



Changes to licensing regime a 'perfect storm' for accountants

Accountants are in the box seat to capture a significant part of a newly emerging "advice space" being driven by legislative changes affecting both financial planners and accountants, according to Kath Bowler, director of Kath Bowler Consulting.

Bowler said accountants are being forced from one direction by the end of the so-called accountants' licensing exemption in 2016, and financial planners are being forced from the other direction by the requirements of the Tax Agents Services Act (TASA).

"There's the emergence of the advice space [in the middle], where you have to be licenced in both areas – and it

Adam Goldstien (left) and Brett Kenny debate the merits of different business models

really is up for grabs for planners and accountants, for anyone who wants to take it. But for accountants, that opportunity isn't going to be there forever. If you want to take it, it's there now.

"For those that do not embrace this future of advice space...they will be pushed back into compliance-based work, unless they can come up with a specialist or niche area that they're going to operate in. And I think the same will occur for planners who choose not to embrace the advice space – unless they

YOU ARE IN THE PERFECT BOX SEAT, IF YOU WANT TO TAKE IT, TO OWN OR HAVE A SIGNIFICANT INFLUENCE IN THIS ADVICE SPACE GOING FORWARDS

go down the specialist path, they will be pushed back into some sort of product sales area."

"There's a perfect storm for accountants. You've got changes in the licensing; you've got the SMSF segment, which is now the largest segment of the superannuation market, and 90 per cent of self-managed super funds have a relationship with an accountant. You are in the perfect box seat, if you want to take it, to own or have a significant influence in this advice space going forwards."

The issue of the business model of the future was debated in a later plenary session, where Adam Goldstien, a director of Skeggs Goldstien, said changes occurring in financial planning and accounting mean "we're on

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the verge of creating a new advice professional”.

“I think accountants, quite frankly, are looking a gift horse in the mouth, and if they do not take advantage of this opportunity, it’s probably never going to come around again,” Goldstien said.

“I think accountants are in the box set to take advantage of and own this advice space.”

But Brett Kenny, a partner in accounting firm Rogerson Kenny, said when the end of the exemption was signalled his firm faced five options: exit the business; wait and see if the exemption really is removed; obtain a full or limited AFSL; seek a partner; and become authorised representatives. He said the partners have opted for the latter option but intend to remain a specialised, unaligned accounting business.

Kenny said the firm was not at risk of being “eaten alive” by the emergence of integrated businesses.

“We take a contrary view,” Kenny said.

“We like to do what we do well. We leave financial planning, we leave the estate planning and law work to experts. In terms of the business model, we find it works better for us. Because we’re unaligned – a rather crude analogy – we’re at the dance and we can dance with all the girls.”

Bowler said accountants should view the end of the licencing exemption as an opportunity, not a threat.

“Licencing is forcing you, but it’s forcing you to have a look at the opportunities that present themselves, and then you take control of the decisionmaking process – working out what you want to do and where you want your business to go, and then looking and finding the licensing solution that’s going to get you there – rather than letting licensing drive you,” she said.

Craig Meldrum, head of financial advice for Australian Unity, said it is “really, really important to understand what the implications are” of each of the licensing options they have.

Meldrum said the task of obtaining a licence, whether limited or full, requires planning and careful management, and should not be left until the eve of the exemption expiry. ■

Key to fighting ATO is early response

Cooper Grace Ward partner Fletch Heinemann says an early response to the ATO will help avoid costly disputes.



Fletch Heinemann partner
at Cooper Grace Ward

The key to fighting with the Australian Tax Office is a full and early response, SMSF advisers have been told.

Cooper Grace Ward Partner, Fletch Heinemann, told a session ‘Fighting with the ATO – do’s and don’ts’ that too many advisers fail to take the ATO’s first request for information seriously and they miss an opportunity to manage risk issues and avoid major costs.

SMSF disputes with the ATO are growing, and Heinemann said advisers have a key role to play in resolving disputes early and cost-effectively.

