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INSPIRING ADVICE

Treasury seeks input on deregulating SMSFs

Treasury has invited the self-managed superannuation fund (SMSF) industry to provide views and ideas on reducing the regulation of the sector, as part of the government's philosophy of regarding the regulatory burden on business.

Rob Heferen, executive director of the Australian Treasury revenue group told the 2014 SPAA SMSF National Conference that "the broad philosophy of people being in control of their own retirement incomes for the future is unambiguously a good thing".

Comparing the regulation of super funds by the Australian Prudential Regulation Authority (APRA) with the regulation of SMSFs, which are regulated by the Australian Taxation Office (ATO), Heferen said SMSFs pose "no systemic risk" to the financial system" and that there is a case for treating them differently.

"When you think about the APRA-regulated funds, [from] which SMSFs are carved out, one of the key reasons to regulate them is first of all there's a stability risk to the financial sector; the other thing is of course you might need to make sure the trustees are doing the right thing on behalf of their members, particularly when there's that potential [high] level of disengagement.

"SMSFs are quite different. Trustees being members...of course they're going to look after their own interests.

"And there's no systemic risk to the financial system from SMSFs. If an SMSF, or even a group, happened to lose a lot of money, it would be tragic for the people involved but there's not the systemic risk.



Rob Heferen, executive director of the Australian Treasury revenue group

SMSFs ARE QUITE DIFFERENT. TRUSTEES BEING MEMBERS...OF COURSE THEY'RE GOING TO LOOK AFTER THEIR OWN INTERESTS

"And for a government that is generally in favour of less regulation rather than more regulation and is looking for any opportunity to reduce the burden of regulation on the economy, I think it's an interesting question.

"Clearly, given the tax concessions involved, there needs to be some level of accountability - to make sure the money goes in, that it's actually used for its proper purpose, it isn't illegally withdrawn and used for current consumption when it's meant for future consumption - and the people in the room play a key role to make sure things are looked after for people's retirement, and hence the annual audits and requirements for higher standards and qualifications.

"But I think there's an issue around is there the right balance of regulation? Given the government's quite explicit intention to make sure the economy is regulated only to the level which it really needs to be to be a properly functioning, optimised economy, that is the one thing I would like to say: If there are



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views on what the ideas of possible deregulation could be...we would really appreciate hearing that.”

Heferen’s comments followed those of the Assistant Treasurer, Senator Arthur Sinodinos, earlier at the conference when he said: “Where possible it’s about light-touch regulation, and we like that sort of regime and we think it can work well in this sector, because people want to take responsibility for themselves.”

Alison Lendon, deputy commissioner of the ATO, said the results of its surveillance and compliance monitoring had uncovered a relatively small number of problems in the sector. Of the approximately 516,000 funds, only 150 were made non-complying as a result of breaches in 2012-13; and of the almost one million SMSF members, only 440 were banned from being trustees in the same period.

Lendon said five areas continue to cause the ATO concern. They are:

- illegal early-release schemes;
- on-time SMSF annual return lodgement;
- fraud;
- non-arm’s-length income; and
- limited-recourse borrowing

arrangements (LRBA).

“One area we think could become an increasing concern, if it’s not properly managed by all of us, is the consequence of the ageing population, and that is pension-phase issues – issues such as calculating exempt current pension income incorrectly, minimum pension requirements, transition into pension phase, and incapacity or death of trustees,” Lendon said.

WHERE POSSIBLE IT’S ABOUT LIGHT-TOUCH REGULATION, AND WE LIKE THAT SORT OF REGIME AND WE THINK IT CAN WORK WELL IN THIS SECTOR

“These are areas that we look at quite closely.”

The commissioner of the Australian Securities and Investments Commission (ASIC), Greg Tanzer, said the regulator’s focus was on the “gatekeepers” of the superannuation system, in particular financial advisers, SMSF auditors, issuers and distributors of financial products in which SMSFs invest, and to a lesser extent

SMSF trustees themselves.

“Gatekeepers pay a really critical role in Australia’s financial system overall,” Tanzer said.

“We have an excellent, excellent system, but it relies heavily on investors making informed investment decisions and being prepared to accept the risks involved.”

Tanzer said that ASIC had no intention of mandating a minimum balance “below which you could not advise that a person establish an SMSF”.

“That is not what we’re about doing,” he said.

“We tried to make this clear in the consultation paper [CP216], but I’ll make it clear again: We are not about trying to specify that if a person has a minimum balance of less than \$100,000, let’s say, you cannot advise them to set up an SMSF. That is not what we’re talking about.

