enable well established businesses to continue growing.

Technology utilisation is going to be crucial for firms in today's economy. Clients no longer compare planners to other planners, they compare you to Netflix, Uber and Airbnb.

A licensee that has a clear innovation and technology focus will enable you to better communicate with clients, deliver your value proposition and more efficiently produce, administer and implement your advice. This will help position you for long-term success and enable you to stay ahead of the curve, not chase it.

Armed with your list, speak to as many licensees as possible and assess their alignment with your list, values and plan. Then narrow it down and make a decision.

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.

# The family home: more than just a place to live

In an environment of rising living costs and low investment returns, an increasing number of over 60s are looking to use the equity in their home to meet their financial needs. For over 12 years, Homesafe, a JV with Bendigo & Adelaide Bank, has provided senior homeowners with the option to sell a share of the future sale price of their home.

Despite the growing need for equity release products, a number of financial institutions have recently withdrawn from the market, as a result of a change in appetite for credit risk.

However, Homesafe Solutions Pty Ltd, with its unique alternative to reverse mortgage loans, continues to meet the ever increasing demand for equity release solutions for over 60s.

The need for equity release solutions is evidenced by the increasing number of over 60s contemplating retirement with unpaid mortgages over the family home.

They are looking for solutions to resolve their financial needs and a growing segment of this demographic now recognise the family home to be much more than just a place to live.

"Homesafe's equity release solution continues to attract interest from over 60s, as it protects their right to remain in the comfort of the family home in an environment surrounded by friends, family and community in which they have lived for many years.", said Homesafe General Manager, Ms Dianne Shepherd.

With Homesafe Wealth Release, there are no repayments and the homeowner has the certainty that they will always retain their share of the sale proceeds of their home, when they sell.

With the increasing need for over 60s to access the equity in their home, Homesafe has also noted a growing interest from professional advisory intermediaries including financial planners, ultimately referring their clients to Homesafe.

In response to the growth of advisory intermediary enquiries, earlier this year Homesafe launched an online Referral Portal that was specifically developed to work with third party referees.

The online facility enables Homesafe to work closely with referees who are enquiring about Homesafe Wealth Release on behalf of their clients.

**To become a Homesafe Referral Partner visit homesafe.com.au/referral-partners**


For over 12 years, Homesafe Wealth Release® has assisted thousands of Senior homeowners with our trusted alternative to 'downsizing' or going into debt. Homesafe Wealth Release is **not a reverse mortgage** and protects your clients by preserving the remainder of their home equity, not sold to Homesafe, into the future.

Talk to our team today to find out how debt-free equity release can enable your clients to access the wealth tied up in their homes.

Call us on **1300 307 059** or visit **homesafe.com.au** to learn how to become a **Homesafe Referral Partner** today!

Homesafe Wealth Release®

*Change nothing. Change everything.*

*The debt-free way to live in retirement*

*Homesafe Solutions Pty Ltd (ACN 106 784 918) is a joint venture of Bendigo & Adelaide Bank and Athy Pty Ltd. Terms, conditions & eligibility criteria apply. Available in most metropolitan postcodes in greater Melbourne and Sydney.*

# Renewing your TPB registration for the first time

Ian Taylor shares some timely tips for financial planners renewing their registration with the Tax Practitioners Board.

**Ian Taylor: Don't forget to ensure your Statement of Relevant Experience form is completed correctly.**

Any financial adviser who is advising about the tax consequences of the financial advice they are providing… must be registered with the TPB, otherwise they are operating illegally.

Are you renewing your registration with the Tax Practitioners Board (TPB) for the first time?

As an authorised representative, you must renew your registration directly with the TPB, unless your AFS licensee advises that you are being included in a bulk renewal process.

Two practical renewal kits are available to explain the registration renewal process for individuals and for companies and partnerships.

In getting ready to renew your registration, you need to prepare your documentation for the renewal process, including information about your:

- qualifications and relevant experience;
- fit and proper details;
- professional indemnity insurance; and
- continuing professional education/ development.

The TPB will send you an invitation to renew 60 days before your current registration expires, using the contact details we have for you on the TPB Register. Make sure we have your current contact details, as in most cases, previous notification occurred on your behalf by your AFS licensee.

You can update your email address online with the TPB using My Profile - myprofile.tpb.gov.au. Simply, log into My Profile by using your username, which is your registered practitioner number, and enter your password (if you have forgotten your password, the system will guide you on how to get it reset).

All renewal applications must be lodged at least 30 days before the registration expiry date, but you are free to renew your registration at any time earlier.

Once you have lodged your renewal application, you remain registered with the TPB until you hear from us – even if we have not processed your renewal by the expiry date.

## Tips to fill in your Statement of Relevant Experience

If you are an individual, you must complete a Statement of Relevant Experience form and upload it to complete your application for registration as a tax (financial) adviser, including when you renew.

Your experience could include work:

- as a registered tax (financial) adviser or tax agent; or
- under the supervision of a registered tax (financial) adviser or tax agent; or
- of another kind, subject to the TPB's approval.

Tips for ensuring your Statement of Relevant Experience is completed correctly are:

- your Statement of Relevant Experience will generally need verification by a third party (this will be the case on the first renewal but should not persist on subsequent renewals);
- if your experience covers work under more than one supervisor, you will need to complete more than one form – one for each supervisor;
- the supervisor should be independent, so they generally should not be a family member;
- your supervisor must provide comment on your competency in providing tax

(financial) advice services and sign the declaration;

- if your experience is 'work of another kind', you'll need to provide details of your experience, and also attach written, independent verification of your experience to your application.

For more tips, go to tpb.gov.au and view the Statement of Relevant Experience video.

## Frequently asked questions

**1. Does my Corporate Authorised Representative (CAR) need to be registered?**

If a CAR has the ASIC authority to allow it to provide a tax (financial) advice service for fee or reward (this includes amounts payable to the CAR's AFS licensee), the CAR will need to be registered. The CAR's authorities are shown on the ASIC register.

**2. Does an employee representative need to be registered?**

Employee representatives generally don't need to be registered because they are providing tax (financial) advice services on behalf of their employer and they do not receive a fee or reward (rather, a salary, payable by their AFS licensee or CAR). However, an AFS licensee (non-individual) may want an employee representative to register as a tax (financial) adviser to make up the AFS licensee's sufficient number for their registration.

**3. How do I get my educational qualifications assessed to see if they meet the TPB requirements?**

You should self-assess first and use the TPB's renewal kit to obtain further information. Then if you are in doubt, send an email to qualifications@tpb.gov.au. Provide as many details as you have available, including course details and transcripts. We will review and provide you with feedback.

For more frequently asked questions, see **www.tpb.gov.au/FAQ-TFA**

## Still need to register with the TPB?

It is important to note that any financial adviser who is advising about the tax consequences of the financial advice they are providing for a fee or reward, must be registered with the TPB, otherwise they are operating illegally.

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**Ian R. Taylor is Chair of the Tax Practitioners Board.**

## TRANSITIONAL OPTION ENDS

Almost 3,000 financial advisers took advantage of the transitional option to register with the TPB before that option ended on 30 June 2017. Nearly half of those applications were received in June. This brings the total number of tax (financial) advisers registered with the TPB to over 22,000.

The TPB is also processing around 18,000 renewals for tax (financial) advisers who registered under the notification option. The next renewal dates due are 31 October, when we expect to receive around 1,700 renewal applications and 31 January, when close to 14,000 are due to be submitted.

With a large number of new registration applications to process, tax (financial) advisers may experience some delays in having their renewal applications processed over the next few months.

However, tax (financial) advisers remain registered as long as they submit their renewal application on time, which is 30 days prior to registration expiry. The TPB register will show that you remain registered and that your renewal has been lodged. You can check your details at 'Search the register' – **tpb.gov.au/search-register**

You need to be thinking beyond the Baby Boomers and look towards the next wave of clients, who will have different needs, lifestyle and financial goals.

# Generational transfer

## The future of planning

How we live and work today is very different from that of our parents. Speaking at this year's FPA Professionals Congress, Bernard Salt will discuss the generational transformation currently taking place in society. He talks to Jayson Forrest about what this means for financial planners and their clients.

A lot has been written and said about the retirement of the Baby Boomer generation, which over the next 5-10 years, will see a fundamental shift in Australian society. This shift will place extraordinary demand on Government resources, including the Age Pension, aged care and support services, all of which will place greater pressure on the Government to raise taxes.

"The fact is, we're heading towards greater taxation in the future. And this is not a one-off. The Baby Boomers will dominate retirement and aged care services over the next 20 years, and this issue won't ease up until the 2040s," says leading social commentator and demographer, Bernard Salt.

This is one of the key trends he believes will shape the future of Australian society over the next 20 years.

Speaking at this year's FPA Professionals Congress in Hobart (22-24 November), Bernard believes this generational shift in Australian society will provide definite opportunities for the financial planning profession, and particularly for those planners who are prepared to adapt to the differing needs of Generation X (those born between the early 1960s to the early 1980s) and the Millennials (those born between the early 1980s to the early 2000s).

"With the retirement of the Baby Boomers, there will be new generations coming through in need of advice," Bernard says. "Those Generation Xers are already reaching their peak income earning capacity and should be saving fastidiously for their retirement.

"However, the problem is, in your late 30s and 40s, there are all sorts of demands on Generation X's income at this particular time.