“Make sure the first response is dealt with properly and comprehensively,” Heinemann said. “If there’s any correspondence from the ATO, that’s the invitation then to shut down the risk issue. Put all your effort in up front. Where we see things go wrong is people

don’t put enough effort up front. It might seem like more effort now but you’re saving yourself so much work in the long run.”

Heinemann says that some advisers fall into the trap of believing initial letters from the ATO are innocuous. “You’ve got to treat every correspondence seriously,” he said. “Because if the ATO send you a letter and you don’t respond they’re going to assume there’s a risk there. There is only one chance to get that first impression.”

The response should be also comprehensive, Heinemann says, and advisers should avoid sketchy and long-winded responses, and to ensure the client’s story is told at that early stage. “You need the whole story to come across,” he said.

“If you don’t have to fight, don’t fight with the ATO,” he added. ■

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Andrew Sinclair, partner at Cowell Clarke

Simple planning not enough for families

Cowell Clarke partner Andrew Sinclair says comprehensive plans for family groups will avoid nasty surprises.

MSF advisers need to create comprehensive plans for family groups to avoid nasty surprises. Andrew Sinclair, Partner at Cowell Clarke, told a session 'Smile in Retirement' that simple planning isn't enough to avoid major issues upon retirement.

"If you haven't planned property you'll get a nasty surprise. You'll get caught out and find yourself with expensive litigation that's time consuming," Sinclair said. "If you plan you can smile because you've covered all bases."

Sinclair says when it comes to planning for family groups the key is to make it comprehensive. "Sometimes it doesn't go right," he said. "Family groups are different structures. It's about planning so you've covered all eventualities and possibilities and

therefore there will be no unpleasant surprise."

SIMPLE PLANNING ISN'T ENOUGH TO AVOID MAJOR TAX ISSUES IN THE FUTURE

Sinclair said there were a number of areas advisers need to be across and aware that issues can arise in, including estate planning and asset protection, asset segregation or proportionate pensions, LRBAs and assets within groups.

Sinclair said a key to planning is "getting close to clients" to monitor how their businesses are performing. He says advisers can use the flexibility of SMSFs to create comprehensive plans and avoid surprises. ■

Infrastructure a good option for SMSFs

Paul Foster says SMSF trustees should be able to access the same assets as institutional investors.

Self-managed super fund (SMSF) investors' desire for control, direct investment focus and move towards alternative to cash and term deposits will mean that direct infrastructure investments can be an attractive option for them.

Given infrastructure investments can offer a risk-return point between a cash/ fixed interest and equity investment, it can be particularly suitable for SMSF investors approaching or in retirement who want to draw an income stream.

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Since 2007, even before the SMSF sector really exploded, we've been looking at how we can help our retail investors invest in direct infrastructure as well as our institutional clients. A recent AMP Capital Institutional Investor survey found that infrastructure is the faster growing asset class sector. There is no reason why retail investors across Australia shouldn't be able to access these opportunities as well. Solutions are out there; it's really up to fund managers to let SMSF investors know about them. ■

Paul Foster is head of infrastructure Australia and NZ at AMP Capital

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Captured

Peter Williams, chief edge officer, Centre for the Edge at Deloitte Australia certainly captured our attention



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A star of the small screen



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Paul Rogan and Andrew Hamilton



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Andrew Valarmos and John Nicoll

Captured



Sarah Penn, David Barrett and Amber Warren cooling off after a steamy Brisbane day



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SSA gets RG146 recognition

Those contemplating the SSA can now say it satisfies RG146 standards.

A significant frustration for SPAA members has been overcome after the association secured RG146 recognition of its SSA accreditation.

SPAA's Head of Education, Liz Ward, announced at the Pathways to Accreditation session, that those who have completed SSA can now say it satisfies the RG146 minimum training standards for providing financial advice.

Ward said members who had completed the SSA exam were frustrated when employers told them they had not undertaken a RG146 compliant program in SMSF and that they would have to go off and undertake another training course to satisfy the regulatory requirement.