“What we’re looking to do is to provide fact-based, research-based guidance that says, when you’re thinking about cost, you need to understand that if you’re purely looking at cost, if you’ve got less than \$100,000 in your SMSF you’re probably going to end up paying more through the SMSF – probably.” ■

It’s financial product advice, not property, that worries ASIC

ASIC commissioner Greg Tanzer says ASIC has “no particular problem” with SMSFs investing in real property but it is concerned that advice to invest in property is being improperly provided to trustees.

“People provide a financial service if they provide financial product advice,” Tanzer said. Financial product advice required the provider to be properly licensed, and therefore regulated by ASIC.

“Providing financial product advice includes making a recommendation or a statement of opinion to a person to set up an SMSF, or to use an existing SMSF, to purchase a property through that SMSF,” Tanzer said.

“That is because the vehicle through which the investment is being made is a superannuation product, and a superannuation product is a financial product.

“It doesn’t matter that the underlying investment

is real property. It doesn’t matter that the underlying investment is diamonds or artwork or foreign wine or anything else. It’s the fact that the advice is about using your superannuation in a particular way, or establishing an SMSF to invest in a particular way, that makes it financial product advice.

“We’re particularly concerned here that the SMSF sector does not become the target for property spruiking. We’ve got no particular problem with SMSFs making informed decisions to invest in real property. That’s not the issue. But we do not want the SMSF sector to become the target of property spruikers.”

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Getting to the bottom of what women want

Giving great advice to female clients requires a different approach to advising males.

Advisers need to boost women's confidence in finance and investing in order to harness the growing clout of females when it comes to money.

Financial services executive, Patricia Curtin, told a "Women want more!" session that the role of women in financial affairs is growing, with one in four families post-GFC having females as the major breadwinners, and 75 per cent of all financial decisions now being made jointly or by women alone.

But Curtin said while women are confident savers, they lack confidence in finances. Advisers need to translate that savings prowess into long-term wealth building and investment. "It's not hard, it's just a mindset that needs to be changed," she said, adding that women equate wealth with home equity alone.

Curtin said also advisers need to be comfortable with growing social ambiguity, including the growth of non-traditional families. "Abnormal is

normal," she said.

Olivia Maragna, CEO of Aspire Retire Financial Services, said women are a powerful source of business because they are more likely to be long-term clients and make referrals. But advisers need to be aware of how they engage and converse with women.

"It's the little things that really matter to women," she said, adding that 57 per cent of women say the client experience is the most important factor in their sales choice.

Maragna said advisers need to let women talk more, which may require an extra meeting. Advisers also need to actively listen: the reason women don't proceed with any sales is because they feel as though the sales person hasn't listened.

Advisers also should consider documenting women's words in advice to show female clients they've heard them; and women take longer to make decisions, so give them time.

New penalty regime no excuse for complacency

Trustees will be in the Australian Taxation Office's sights now it's got new powers.

Advisers have been warned not to get blasé on compliance issues in the lead-up to the introduction of the ATO's new penalty regime.

In a compliance and strategy session, "The gurus speak (finally) – from the top of the mountain", Peter Hogan, national manager SMSF advice, MLC Advice Solutions, said "people have become a little bit blasé because the ATO rarely penalises trustees, but that's going to change".

"There are clients out there trying to do 'interesting' things with SMSFs, some of which aren't terribly appropriate, with assets of the fund," Hogan said. "We need to be careful."

The session, which included Graeme Colley, SPAA's director of technical and professional standards, and Bryce Figot, director of DBA Lawyers, looked at number of case studies.

In one case a member of an SMSF wanted to prepay three years' rent on a business real property (BRP) owned by the SMSF and used in their business – essentially wanting to get around caps and pay for renovations for the building. The "gurus" agreed that to make the transaction "arm's length" and compliant, a discount for the upfront payment would likely be necessary.

PEOPLE HAVE BECOME A LITTLE BIT BLASÉ BECAUSE THE ATO RARELY PENALISES TRUSTEES, BUT THAT'S GOING TO CHANGE

It also considered the damage to premises when the BRP was held in an SMSF, but the insurers were being slow to assess the claim and pay. The members wanted to pay for repairs and be reimbursed once the insurers paid up.

Hogan said the case highlighted that particular investment structures are complex. "More than ever it's very important that the activities of the trustees of the funds are carefully looked at," Hogan said. "Encourage clients to come and talk to you first before they go off and do stuff."