"But Gen X really needs to be focused on saving for their retirement, whereas up until this point, their focus has been on family formation, housing and managing their careers. So, there needs to be a mindset shift by Gen X towards provisioning for their future, and that's where financial planning comes in."

And as for the Millennials (also known as Generation Y), this generation is also transitioning out of their 20s into their 30s – forming committed relationships, having children and doing their best to get on the first rung of the housing ladder.

"So, with these three generations now transitioning to different stages in the lifecycle, that will trigger different financial responses and needs for these groups. This means an awakening or awareness needs to occur in each of these generations regarding their specific financial circumstances," Bernard says.

"For the Millennials, that means knuckling down and forming households. For Gen X, it's time to focus on the provisioning for their retirement, as well as the myriad of other things they are also dealing with.

"And as for the Baby Boomers, it's time for them to let go and enjoy the next 10 years. That's because the 10 years beyond that aren't so good for this generation," says Bernard, due to the expected deterioration of their general health and the aged care and health services they will require as they get older.

### Generational change

But according to Bernard, this transitioning of the generations will have a considerable impact on financial planners and their clients because it triggers different lifestyle needs.

"Transitioning from one stage in the lifecycle to another triggers a need," Bernard says. "So, the demand for financial planning services is triggered best when there is a significant shift in the generational lifecycle to the next."

As an example, Bernard points to Gen X.

"For planners who have focused on their Baby Boomer clients for the past 15 years, with their superannuation and wealth creation strategies, as this generation now heads into the de-cumulation phase, there is an opportunity for planners to now be

*Continues on page 18*

## Your speaker

Bernard Salt is widely regarded as one of Australia's leading social commentators and demographers. He is a writer, a speaker, a business adviser and a media commentator.

Bernard is the managing director of The Demographics Group, which provides specialist advice on demographic, consumer and social trends for business. Prior to that, Bernard founded KPMG Demographics.

He writes two weekly columns for *The Australian* newspaper that deal with social, generational and demographic matters, and is an adjunct professor at Curtin University Business School. Bernard also holds a Master of Arts degree from Monash University.

He is perhaps best known for his penchant for identifying and tagging new tribes and social behaviours, such as the 'Seachange Shift', the 'Man Drought', 'PUMCINS' (pronounced 'pumkins') and the 'Goats Cheese Curtain'. He was also responsible for popularising the term, 'smashed avocados'.

Bernard has popularised demographics through his books, columns and media appearances for 25 years. His body of work is summarised in six popular best-selling books.

He was awarded the Member of the Order of Australia (AM) in the 2017 Australia Day honours.

focusing on Generation X. It's this generation, who are in their late 30s to mid 50s with young families, who are going to represent the next wave of clients for your business."

And he warns not to forget about the Millennials, who have now reached their life stage where they are moving into "household formation". "This means planners need to be thinking about mortgages, buying a home and life insurance for this generational cohort," he says.

"For the Baby Boomers, it's really about managing their assets, rather than building them. So, if you're a planner in your 50s or 60s, then maybe you don't have to worry as much about building your client base, as you might be able to see your current Baby Boomer clients out before you retire.

"But if you're a planner in your 20s or 30s, then you definitely need to look beyond the Baby Boomers, and look at ways to engage with Generation X."

In addition, Bernard believes that with generational transitioning, succession planning and estate planning will increasingly become good businesses for planners to be in.

"The transition of family businesses and assets from one generation to another can only accelerate as a financial planning issue over the next 20 years," he says.

## Life and work

In an increasingly disrupted world, another theme Bernard identifies over the medium-term, is the fusing of personal life and business into a single way of life. He believes the edges between how we live and work are breaking down. Today, business is conducted as easily in a cafe or at home, as it is from a corporate office.

So, how will financial planning fit in this future where there are no boundaries between our business and personal lives?

"The good news is, there's always going to be a need for financial planning advice," says Bernard. "That's because of its complexity. With constant regulatory change and a wide range of investment options and strategies available, this makes it all the more necessary to seek the advice of a professional."

He believes that even with artificial intelligence and automated advice offerings, there is still going to be a requirement for people to actually have a human conversation with a professional, who they have an established and trusted relationship with.

"The sheer complexity and bulk of information now available to consumers, means that in order to properly navigate your way forward, you need the help of a specialist. You can't expect to have a full-time job or career and be good at it, while also having your head across the various aspects of financial planning, such as superannuation and investments," Bernard says. "This is something that needs to be stressed, particularly to Gen X and the Millennials."

## It's all about trust

So, how can planners better prepare to embrace and evolve in this increasingly disrupted business and social environment?

Bernard agrees there is a lot of talk today about disruption in business. While the rise of mobile and digital technologies, along with automated and algorithmic advice, all presenting challenges to the financial planning profession, he also believes this new technology and connectivity brings many opportunities.

"I believe the best way for planners to protect against all this disruption is to develop and sustain a trust-based relationship with consumers."

Bernard says it all comes back to the sheer complexity and volume of information that people need to consider before making an investment decision. "It means you cannot have a full-time career and expect to know, even with the best information provided by technology, all that's required to achieve your financial and lifestyle goals.

> ...never underestimate the power of 'trust' and 'relationship' in your value proposition...

It's all about having a trusted relationship with a planner to help you navigate the way forward."

For Bernard, the future of financial planning all comes down to two words: 'trust' and 'relationship'.

"Moving forward, it's these two elements that will be the keys to success for the financial planning profession."

He adds that to be truly successful as a planner in the years to come, planners will also need to look beyond the horizon of their current client base.

"You need to be thinking beyond the Baby Boomers and look towards the next wave of clients, who will have different needs, lifestyle and financial goals," Bernard says.

"So, as a planner, you can't be complacent. But in saying that, never underestimate the power of 'trust' and 'relationship' in your value proposition, as these two qualities will always speak to the different generations of clients – now and in the future."

## Something for everyone

This year's FPA Professionals Congress will take place at the Hotel Grand Chancellor Hobart on 22-24 November.

The Congress kicks off on Wednesday 22 November, with a three-hour FPA Professional Practice workshop starting at 2pm. This workshop will focus on sharing best practice ideas and strategies, and is open to practitioners working in an FPA Professional Practice.

And following last year's popular paraplanning workshop, there will also be a two-hour paraplanning workshop starting at 3pm on Wednesday.

A welcome reception and the opening of the expo will follow these two workshops in the exhibition hall at 5:30pm.

Other social events at Congress will include the highly anticipated Future2 evening celebration on Thursday, which will take place at the Museum of New and Old Art (MONA). Delegates will travel to this venue via ferry, allowing them to experience the Derwent River firsthand.

Spend the evening exploring the many layers of MONA, from ancient Egyptian mummies to some of the world's most infamous and thought-provoking contemporary art. At this 'non-seated' event, see, taste and experience an abundance of food, art and entertainment, as you explore within and outside the galleries.

The popular 'Women in Financial Planning Breakfast' will also make a return on Thursday 23 November.

This year's Congress will offer practitioners up to 14 CPD hours, with workshops covering best practice, technical solutions, leadership and personal growth.

The Congress ticket entitles delegates to the following:

- welcome reception;
- 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 of $150 to attend MONA: A Future2 Celebration and $60 to attend the Women in Financial Planning Breakfast.

The Congress will officially close at 2:30pm on Friday, providing delegates with plenty of time to make their flights back home.

For more information on the FPA Professionals Congress (22-24 November) or to register your attendance, go to **fpacongress.com.au**

# Congress Workshop Program

**Industry experts and financial planning professionals feature in this year's program of 24 workshops across four dedicated workshop streams – Evolve, Engage, Grow and Inspire. Each session is accredited with 1 CPD hour. The following is a preview of the sessions.**

| Evolve | |
|---|---|
| Technical capability and critical thinking in financial planning specialty areas. | |
| **Making sense of the 2017 superannuation changes** | This workshop will bolster your existing knowledge of the 2017 super changes and consider the higher level repercussions of the changes to contributions: from concessional to personal injury settlements, salary sacrifice, the CGT small business concessions and more. |
| **Exploring your best interest duty in practice** | Your greatest asset is trust. This workshop will apply Section 961B best interest duty to sample SOAs and discuss the conflicts of interest that could expose you to 'putting your own interests ahead of your clients'. |
| **Designing alternative investment strategies to superannuation** | It's time to step back and ask: 'Is superannuation the be all and end all investment structure?' and if not, 'What are the alternatives?' This workshop will consider alternative strategies and structures to maximise your clients' investment opportunities. |
| **Estate planning – the transfer of wealth post July 2017** | Clients present you with many intricacies in their personal, financial and work lives. So, as your clients' wealth accumulates, good estate planning is an imperative. This workshop will be hands-on, using cases to examine the use of testamentary trusts, reversionary pensions, binding/non binding nominations and more. |
| **The rise and rise of aged care** | The needs of ageing clients is growing exponentially. This workshop covers the essentials of aged care, including funding (sell, retain or retain and rent), housing options and fees. It will also cover Centrelink ramifications, the rules applying to aged and home care, and strategies to assist your clients in aged care transition. |
| **Risk insurance: The stakes are high** | This workshop will specifically examine the differences in definitions between personal and group cover. You'll also compare and assess the different covers and consider current best practices in buy-sell arrangements, where these insurances should be held, and at what point to engage a lawyer and accountant. |

| Engage | |
|---|---|
| Engaging and developing your clients and staff. | |
| **How society and business will evolve** | Today, the boundaries between society and business are blurred. Work is accessed 24/7, just as our personal lives intermingle with work time. In the future, there will be no boundaries, as business and society fuse into a single way of life. What does this mean for your business? |
| **Make visual agreements to create more meaning** | Learn the power of making agreements visual, to create more meaning and better understanding. Agreements or contracts can be an opportunity to build a good relationship. Visualisation can make agreements easy to understand and, in particular, help to bridge the gap with vulnerable clients. |
| **Thriving in the tough conversations** | In this session you'll explore tools to depersonalise tough feedback, strategies for overcoming resistance and defensiveness, and tips for managing your own state amongst the busyness of work. |
| **Being fearless in ethical decision-making** | Ethical decision-making and leadership creates trust, drives performance and gives a powerful competitive advantage. This workshop will challenge old perceptions, and give you values-based insights to attract and engage with more clients. |
| **Managing conflict** | Conflict can destroy trust and productivity. You need strong values to engender a positive and open mindset in your organisation. Learn to collaborate and communicate effectively using improvisation techniques. |
| **Be the digital boss of your marketing and social media** | Hear first-hand experiences and tips from other financial planning professionals who are embracing social media, technology and marketing, to build their businesses. |