"It was ridiculous that members were taking what is considered a very rigorous and comprehensive assessment of their SMSF knowledge and then being



SPAA's Head of Education, Liz Ward

THE THOSE COMPLETING THE SSA CAN NOW SAY IT SATISFIES RG146 STANDARDS

told they do not meeting the minimum requirements," Ward said.

Ward said completing the SSA exam means members will not only have highly regarded industry registration, but would now be ASIC compliant in the knowledge area of SMSF.

Ward told the session that SPAA has spent 2013 listening to members and was rolling out a series of initiatives to meet

their professional development needs.

One major initiative was the development of CPD Hub on SPAA's website, which Ward says was essentially a 'supermarket' of SMSF education. The Hub listed SPAA-accredited education, allowed members to search topics and gave guidance on the most appropriate courses based on occupation. It also allowed access to the booking facility of most of the programs.

SPAA has also developed a Pathways Program that provided additional support for sitting the SAA exam, including a diagnostic report, self-study models and a group tutorial. **P**

SPONSORED EDITORIAL

Lack of awareness of life insurance in SMSFs

Trustees' awareness of life insurance obligations needs to improve, says Damien Mu.

A survey of SMSF trustees conducted by AIA Australia last year found the main barrier to taking up life insurance within their fund was the lack of knowledge of life insurance offers. Two out of three respondents (66 per cent) cited this as the main reason for not taking out cover. Furthermore, fewer than half of those surveyed (45 per cent) said they held life insurance within their SMSF.

There is encouraging news on the

horizon. 82 per cent of those without cover said they expected to get life insurance in their SMSF over the next year. It is a positive step, but as an industry we need to do more to further educate and increase the awareness amongst SMSF trustees of their obligations to consider the life insurance needs of its members.

There are significant risks to SMSF members if trustees don't consider the future liquidity or liability of the fund. In the worst case scenario, they risk the retirement savings of members. Indeed, the changes in regulations could potentially add additional liabilities

against SMSF trustees if the personal circumstances of each member were not adequately considered.

There are a number of options available for existing and new SMSF members to receive cover, including the ability to transfer existing life insurance cover they may have with an APRA-regulated fund or retail insurer. SMSF advisers are well placed to educate and support trustees who want to address their life insurance needs but do not have the knowledge to do so. **P**

Damien Mu is general manager of life insurance for AIA Australia

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Six steps to doing a better job than a pigeon, a rat or a monkey

Great investment advice requires discipline and an understanding of how things play out in the long term.



Six years based in the US as Russell Investments' chief investment officer has taught Pete Gunning that advisers to self-managed super funds could do worse than heed six lessons he has learned:

- don't panic;
- be adaptive;
- when things are small, small thing matter;
- emotional behaviour undermines successful outcomes;
- risk is more certain than returns; and
- there is a hierarchy of asset class returns.

Gunning, who is now Russell's Asia-Pacific chief executive officer, said that when the worst effects of the global financial crisis were being felt, "the best thing we did for our clients at the time... was [to say], 'This is really, really bad, but in our humble opinion it's not the end of the world; it's not Armageddon'."

He said that de-risking client portfolios would have been the very easiest thing to do, but panicking would also have been the very worst thing to do.

Gunning said that being adaptive does not mean capitulating when things are tough; rather, it means "evolving as more investment opportunities become available".

Gunning said that in a low return environment, the small things matter.

"And the small things might be being able to implement investment strategies for your clients in a cost-effective manner; it may also mean for those advisers who are looking at active strategies ... finding a good manager who can add value on top of a low base is [more valuable] to your clients than when markets are rocketing ahead," he said.

Gunning said the "vast majority of humans are not wired to make good investment decisions".

"In fact, there's been quite a few studies that suggest, with the right information, pigeons, rats and monkeys, potentially, make more objective decisions than humans," he said.

Gunning said that Russell had developed the view that most investors cannot afford the risk they need to take to

get the investment outcomes they need, yet the risk associated with investing is more certain than the return that investing generates. But that uncertainty can be managed by remembering that in the long-term there's a clear hierarchy of asset class returns.