## FOR MORE INFORMATION, GO TO FPACONGRESS.COM.AU

*Program subject to changes. Times and events may vary slightly.*

Earn up to **14** CPD hours

### Grow

These sessions will help improve the operational side of your practice.

| | |
|---|---|
| **Ethics – red flags, culture and staying on the right side** | This workshop will present cases demonstrating where ethical behaviour has been compromised, actions you should take to ensure client best outcomes, and why conflicts of interest aren't always apparent. |
| **Latest FPA updates** | Receive up-to-date information on the FPA, Government and regulator activities. This session will provide details of the FASEA education standards and guidelines, and the Tax Practitioners Board re-registration and timeframe requirements. |
| **Panel discussion: Practice owners share their winning business ideas** | A panel of practice owners share the best and worst decisions they have made in building and adapting their financial planning practices within the shifting and challenging profession. |
| **Being compliant and efficient: How hard can it be?** | What should be included and excluded from an SOA? What's the difference between an SOA vs ROA? This workshop addresses these issues and the importance of improving the communication lines between you and your paraplanner. |
| **The power of technology and innovation in delivering advice** | This workshop will demonstrate the potential for technology to gather and analyse your clients' needs, deliver dynamic advice, improve efficiency and compliance, and enable you to provide greater client-centric service. The FPA will showcase its new technology resource hub. |
| **Client engagement: Putting emotional intelligence to work** | This workshop will provide solutions to help you take your client relationships to the next level, including humanising the planning and risk advice processes, and how to have effective client conversations. |

### Inspire

Get motivated and nurture your mind and body.

| | |
|---|---|
| **Getting your direction clear** | Get serious about how you use conscious direction to build trust, feel in control and be in control of any situation. Learn to be aware and understand the power of gesture, eye and body positioning. |
| **The science and practice of mindfulness** | This practical and experiential workshop will explore the science, philosophy and practice of mindfulness across a wide variety of settings in personal and professional life. |
| **Becoming pressure proof** | A major key to success is being able to flow with change, adapt to pressure and stay highly productive. In this session, you'll learn how to build resilience, bounce back from challenges and setbacks, and perform better under pressure. |
| **Building your career on strong foundations** | Success in life and business is something that is desirable to most people. But how often do we dream, then not do anything about it? Get motivated to set your goals high and take the steps to reach that peak. |
| **Gain energy, improve productivity and achieve balance** | Research is unveiling how quality nutrition can not only improve our physical body, energy and sleep, but also our brain function, memory and moods. |
| **Implementing ideas - convert your learnings into action** | This session is designed to 'recap and execute' what you've learnt at Congress. To maximise your Congress ROI, get clear about what you've been learning, what you want to implement, and learn the steps you'll need to take to execute. |

### PROGRAM OVERVIEW

| Time | Wednesday, 22 November |
|---|---|
| 2pm-5pm | FPA Professional Practice workshop |
| 3pm-5pm | Paraplanner workshop |
| 5:30pm | Welcome reception and Expo opening |
| **Time** | **Thursday, 23 November** |
| 7:30am | Women in Financial Planning breakfast / Networking breakfast |
| **9:00am** | **Opening Keynote Session & FPA Awards presentation** |
| 10:40am | Morning tea |
| 11:20am | Workshop 1: **Evolve** / **Engage** / **Grow** / **Inspire** |
| 12:20pm | Lunch |
| 1:30pm | Workshop 2: **Evolve** / **Engage** / **Grow** / **Inspire** |
| 2:40pm | Workshop 3: **Evolve** / **Engage** / **Grow** / **Inspire** |
| 3:50pm | Afternoon Tea |
| 4:30pm | Workshop 4: **Evolve** / **Engage** / **Grow** / **Inspire** |
| **6:30pm** | **MONA: A Future2 Celebration** |
| **Time** | **Friday, 24 November** |
| 7:30am | Networking breakfast |
| 8:30am | Keynote Session 2 |
| 9:40am | Workshop 5: **Evolve** / **Engage** / **Grow** / **Inspire** |
| 10:40am | Morning tea |
| 11:00am | Workshop 6: **Evolve** / **Engage** / **Grow** / **Inspire** |
| 12:00pm | Lunch |
| **1:00pm** | **Closing Keynote Session** |
| 2:30pm | Congress close |

*Program subject to changes.*
*Times and events may vary slightly.*

# Building and executing:

## An estate planning value proposition within your practice

Gil Gordon CFP® focuses on how planners can strengthen their client value proposition by implementing, executing and pricing estate planning within their practices.

Traditionally, the financial advisory client value proposition (CVP) has been portfolio management and strategic advice, which largely takes the form of reporting, one or more reviews per year and some portfolio administration.

With technology and the aggressive marketing of low cost players in the marketplace, this CVP has been heavily undermined to the point where ASIC now has a fairly negative view of the ongoing offering of many advice providers[1].

My working definition of a CVP for a majority of clients[2] includes the following elements:

- **Value** – what problems are you solving? Physical, financial or emotional?
- **Longevity and deliverables** – what are you going to deliver? Is it transactional or ongoing?
- **Purchaser and beneficiary** – typically, the client and their loved ones.
- **Provider** – the advisory firm.
- **Execution** – what processes, tools and resources are required to deliver the purchaser's outcomes?
- **ASIC's opinion.**

I feel the modern definition of estate planning should be:

*The right information, the right guidance and the right money, to the right people at the right time.*

Any sustainable offering requires that the clients understand and find value in each of the following estate planning deliverables:

1. The **right legal documents/ solutions** to protect the client and their family;
2. **The information that matters**, so that the family can take over running the client affairs;
3. A **crisis management plan**, so that family can receive the right guidance;
4. **Engage** with the next generation, so the family knows who to turn to; and
5. **Ongoing review** of the estate planning needs and solution.

My previous three articles published in Financial Planning magazine have outlined several engagement models we use in our practice to position this service with new or existing clients. These models are essentially a demonstration of offerings 1, 2 and 3 above.

*Taking Action: Please email us via the estateplanningforlife.com.au website and ask for a copy of the previous articles.*

We have spent more than a decade building Estate Planning For Life (EPFL) by progressively engaging with new and existing clients. It is a service offering that has had a very high take-up rate with our clients and we have used it to achieve three key things:

1. Genuinely differentiating the client service packages;
2. Upgrading a large number of clients from our silver service package to our gold package; and
3. Creating a profound point of difference when vying for new clients.

The businesses that have had the greatest success executing EPFL either had a well differentiated service offering or used EPFL to create that differentiation.

### 1. Facilitating the right legal solutions

Inevitably, the client is asked to consider reviewing their will and examine a more sophisticated legal solution to their individual estate planning needs. One hurdle that advisers face is finding a skilled legal practitioner to deliver this new service/solution to their clients.
See Table 1.

Any decent estate planning engagement tool needs to ask the clients a series of questions about assets and liabilities, personal relationships, family concerns, business relationships and so forth. Once the engagement is complete, the estate

**Table 1**

| Referral Option | Considerations | Fee Potential |
|---|---|---|
| **Cold**<br>'Go and see your solicitor…' | • Not a value proposition of your advice firm.<br>• Lawyer may lack relevant skills and undermine the adviser.<br>• Very hard for referring adviser to charge fees. | **Very low** |
| **Warm**<br>Adviser briefs the lawyer. | • Not a value proposition of your advice firm. | **Modest**<br>Hourly Rate? |
| **In-house**<br>Lawyer is a part of the adviser's CVP. | • In-house or online lawyer who validates and supports the advice firm.<br>• Specialist online estate planning lawyers are set up to work this way.<br>• Very easy to charge 'facilitation' fees.<br>• Generally lower overall net cost for client.<br>• Lawyers accept liability in writing for legal advice | **Strong**<br>• Hourly Rate.<br>• Value based fee.<br>• $1,100 to $11,000+. |

planning system should achieve two things:

1. Prioritise the client's concerns and acts to create an agenda for a client conversation; and
2. Create a file note and handover document to properly brief the solicitors. With EPFL, we call our report the Estate Planning Record and it highlights the key things that the lawyer needs to be aware of when rendering advice.

*From a PI and compliance perspective, it is important that the adviser properly documents their conversations with the client and refer the client to the solicitor for legal advice. Failing to do this systematically, could place the adviser and the practice at risk.*

*Continues on page 24*

If you don't already have a genuine skilled solicitor that understands how to partner with your business, I suggest you take the time to examine the various online legal solutions available (this is my preferred model for delivering legal solutions to my clients).

These online solutions are setup to work through an advice practice, they possess the relevant skills, support the adviser's status and allow the adviser to charge a fee for their role.

However, a word of warning; do not undercharge for the facilitation work you will be doing. You can ask and will receive facilitation fees of between $1,100 and $11,000 for this aspect of estate planning work. In fact, I am aware of some fees approaching $30,000 for the financial adviser's role.

But, if your preference is for a local relationship, then take the time to interview a few local solicitors. Be warned, some of them will lack the skills to provide the support your clients need, so take your time with them. Encourage them to share their estate planning war stories. If they don't have any stories, then they probably lack the experience your clients need.

*Taking Action: Please email us via the estateplanningforlife.com.au website and ask for a short review of some of the major online legal service providers.*

## 2 & 3. The initial deliverables

Pragmatically, clients will understand and value three deliverables:

1. The legal documents/solutions: They are necessary and complex, however, the client typically won't have an ongoing engagement with these documents;

2. The information that matters (ITM): Discussed in previous articles, this document will typically represent the first time the client has properly documented their affairs. Essentially, it is their life in a book! Clients intuitively understand this document and attribute great significance to it, knowing that should crisis strike, their loved ones will find great value in the contents; and

3. The crisis management plan (CMP): This document includes, 'Who do I call?, What do I ask them? What's important? What can wait?'. Clients see great value in this document.

## 4. Engage the next generation

It has been my experience that around half of clients will then ask if the adviser can meet with their family to explain the work that has been completed. The other half of clients also respond positively when I suggest the idea. From trusts in the will, to the ITM and CMP reports, the concerned and loving children are not only worried for their parents but they are typically quite interested in their parents' affairs.

Last week, I met with the sister and carer of a terminally ill client to discuss her affairs. The sister was amazed and relieved to see the level of preparedness and immediately asked (without prompting) for us to have a detailed look at her own financial and estate planning situation. This is why EPFL has become one of our primary new client engagement offerings.

## 5. The ongoing value proposition

Every 12 to 24 months in their annual 'progress meeting', we review the client's ITM report and sometimes there are only minor changes (bank accounts, shares, vehicle insurances and so forth). However, we typically find there are major changes every two or three years (new houses, entirely new investment accounts, major medical events and the like).

As anyone who has taken charge of a loved one's affairs can tell you, the devil is in the detail and the simplest thing can become a major issue if information is missing.

**Table 3**

| Adviser duties: Client facing | Support team duties: System facing |
|---|---|
| 1. Engagement<br>2. Family tree and/or engagement tools<br>3. Liaise with lawyers and proof will etc<br>4. Proof ITM report<br>5. Provide ITM and CMP to clients<br>6. Conduct family meeting<br>7. Review ITM report annually | 1. Create client on system<br>2. Email 'What's Important To You: Estate Planning' (WITYEP) survey link/provide written version to clients<br>3. Enter ITM data into system<br>4. Email ITM link or mail draft copy of ITM report to clients<br>5. Liaise with (chase) clients<br>6. Two draft ITMs to clients only<br>7. Prepare final ITM and CMP reports |

The ongoing value proposition has two elements:

1. If the client is active and healthy, there are always meaningful changes in the client's world that need to be documented; and

2. As clients age, they find tremendous comfort in the knowledge that the adviser has captured all their key information, thereby reducing the burden on their loved ones as a result.

Once updated, we reprint both the ITM and CMP reports for the client. We regularly review the client's family situation as well, but we only occasionally find that this has changed sufficiently to warrant the preparation of a new will or Power of Attorney. Refer to Table 2.

**Table 2**

| | | |
|---|---|---|
| **Legal documents** | → | **Once off expense** |
| **Information that matters + Crisis management plan** | → | **Ongoing value** |

## Execution: Roles and resources

One of the great strengths and weaknesses of advice professionals are their technical skills. It is important to remember that the value created in clients' minds relate to protecting the people they love, and they don't always recall the nuance of the estate planning benefits of testamentary trusts and SMSFs.

The actual entering of data and production of reports is an area better suited to support staff. Within our practice, the adviser's job is to spend time with clients and proof documents, not demonstrate systems to clients. Refer to Table 3.

## Pricing

How long is a piece of string? Our practice operates on a fixed fee model and we favour ongoing fees over transactional or one-off fees, but that is only our practice. Many businesses run on a more discreet service pricing model. Remember, do not diminish your value by under charging for this service. It is one of the highest value conversations you will have with your clients.

As discussed, there are two basic client facing elements in the Estate Planning For Life offering:

1. Production of the initial documents: wills, PoAs, ITM and CMP reports; and

2. The ongoing review and maintenance of the ITM and CMP reports.

Production of a quality will, PoA and Enduring Guardianship tend to cost between $4,400 and $11,000 from lawyers specialising in this work. Online service providers tend to charge between $1,100 and $2,200 for similar quality work.

Herein lies the opportunity for the adviser to charge an additional fee for facilitating the production of the legal documents – we tend to charge between $1,100 and $2,200 for this service with 'mum and dad' style clients, but have charged more. Typically, the adviser spends around two hours briefing lawyers, proofing documents and witnessing wills for this fee.

Ongoing fees are up to the individual adviser business. The ranges I have seen are:

**Lowest** – $550 pa
**Standard** – $1,320 pa to $3,300 pa
**Highest** – $9,900 pa

I recommend advisers new to this service offering start with their platinum clients first. They follow a presentation I make available on EPFL and over time, they develop their own illustrative stories. Typically, they provide this offering for no additional charge, as it enhances their value proposition to their platinum clients. After six clients, they are using EPFL to win new business and roll out the offering to the broader client base.

## Conclusion

Your clients are aware of their own net wealth and the financial and personal stress in the lives of their loved ones. As clients move through their 60s, 70s and into their 80s, their memory becomes an issue and they become deeply invested in not wanting to be a burden on their loved ones. The advisers that position themselves as the 'keeper of the family truth', will be elevated from a mere product adviser to the status of 'most trusted adviser'.

By embedding a systemised estate planning offering into your practice, you will provide a truly post FoFA service offering that not only differentiates and protects your business in a world of ASIC scrutiny, but also deepens your client relationships, win more business and provide an additional revenue pillar.

*Taking Action: Take a look at the videos at estateplanningforlife.com.au/resources/ to gain an idea of how to position estate planning with your clients.*

Remember, good advice puts people first.

**Gil Gordon CFP® is proprietor and senior adviser at RI Lower Hunter. Gil is the architect of Estate Planning For Life, a scalable web based system that facilitates the delivery of estate planning solutions in accounting and financial planning practices.**

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Footnotes

*1. 'ASIC Report 499: Financial advice: Fees for no service.' This report outlines ASIC's view that advisers and licencees must not only offer but also show proof of the delivery of a service that has demonstrated value to the client.*

*2. Refers to the average 'mum and dad' clients of an average 'mum and dad' financial planning firm. HNW and SME families have greater complexity and are not the subject of this series of articles. That said, methods may change slightly but the principles outlined here are unchanged since 'good advice puts people first'.*

# Are you buying their excuses?

Dr. Vesna Grubacevic explains how to turn workplace excuses into opportunities and solutions.

When was the last time you heard your prospect, client, employee, supplier, referrer or business partner utter an excuse?

Are you tired of hearing: "I can't afford it," "I'm too busy" and so forth? Would you like to turn excuses into opportunities and solutions?

## What are excuses?

You have probably heard lots of excuses in your business. Excuses take many forms – the economy, the weather, traffic, fears, self doubts, being tired, and the list goes on.

Prospects have probably said they do not have the money or the time to work with you, clients may have made excuses for delaying paying you for completed work or delay in implementing your advice recommendations, employees may have made excuses about being late for work, referrers may have excused themselves from referring more clients to you. It all sounds familiar.

Excuses are reflected in the language that we use. When you hear, "Yes, we can…, but..", usually an excuse follows the "but". When you hear, "I can't…." or "It won't….", these are also excuses.

Underpinning these excuses are often unconscious beliefs that sabotage our success. For example, if someone consistently makes the excuse, "I can't afford it", after a while they may actually start to believe it. For them, it becomes their reality.

Their whole business and life revolves around 'lack' and that is what they keep creating for as long as they have that belief. They program their mind for 'lack' and 'scarcity', therefore, they miss seeing the opportunities as they present themselves.

## Listen for excuses

Anytime you hear anyone rationalise why they do not have the result they want, they are making excuses for not having their result.

For example, "I did not reach my sales target this month because of the economy." What is interesting is that in this economic environment, I have heard a number of salespeople say: "My sales are up this month because of the economy."

Excuses are simply that, just reasons for not having the results that we want. What is also interesting is that once we stop making excuses, our results improve dramatically because we look for solutions.

When you buy into other people's excuses, you are disempowering them and yourself at the same time. You keep them stuck in their problem by accepting their excuse and you become the facilitator of their excuses.