"Investors in the long term do get rewarded for an equity risk premium, they do get rewarded for a liquidity premium," he said.

THE BEST THING WE DID FOR OUR CLIENTS AT THE TIME... WAS [TO SAY]... IT'S NOT THE END OF THE WORLD

"While it may not feel like that over relatively short periods of time, over the longer investment time horizon, that hierarchy stands true, and that means that when you are going to build portfolios for your clients with the particular investment outcome that they're after, you should take that into account as a foundation." ■

STRENGTH IN NUMBERS

82

Age to which someone currently aged 60 is expected to live, if male

86

AGE TO WHICH SOMEONE CURRENTLY AGED 60 IS EXPECTED TO LIVE, IF FEMALE

11%

The US stock market's average return in the year following an annual rise of 30 per cent or more

SOURCE: RUSSELL INVESTMENTS

73%

Percentage of years, in the past 88, that the US equity market return has been positive

SOURCE: RUSSELL INVESTMENTS

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ATO SPIES SPOTTED AT TAX FIGHT SESSION

Fletch Heinemann yesterday gave SMSF advisers tips on how to take on the Australian Tax Office during a funny and interactive session.

The Cooper Grace Ward Partner recently met with the ATO at their new 140 Elizabeth Street offices in Brisbane. He said it was “like walking into the lion’s den”. The meeting, though, “wasn’t as difficult as I first thought”.

But the hunter became the hunted, with Heinemann revealing that people had pointed out alleged ATO spies at his session ... no doubt getting tips on how the SMSF industry was going to fight them! Heinemann’s advice, we’re pleased to report, was all very conciliatory.

Heinemann and his colleagues Clinton Jackson and Scott Hay-Bartlem put on mock AAT hearings and mediation. The audience willingly rose when Hay-Bartlem, acting as ‘TAA Deputy President’ started proceedings.

Heinemann accused Jackson of failing to stick to the script, however, when he became overly aggressive in the mediation; but we spoke with Jackson later and he said it was, in fact, Heinemann who changed the script. Maybe they’ll have to take that dispute to the TAA.

NOT DARYL, TOO?

So there was a marked change in the music accompanying the plenary sessions yesterday. After the hippie flavour of Day 1 (the Ride the Wave theme, and the songs “Happy”, “Feel The Love” and “Sitting on Top of the World”), the Day 2 theme was slightly more difficult to divine, at first.

For the record, the music played was “What You Need”, by INXS; “Four Seasons In One Day”, by Crowded House; and “Who Can It Be Now?” by Men At Work.

The obvious conclusion was that the organisers had gone all home-grown on us – perhaps in recognition of the indigenous nature of the self-managed super fund.

ONLINE IMPROVISATION

Auditors often encounter SMSF clients who are unwilling or unable to provide the documentation the auditor needs to do his or her job.

A classic – and increasingly common – example is with online bank accounts that do not issue paper statements. But one SPAA member recently hit upon an innovative way of solving the problem.

He set up a Skype call with the client, and had the client share his computer screen as he logged on and scrolled through the pages of the online account.

Just seeing the screens didn’t satisfy the requirements, of course, so while the client was sharing these screens, our innovative auditor was furiously hitting the “Print Screen” button on his PC, producing hard copies for the file.

A superb piece of improvisation, and a technique that Sharyn Long said could easily have been incorporated into the “improving audit efficiency” section of the session she and Rene Herman ran yesterday morning.

CURLY QUESTION

Sharp-eyed readers would have noticed a request in one of the photo captions in yesterday’s Daily News for the answer to the question: What’s the collective noun for a group of pigs?

Final Word has received some ungenerous suggestions, which it won’t dignify by repeating here; but it has received what it believes as correct responses: it’s a drift, or a drove, of pigs.

But wait, it’s not that simple. A group of domesticated pigs is called a doylt; a group of pigs in the wild is a sounder. And a group of piglets is a farrow.

Whatever term you choose to use, if pigs are your thing we suggest you get down to the ING stand for the orange ones or the ME Bank for the green ones.



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