Once we stop buying into other people's excuses, we become true leaders. We inspire and empower them and ourselves to succeed. You can either choose to buy other people's excuses or to offer them solutions and possibilities to have what they want or need with your processes, services and ideas.

## The benefits of being excuse-free

Excuses stop you from achieving your full potential and operating at your peak level of performance. When you are accountable to yourself and are excuse-free, you will attract people who are accountable, too. Like attracts like. However, if you find yourself making excuses, you will attract people who also make excuses.

Excuses take a lot of effort, focus and energy – it takes some creativity to come up with a different excuse each time. How much brain power, mental focus and energy did it take to create and come up with the excuses in the first place? Probably longer than it would have taken for you to do whatever you avoided doing in the first place.

Imagine the results you could achieve if you redirected that energy and mental focus towards generating creative solutions for your business.

## Excuse yourself from excuses

Before you can stop buying other people's excuses, first you need to stop making excuses yourself. The most successful people in business are unwilling to accept their own excuses.

Before you can stop buying other people's excuses, first you need to stop making excuses yourself. The most successful people in business are unwilling to accept their own excuses.

Once you stop buying into your own excuses (including any negative self talk, self doubts, fears and beating up on yourself), it is a lot easier to stop accepting other people's excuses because you are far more objective in coming up with solutions.

You are then in a much more resourceful state to handle other people's objections and excuses, and empower them to see beyond those limitations to achieve success.

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**Dr. Vesna Grubacevic is an author, speaker, media commentator, and the founder and Performance Transformation Expert® with Qt.**

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

# Super contributions for small business owners

LINDA BRUCE
**IOOF**

This article is worth
**0.5 CPD HOURS**

**FPA DIMENSION**
CRITICAL THINKING

**ASIC KNOWLEDGE AREA**
TAXATION

**Includes**
- Small business CGT concessions
- Specific conditions for using the tax concessions
- 15-year exemption
- 50 per cent active asset reduction

The new super reform changes are significantly reducing the amount an individual can invest through super under both non-concessional contributions (NCC) and concessional contributions (CC) caps. People with a total super balance of $1.6 million or more may never be able to make any NCCs unless their super balance once again falls under the threshold.

On a positive note, the small business CGT contributions are not affected by the total super balance. An eligible small business owner, upon selling an active business asset, can still contribute up to $1.445 million into their super under the CGT cap. However, the rules surrounding this area are complicated.

This article explains how and when a small business CGT contribution can be made. The following are definitions of key terms used in this article:

**CGT cap**
The CGT cap is a lifetime cap, currently $1.445 million and is indexed annually. The CGT cap is in addition to the individual's CCs and NCCs caps. Contributions that can be made under the lifetime CGT cap are:

- The proceeds from selling a business asset under the 15-year exemption; and/or
- The capital gains exempt amount under the retirement exemption.

The amount contributed under the CGT cap forms part of the tax-free component of a member's super interest.

**Small Business participation percentage**
This refers to the percentage of an individual's voting power in a company or their entitlement to the trust distribution.

**Significant individual**
Very broadly, a significant individual is someone who has at least 20 per cent business participation percentage.

**CGT concession stakeholder**
A CGT concession stakeholder of an entity (i.e. a company or trust) is a significant individual or a spouse of a significant individual if the spouse has greater than a 0 per cent business participation percentage in the relevant entity.

## Small business CGT concessions

When a business owner plans to sell their business assets, they will want to know the answers to two questions:

1. Are there any tax concessions available to reduce the tax liabilities?
2. How much of the sales proceeds can they invest in a tax-effective environment?

Let's have a look at the answers to these two questions.

## The four small business CGT concessions

Four small business CGT concessions are available to eliminate, reduce or defer the capital gains on disposing of an eligible business CGT asset:

1. 15-year exemption;
2. 50 per cent active asset reduction;
3. CGT retirement exemption; and
4. CGT rollover relief.

In order to use one or more of the concessions, the basic conditions must be met. The details of the basic conditions are very complex and outside the scope of this article, but for general guidance, the basic conditions are:

- The $6 million maximum net asset value test, or the $2 million aggregated turnover test; and
- The active asset test which broadly requires that a CGT asset is being used in the course of carrying on a business by the disposer, the disposer's affiliate, or a connected entity of the disposer for the lesser of 7.5 years or half of the ownership period.
- The CGT concession stakeholder test or 90 per cent small business participation test is required when selling shares in a company or units in a unit trust.

## Specific conditions

Each of the four CGT concessions has its own specific conditions.

The 15-year and retirement exemptions are relevant to super contributions made under the CGT caps, and the 50 per cent active asset reduction concession can affect the amount contributed. We will look at these three CGT concessions in detail.

The small business rollover relief concession is more relevant to replacing the CGT asset being sold with a replacement CGT asset(s) and is not discussed in this article.

## 15-year exemption

The 15-year exemption is the most powerful CGT concession. If this exemption applies, the taxpayer can disregard the entire capital gain and there is no need to apply any other concessions.

In order to use this tax exemption, on top of the basic conditions explained previously, specific conditions must be met. These are:

- The CGT asset must be owned continuously for at least 15 years;
- An individual disposer must be at least 55-years-old and retiring, unless permanently incapacitated;
- An entity disposer must have had a significant individual for a total of at least 15 years during the ownership period (does not need to be the same person) and the significant individual just before the disposal is at least 55-years-old and retiring, unless permanently incapacitated.

**Will the sales proceeds be trapped in the company or trust?**

A company or trust, when disposing of its CGT asset, will receive the entire sale proceeds CGT-free under the 15-year exemption, as any capital gain is disregarded.

However, for distributing these proceeds tax-free out of the entity into the hands of a relevant individual, the below conditions must be met:

- Only the amount exempt under the 15-year exemption (i.e. proceeds less cost base) is allowed to be distributed tax-free to the CGT concession stakeholders in accordance with their stakeholder participation percentage.
- The exempt amount must be distributed by the entity to the relevant individual(s) within two years[1] of the CGT event.

*Planning point: Tax law only allows the exempt amount (sale proceeds less the cost base) to be paid out of the entity tax-free, not the entire sales proceeds. Accessing the cost base amount is generally not a problem from a trust structure and capital distribution can be made without a tax consequence.*

*Unlike a trust, a company is a separate legal entity, which means their assets are separated from the relevant individual's personal assets. Depending on how the asset was originally purchased (borrowed from shareholders or using retained profit), distributing the cost base amount out of the company to an individual could cause significant tax issues for the individual.*

*Advisers should work with the client's tax accountant to work out how best to distribute the cost base amount out of the company (e.g. a division 7A loan agreement could be used to avoid having this amount treated as dividends).*

**How and when the proceeds can be contributed to super**

It's not compulsory to contribute any part of the sale proceeds to super under the 15-year exemption. However, an eligible individual (i.e. under 65 or between 65 and 75 and who satisfies the work test) can contribute the entire sale proceeds up to the lifetime CGT cap amount ($1.445 million in 2017/18) to their super, in addition to their standard NCCs.

In order to use the CGT cap:

- If the disposer is an individual, the contribution must be made before the later of the day the individual's tax return is due or 30 days from receiving the capital proceeds; or
- If the disposer is an entity, the entity must make a distribution within two years[1] after the CGT event to the relevant individual, and the contribution must be made by the individual within 30 days of receiving their share of the distribution from the entity; and
- In both cases, the ATO CGT cap election form must be submitted to the super fund before or when the contribution is made.

*Planning point: Sale proceeds from selling a pre-CGT asset could also be contributed under the CGT cap, if the basic conditions and specific conditions for applying the 15-year exemption are satisfied.*

**Example 1**

Paul (age 69) and Nigel (age 50) are shareholders of a private company. They are unrelated business partners. Paul has always owned 80 per cent and Nigel 20 per cent of the shares in this company, since they started the company.

The company bought the factory for $500,000 over 15 years ago and the factory has always been used by the company to carry on its business. The company is selling the factory for $2 million.

After the sale, Paul will retire but Nigel will continue to work. They are both hoping to contribute as much as possible to super.

Assume the company meets the basic

*Continues on page 30*

conditions of the small business CGT concessions. The company also meets the specific conditions to use the 15-year exemption, because:

- the company has a significant individual totalling at least 15 years;
- a significant individual at the time of the CGT event is over 55 and retiring (Paul). The fact Nigel is not retiring will not fail this condition.

The company receives the $2 million CGT-free by applying the 15-year exemption, however, only the $1.5 million exempt amount (sales proceeds less cost base) can be distributed tax-free in accordance with the CGT concession stakeholders' business participation percentage:

– Paul: $1.5 million x 80% = $1.2 million
– Nigel: $1.5 million x 20% = $300,000

The company may not be able to distribute the $500,000 cost base amount tax-effectively and the amount they can contribute under the CGT cap will be limited by the actual distribution made by the company.

If the company makes the distribution in the 2017/18 financial year, Paul (meeting the work test in 2017/18) and Nigel can both contribute under the CGT cap within 30 days from receiving the distribution.

If the company makes the distribution in the 2018/19 financial year, Paul cannot contribute if he fails the work test.

**Note:** The disposer cannot apply the 15-year exemption if they fail any of the specific conditions stated previously. The disposer can look at applying other small business CGT concession(s) to reduce or eliminate their taxable capital gains.

## 50 per cent active asset reduction and the retirement exemption

As long as the basic conditions of the small business CGT concessions are met, the 50 per cent active asset reduction is available after the application of the 50 per cent general CGT discount where the assets are held for at least 12 months, unless the cost base is indexed for a CGT asset purchased before September 1999.

The taxpayer, however, can choose not to apply the 50 per cent active asset reduction before applying the retirement exemption. By doing so, the relevant individual could optimise the amount contributed to super under the CGT cap. This is explained below.

**Specific conditions for applying the retirement exemption for tax purposes**
For tax purposes, the small business retirement exemption could reduce the taxable capital gains by a lifetime limit of $500,000 for each eligible individual. Unlike the 15-year exemption, the retirement exemption can be used by an individual at any age and it does not require the individual to retire. However, in order to use this tax exemption, the retirement exemption amount must be contributed to super if the relevant individual is under age 55.

If the disposer is an entity, the entity must have a significant individual at the time of the disposal and the entity must distribute the CGT exempt amount to one or more CGT concession stakeholders tax-free by the later of seven days after the entity makes the choice to use the retirement exemption (usually tax time) and seven days after the entity receives the sale proceeds.

In contrast with the 15-year exemption, the distribution is not required to be linked to the CGT stakeholders' business participation percentage.

**Contributing the CGT exempt amount to super using the CGT cap**
By applying the retirement exemption, the CGT exempt amount can be contributed to super under the lifetime CGT cap.

The maximum capital gains that can be exempt under the retirement exemption is limited by the lifetime tax cap of $500,000 per relevant individual. This means an eligible individual (i.e. under 65 or between 65 and 75 and who satisfies the work test), can only contribute up to $500,000 using the CGT cap under the retirement exemption, despite the lifetime CGT cap being $1.445 million (2017/18).

In order to use the CGT cap:

- If the disposer is an individual, the contribution must be made before the later of the day the individual's tax return is due or 30 days from receiving the capital proceeds; or
- If the disposer is an entity, the contribution must be made by the relevant individual within 30 days of receiving the distribution from the entity. If the relevant individual is under age 55 at the time of the distribution, the exempt gain must be contributed directly to the individual's super fund by the entity; and
- In both cases, the ATO CGT cap election form must be submitted to the super fund before or when the contribution is made.

*Planning point: These strategies could be useful to optimise contributions using the CGT cap:*

– Elect not to apply the 50 per cent active asset reduction, if the capital gain amount after applying the applicable 50 per cent general CGT discount is $500,000 or less for the relevant individual. This will increase the *amount exempted under the retirement exemption, and therefore optimise super contributions using the CGT cap.*

– *For an asset purchased before September 1999 with $500,000 or less gross capital gain, the cost base indexation method can be more favourable than the 50 per cent general CGT discount method to maximise the CGT exempt amount.*

– *An entity disposer is not require to distribute the CGT exempt amount in accordance with its CGT stakeholders' business participation percentages. Where possible, an entity disposer can avoid distributing the CGT exempt amount to a CGT stakeholder who is not eligible to contribute.*

**Example 2**
Zoe has been operating her sole trader florist business for 10 years. She bought the business for $50,000 and is selling it for $350,000. Zoe does not qualify for the 15-year exemption. Zoe has $30,000 brought forward capital losses from previous years, and assuming she meets the basic conditions of the small business CGT concessions and the specific conditions of the retirement exemption, she can apply the available CGT concessions as following:

1. Apply carried forward capital losses to the gross gain: $350,000 - $50,000 - $30,000 = $270,000

2. Apply 50% CGT discount: $270,000 - $270,000 x 50% = $135,000

3. Apply the optional 50% active asset reduction: $135,000 - $135,000 x 50% = $67,500

4. Apply the retirement exemption: $67,500

5. Taxable capital gain from the disposal: $67,500 - $67,500 = $0

If Zoe is under age 55, she must contribute the $67,500 retirement exemption amount to her super to be able to use this CGT exemption. If she is 55 or over, she can voluntarily make the contribution, provided she's eligible to contribute. This $67,500 can be contributed using the CGT cap. Alternatively, Zoe can choose not to apply the 50 per cent active asset reduction. The amount that can be contributed under the CGT cap will be doubled to $135,000.

## Interaction with the super reform changes

**NCCs and catch-up CCs**
Although the small business CGT contributions are not limited by an individual's total super balance, once the contribution is made, it does count towards the individual's total super balance. If not planned properly, the CGT contributions could affect future NCCs and the member's ability to make catch-up CCs[2].

**Pension transfer balance cap**
Unfortunately, the amount contributed under the CGT cap will count against the member's transfer balance cap when moved to the retirement pension phase.

**Linda Bruce is Senior Technical Services Manager at IOOF.**

**Footnotes**
*1. A longer period may apply to payments received under an earnout right arrangement.*
*2. A total super balance of less than $500,000 on 30 June of the prior financial year is required to make catch-up CCs.*

## QUESTIONS

**1. From 1 July 2017, which type(s) of contributions could be affected by an individual's total super balance at the previous 30 June?**

a. NCCs, CCs and small business CGT contributions.

b. NCCs and catch-up CCs.

c. NCCs only.

d. CCs only.

**2. Which of the below would not fail the specific conditions to apply the small business CGT 15-year exemption?**

a. An individual disposer is over age 55 and retiring.

b. An individual disposer is over age 55 and will cut back working hours from 40 hours to 35 hours per week.

c. An individual disposer is under age 55 and retiring.

d. An individual disposer is under age 55 and will cut back working hours from 40 hours to 35 hours per week.

**3. To apply the retirement exemption, which statement is correct?**

a. An individual disposer must contribute the CGT exempt amount to their super, regardless of their age.

b. Only individuals over age 55 must contribute the CGT exempt amount to their super.

c. Only individuals under age 55 must contribute the CGT exempt amount to their super.

d. An individual disposer does not need to contribute the CGT exempt amount to their super, regardless of their age.

**4. Which statement is correct when contributing under the CGT cap?**

a. An individual aged over 65 but under age 75 does not need to satisfy the work test to make small business CGT contributions under the CGT cap.

b. An individual over age 75, meeting the work test, can make small business CGT contributions under the CGT cap.

c. An individual can contribute up to $1.445 million to their super under the CGT cap when using the retirement exemption.

d. An individual can contribute up to $500,000 to their super under the CGT cap when using the retirement exemption.

**5. Which statement is incorrect?**

a. The CGT cap is in addition to an individual's CCs and NCCs cap.

b. The amount contributed under the CGT cap forms part of the tax-free component of a member's super interest.

c. Amounts contributed under the CGT cap are excluded from an individual's total super balance.

d. Capital gains exempt by applying the 50 per cent active asset reduction cannot be contributed to super using the CGT cap.

To answer questions
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# The re-emergence of superannuation contribution splitting

FABIAN BUSSOLETTI
**AMP**

This article is worth
**0.5 CPD HOURS**

**FPA DIMENSION**
CRITICAL THINKING

**ASIC KNOWLEDGE AREA**
SUPERANNUATION

**Includes**
- Benefits of contribution splitting
- The way in which contribution splitting works
- Contributions caps
- Spousal eligibility criteria

Since its introduction, the popularity of contribution splitting has varied due to significant changes to superannuation.

However, it is likely to receive renewed interest due to the introduction of the:

- $1.6 million pension transfer balance cap (TBC); and
- the concept of total superannuation balance (TSB), which will be used to assess an individual's eligibility to make non concessional contributions from 1 July 2017, and catch up concessional contributions from 1 July 2019.

As contribution splitting only enables the splitting of superannuation contributions, superannuation balances cannot be split. Therefore, using contribution splitting as part of a strategy to even up spouse superannuation balances in retirement, must be considered proactively as part of pre-retirement planning, rather than reactively at retirement.

*Note: Throughout this article, the spouse who is the recipient of the contribution splitting benefit is referred to as the receiving spouse. The spouse who is making or has received the original contribution(s) that will be split is referred to as the contributing spouse.*

## Benefits of contribution splitting

Contribution splitting can result in several advantages for a couple, some of which are discussed below.

**Maximising concessionally taxed or tax-free lump sum super withdrawals**

Splitting contributions may allow contributions to be accessed tax-free earlier than what might otherwise be possible if they remained in the contributing spouse's fund. For example, a client aged 50 might split contributions with their spouse aged 57. The receiving spouse will reach age 60 in only three years' time and, if they meet the retirement condition of release at this time, lump sum super withdrawals will be received tax-free (from a taxed fund).

Contribution splitting also offers a couple the ability to access two low-rate cap thresholds on lump-sum withdrawals, which include a taxable component, where the withdrawals are made on or after reaching preservation age, but prior to age 60. This doubles the tax-free amount that can be withdrawn by such couples as a lump sum to $400,000 (i.e. 2 x $200,000) in the 2017/18 financial year.

Utilising this low rate cap can be useful, for example, when undertaking a re-contribution strategy to improve the tax-effectiveness of an account based pension prior to age 60.

**Total super balance limits**

Contribution splitting can also assist in reducing the TSB of one member of a couple. This is particularly relevant from 1 July 2017, as an individual's ability to make non concessional contributions (NCC) can be affected by their TSB as outlined below:

- The full $300,000 bring-forward provision cannot be used in a financial year where an individual's TSB was between $1.4 million and $1.599 million on 30 June the preceding financial year.
- No NCCs can be made in a financial year where the individual's TSB was $1.6 million or more on 30 June of the preceding financial year.

Contribution splitting can be used to divert contributions (and earnings on those contributions) that would otherwise form part

of the contributing spouse's higher TSB, away from them and to the receiving spouse's lower TSB.

An individual's TSB will also be relevant to those wishing to take advantage of the ability to carry forward unused concessional contributions, which commences 1 July 2018. In order to use these provisions and make a carried forward contribution, the client must have TSB of less than $500,000 on 30 June in the preceding financial year.

**Pension transfer balance cap**

The $1.6 million TBC limits the total amount of super benefits that an individual can transfer into tax-free retirement phase.

By using contribution splitting, superannuation balances can proactively be evened up between members of a couple, meaning that a greater percentage of wealth in retirement can be held in the tax-free pension environment.

**Example 1**

At retirement, Alena, age 65, has $1.9 million in total super, whilst her husband, Rudiger, also aged 65, has $500,000. This would result in $300,000 of Alena's retirement funds needing to remain in accumulation, where the earnings will be taxed at 15 per cent, or be withdrawn and invested outside super and taxed at marginal tax rates.

If, due to proactive longer term planning, which included spouse splitting, Alena's balance was instead $1.5 million and Rudiger's was $900,000 at retirement, then 100 per cent of these funds would be in the tax-free retirement pension phase. This is despite the total super wealth across the couple being identical in both scenarios.

**Sheltering superannuation for social security purposes**

Splitting contributions to a spouse who is under Age/Service Pension age may increase pension entitlements, as super assets of the younger spouse are not assessed when in accumulation phase while they are under Age/Service Pension age.

*Note: As an alternative to contribution splitting, maximising this strategy can also be achieved by cashing out super from the social security recipient spouse and contributing into the name of the younger spouse. However, the lower non-concessional contribution caps may limit the effectiveness of how much can be contributed.*

**Earlier access to contributions**

Splitting contributions to an older spouse may allow super benefits to be accessed earlier under the retirement condition of release or reaching age 65.

For example, a person age 50 on 1 July 2017, has a preservation age of 60. Their spouse, age 55 on 1 July 2017, has a preservation age of 58 and can therefore access preserved benefits two years earlier if retired.

## How does contribution splitting work?

All types of accumulation superannuation funds (including SMSFs) are able to offer members an option to split concessional contributions to their spouse. However, there is no legal obligation for the fund to offer contribution splitting.

**What contributions can be split?**

Only concessional contributions can be split to the receiving spouse. This includes employer contributions (e.g. SG and salary sacrifice) and personal deductible contributions.

**What contributions cannot be split?**

After tax contributions cannot be split. This includes:

- personal contributions for which a tax deduction has not and will not be claimed;
- spouse contributions;

All types of accumulation super funds are able to offer members an option to split concessional contributions to their spouse. However, there is no legal obligation for the fund to offer contribution splitting.

- contributions made by someone, other than an employer, for someone who is less than 18 years old;
- contributions that have been counted against the small business capital gains tax cap;
- contributions that have been counted against the personal injury payment cap; and
- the government co-contribution.

Further, the following amounts also can't be split:

- a contribution that has already been subject to a superannuation contribution splitting application;
- rollovers;
- transfers from overseas superannuation funds;
- contributions for someone who is a

*Continues on page 34*

temporary resident at the end of the financial year in which the contribution is made; and

- contributions to a superannuation interest that is subject to a payment split or on which a payment flag is operating under the family law provisions.

**How much can be split?**

The amount of concessional contributions that can be split depends on whether the contribution(s) have been made to a taxed or untaxed fund.

Contributions to taxed super funds that can be split are referred to as taxed splittable contributions. The maximum amount of taxed splittable contributions is the lesser of:

- 85 per cent of the concessional contributions for a financial year; and
- the concessional contributions cap or the financial year.

Some public sector superannuation schemes that are untaxed funds may also allow their members to split a portion of their concessional contributions with their spouse. These contributions are referred to as untaxed splittable contributions.

A member of such a super fund can split 100 per cent of their untaxed splittable contributions for a financial year if they don't exceed their concessional contributions cap for that financial year.

**Eligibility for contributing spouse**

So long as the contributing spouse can make concessional contributions, technically the contribution(s) can be split. To make salary sacrifice or personal deductible contributions, the contributing spouse needs to either be under age 65 or aged 65 to 74 and meet the 40 hour/30 day work test. Legally mandated Superannuation Guarantee contributions can be made regardless of age.

Members of defined benefit super funds are not able to split contributions that fund their defined benefit interest. However, they may be able to split contributions that fund a separate accumulation interest.

**Eligibility requirements for the receiving spouse**

Eligible contributions can only be split with a person's spouse. Spouse, for this purpose, includes:

- a person, who although not legally married to, lives with the contributing spouse on a genuine domestic basis in a relationship as a couple; and
- another individual (whether of the same sex or a different sex) with whom the individual is in a relationship that is registered under a State law or Territory law prescribed for the purposes of section 2E of the *Acts Interpretation Act 1901* as a kind of relationship prescribed for the purposes of that section.

While all members of accumulation style super funds who are eligible to make or receive superannuation contributions can split eligible contributions, the receiving spouse will need to be either:

- under preservation age; or
- preservation age to 64 years old and not yet retired.

Once the receiving spouse reaches age 65, they will no longer be eligible to receive a contribution splitting benefit.

The above restrictions stop eligible contributions from being split to a spouse who can then immediately access them.

A receiving spouse who is not yet 65 years old can receive a super contribution splitting benefit where they satisfy a condition of release other than retirement, such as permanent incapacity or severe financial hardship.

**When can a super contribution splitting application be made?**

To be valid, a superannuation contribution splitting application must be made in:

- the financial year immediately after the financial year in which the contributions were made; or
- the financial year in which the contributions were made, if the whole benefit is being withdrawn before the end of the financial year as a rollover, lump-sum superannuation benefit or a combination of the two.

If a member intends to commence a pension part way through a financial year, any amounts that are required to be split need to remain in the original member's accumulation account until the end of the financial year.

Most super funds supply their own form for contribution splitting. If not, the ATO's superannuation contributions splitting application form can be used. A super contribution splitting application will not be valid if any of the following apply:

- an application has already been made for that financial year and the trustee is either considering the application or has already proceeded with the split;
- the amount to be split in the application exceeds the maximum allowable; or
- the receiving spouse is either aged 65 years or over, or is aged between preservation age to 64 years old and has retired.

Once a member has elected to split a contribution, it is no longer possible to make another contribution splitting application in relation to that same contribution period.

**Personal deductible contributions: Special considerations**

If a member intends claiming a tax deduction for a personal super contribution, they must lodge the section 290-170 notice of intent before they lodge a contribution splitting application.

The trustee of the super fund must check the validity of the section 290-170 notice and acknowledge it, before considering a contribution splitting application. If these steps are not followed, it will not be possible to claim a tax deduction for the personal super contribution.

**Contributions cap**

Contribution splitting will not help a member circumvent the contributions cap.

The initial contribution by the member is assessed against their concessional contributions cap. Similarly, the liability for contributions tax remains with the original fund member and is not transferred to the receiving spouse, hence why only 85 per cent of a taxed splittable contribution can be split.

A contributions splitting superannuation benefit paid to another super fund, or transferred to an account in an existing fund for the receiving spouse, is treated as a rollover and not assessed against the receiving spouse's contributions cap.

**Case study**

Kerry, who is 48 years old, had contributions from her employer of $25,000 made to an accumulation super fund during the 2016/17 financial year. These contributions will be assessed against Kerry's concessional contributions cap.

In August 2017, Kerry applies to her super fund in the approved form to split the maximum allowable amount to her spouse, Angelo, who is 58 years old.

Prior to going ahead with the contribution splitting application, the trustee of the super fund will request a statement from Angelo confirming that he is not retired. Angelo indicates on the contribution splitting application form that, while he is 58 years old, he is still working full-time and therefore is not retired.

The trustee will transfer an amount of $21,250 (i.e. 85 per cent of $25,000) to a super account in Angelo's name. It doesn't matter whether Angelo's super account is with the same super fund or not.

The splitting transaction will:

- be classified as a contributions splitting superannuation benefit;
- form part of the taxable component of Angelo's superannuation benefit;
- not be included in Angelo's super fund's assessable income and hence will not be subject to contributions tax in his fund;
- not reduce the amount assessed against Kerry's concessional contributions cap for the 2016/17 financial year; and
- will not be assessed against either of Angelo's contribution caps.

**Fabian Bussoletti is Technical Strategy Manager at AMP.**

## QUESTIONS

**1. Joe (age 60) made concessional contributions of $25,000 into his super fund for the 2016/17 financial year. His wife, Jane (age 66 and still working), made concessional contributions of $35,000 and non-concessional contributions of $100,000 into her own super account for the 2016/17 financial year. Both Joe and Jane's super funds permit contribution splitting. Which statement is incorrect?**

a. Joe cannot split any of his concessional contributions with Jane.

b. Joe can split $21,250 of his concessional contributions with Jane.

c. Jane can split $29,750 of her concessional contributions with Joe.

d. Jane cannot split any of her non-concessional contributions with Joe.

**2. Which of the following amounts can be split with a person's spouse under the contribution splitting rules?**

a. Up to 100 per cent of personal non-concessional contributions.

b. Up to 85 per cent of concessional contributions made to a taxed fund.

c. Existing super balances.

d. Spouse contributions.

**3. Which of the following are reasons why contribution splitting might be an appropriate strategy?**

i. To even out balances for pension transfer balance cap purposes.

ii. To pay insurance premiums for a spouse.

iii. To split contributions to a spouse who has reached preservation age and retired, in order to immediately withdraw the amount from the super environment.

a. i only.

b. i and ii only.

c. ii and iii only.

d. All the above.

**4. Which statement in relation to contribution splitting is correct?**

a. Contributions are diverted to the receiving spouse immediately upon being made to the contributing spouse's super account.

b. It is compulsory for superannuation funds to offer contribution splitting.

c. An application to split contributions can never be made in the same financial year that the contributions are made.

d. A notice of intent must be lodged for a personal deductible super contribution before contribution splitting can take place.

**5. Contribution splitting is a great strategy for splitting the existing superannuation balance of a fund member across to their spouse. True or false?**

a. True.

b. False.

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

# Upcoming Chapter Events

## In support of Future2

### MONDAY 30 OCTOBER
**South Australia**

The **South Australia Chapter** will hold its annual Future 2 Foundation Charity Golf Day on 30 October at Kooyonga Golf Club, Perth. The challenging layout and sensational playing surfaces of this championship golf course provides players with the ultimate golfing experience. Join your colleagues and friends for this networking Ambrose event, with a light lunch, pre-dinner drinks and dinner provided.

### TUESDAY 7 NOVEMBER
**Western Australia**

The **Western Australia Chapter** is holding its annual Future2 Melbourne Cup luncheon and auction on Tuesday 7 November at Beaumonde on the Point. This popular annual event features entertainment and prizes to win, while providing a great opportunity to network with your peers over a three course sit down lunch.

### TUESDAY 7 NOVEMBER
**Sydney**

The **Sydney Chapter** invites members and guests to its inaugural Future2 Melbourne Cup luncheon and auction on 7 November at the Hyatt Regency Sydney. This event provides a great opportunity to network with your peers over a sit down lunch, while supporting Future2 with sweeps, a Calcutta and raffles on the day. The Chapter gratefully acknowledges Kaplan Professional as the platinum sponsor of this event.

# Award inspires uni students

**Sydney Chapter** committee member and Western Sydney advocate, Sheila Cabacungan CFP®, was on hand to present Western Sydney University's School of Business Dean's & Donor Award for the 2016 academic year. The FPA is a sponsor of this annual award, which is presented to the first and second highest performing students in the Master of Commerce (Financial Planning) course.


**Award recipient Jonathon Halls and Sheila Cabacungan CFP®.**

Taking out this year's overall award was Selvakumaran Kathiresan, with Jonathon Halls taking out the second overall prize.

In accepting his award, Halls, who is currently working full-time in the financial planning profession, whilst studying part-time for his Masters of Financial Planning, said: "In both my ecclesiastical (he serves as the Bishop of his local congregation of the Church of Jesus Christ of Latter-day Saints) and professional duties, I want to do my best to help those who I work with set goals and make plans to achieve success in their lives.

"As a financial planner aspiring to improve and be the best I can be, this prestigious award provides me with assurance that I am on track with providing the best financial planning advice I can."

In thanking the FPA for its support of this award, Western Sydney University Advancement Officer, Andrew Montgomery said: "The FPA's award means so much to our students and their families. The encouragement they receive from the FPA's support will motivate them to continue to strive for excellence."

# No behinds at AFL lunch

The **Melbourne Chapter** is looking to kick some serious fundraising goals at this year's iconic AFL Grand Final lunch, in support of Future2.

In past years, this has been a sell-out event, with guests entertained by a star filled AFL line-up. Members and their guests won't be disappointed with this year's panel line-up, which includes football legends Tim Watson and Billy Brownless, as well as some current players. There will also be a well-known comedian on-hand to entertain attendees.

This month's lunch is taking place on

Monday 25 September at Etihad Stadium, with seats and tables booking fast.

We look forward to seeing our members at their next local Chapter event. For upcoming events in your local Chapter, **go to fpa.com.au/events**


# Tuning in to childhood education

Julie Matheson talks to *Financial Planning* about how the 2016 Make the Difference! Grant for the East Kimberley Kids Media Participation program is helping to encourage disadvantaged Aboriginal children to attend school.

Grant recipient: **Waringarri Media Aboriginal Corporation**

Grant amount: **$10,000**

Endorsed by: **Julie Matheson CFP® LRS® APT Strategy**

FPA Chapter: **Western Australia**

"Media is a great opportunity to help children learn about essential money skills. Programs that support children to improve their financial literacy should be encouraged."

— JULIE MATHESON

Julie Matheson CFP® LRS® has had a long association working with Aboriginal families to help them buy their first home and manage their money from mining royalties in the Pilbara. Julie says the Waringarri Media Aboriginal Corporation has a strong track record in helping Aboriginal children to embrace media in all its forms.

"Media is a great opportunity to help children learn about essential money skills," Julie says. "That's why I endorsed the East Kimberley Kids Media Participation program. Programs that support children to improve their financial literacy should be encouraged."

The East Kimberley Kids Media Participation program was developed to be a voice for school children living in a dysfunctional environment where suicide, family violence, drug and substance abuse are prevalent and affecting their school attendance. The $10,000 Future2 grant is being used to write and consolidate the program as a tool to encourage children to go to school.

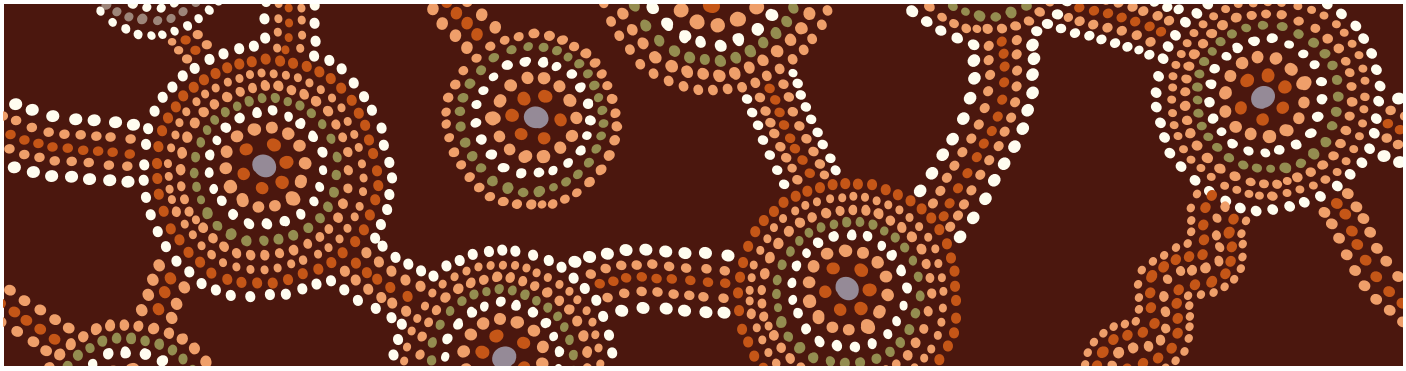
Julie is actively involved with the Waringarri Media Aboriginal Corporation.

**Julie Matheson: "Without real cash, it takes longer for the children to learn the value of money."**

She is currently helping it to produce a money skills media program for Aboriginal children to use in their community.

"However, this is a real challenge because the cashless 'welfare card' takes cash out of the community and puts the children at a disadvantage," Julie says.

"Without real cash, it takes longer for the children to learn the value of money."



# Changes for job seekers and students

There are changes that came into effect on 1 July 2017 that people who are looking for work or studying may need to be aware of.

The Government is providing extra support to young job seekers by offering a suspension of their income support payments for 26 weeks when they start a job under the Youth Bonus Wage Subsidy.

This means Centrelink will restore their payment without the need to reclaim, should they lose their job through no fault of their own.

As well as the job being under the Youth Bonus Wage Subsidy, your clients will need to have been receiving Newstart Allowance or Youth Allowance to be eligible.

To get a job under this subsidy, people must be under 25 years of age and have been registered with a jobactive or Transition to Work provider for six months or more.

Your clients can talk to their provider about their eligibility for employment under the Youth Bonus Wage Subsidy and if the job is part of this.

Providers will let the Department of Human Services know if this is the case and a letter will be sent to recipients to confirm the suspension of their payment.

However, if they lose their job because of their behaviour or by choice during the 26 week suspension, then they'll need to claim again online.

Your clients can let the Department of Human Services know if they lose their job by completing the 'Advise End of Employment Service' in their Centrelink online account through myGov.

## Student Start-up Loan

For people who are studying, another change from 1 July relates to the Student Start-up Scholarship, which has been replaced by the Student Start-up Loan for all students.

The Student Start-up Loan is a voluntary $1,035 loan for eligible students, which they can get up to two times a year (once in each loan period).

The loans are tax-free and they don't need to declare them as income for their regular student payment. However, they will have to pay back the loan once they start earning a certain amount of income.

## Information

If you or your clients would like more information on the Student Start-up Loan they can visit **humanservices.gov.au** and search for **'Student Start-up Loan'**. Information for job seekers is available at **humanservices.gov.au/jobseekers**

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