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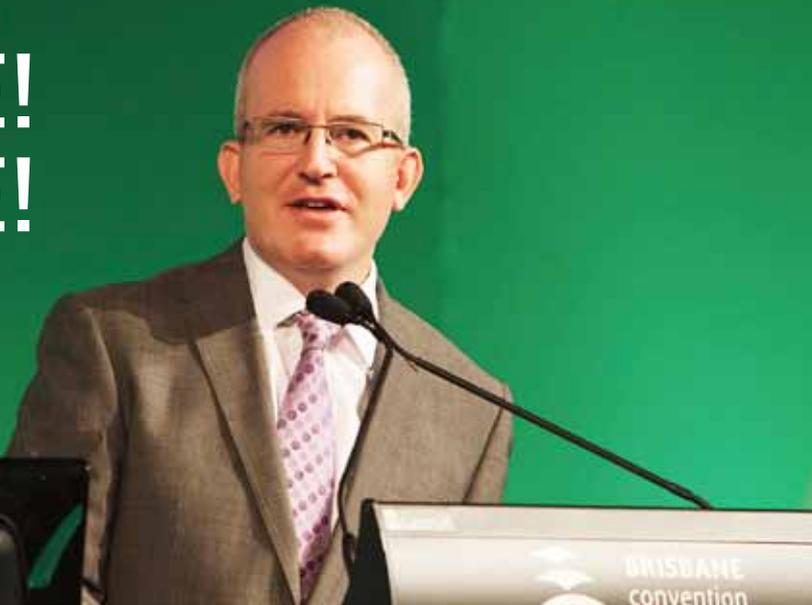


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PICK ME! PICK ME!

How pitching properly
can be an adviser's
greatest skill

Andrew Klein



Learning how to connect and engage with clients and potential clients is a crucial weapon in the adviser's armory that is too often overlooked in favour of technical skills and compliance issues.

Andrew Klein, MC of the 2014 SPAA SMSF National Conference and director of presentation skills at Spike Presentations, says whether it's a formal setting or an informal one, advisers are constantly pitching their services and their business. And clients and potential clients will often make a decision on whose services they will use based on the impression they form very quickly from an initial meeting or interaction.

Klein says clients are prepared to give you the benefit of the doubt when it comes to things like technical skill and competence – they assume they will be high. So it's critical to have a way to make a client want to do business with you instead of another adviser.

An issue, however, is that it's difficult to differentiate one adviser from another.

"I have become really, really cynical about the way in which people say they are different," Klein says.

"I spend a lot of time sitting in conferences and I hear a lot of stuff within the financial services world and the truth is, from my perspective, you all seem to say more or less the same thing."

Klein says most accountants and financial advisers are

EVERY TIME YOU'RE PITCHING, YOU'RE BASICALLY SAYING: 'PICK ME'

passionate about what they do, and that passion can be harnessed to improve presentation skills and to improve engagement with clients and potential clients. It's not about "putting on a show", Klein says, but about giving a glimpse of the real you, and the passion you have for what you do.

He says the characteristics of a successful pitch include engaging with the client, being authentic, smiling – where appropriate – and being passionate about your job, using humour – carefully, because nothing succeeds less than a poorly-timed joke or a joke told in bad taste – and keeping things as simple as they need to be for the audience. It's about making a connection with the audience.

"I would suggest that in a lot of the pitches you do, and I do, all else is equal," Klein said.

"People do similar things to you, have similar services, similar websites, similar offerings and they do the things you do and probably charge very similar to you...wouldn't I, as a client, prefer to do business with you if I feel that we have something in common?"

"Every time you're pitching, you're basically saying: 'Pick me'."

Strength in numbers

\$245b

Size of the Australian super-annuation market in 1996, when the Wallis Report was produced.

2.5 times

The size of the Australian superannuation market compared to the total annual economic output of New Zealand.

99%

Percentage of the total number of superannuation funds in Australia that are SMSFs.

150

FUNDS MADE NON-COMPLYING BY THE AUSTRALIAN TAXATION OFFICE IN 2012-13.
TOTAL NUMBER OF SMSFS: 516,000.

\$1.8 trillion

SIZE OF THE SUPERANNUATION MARKET TODAY,
AS THE MURRAY INQUIRY GETS UNDERWAY

Winner of the "Tweet a photo caption" competition:



Liam Shorte, Verante Financial Planning

"Hybrid adviser will pounce on Single Focus Specialist"



Mingling at GOMA



Bronny Speed, Peter Burgess and Louise Biti



This bloke works for a bloke who looks more like Kochie than the bloke who looks a bit like Kochie: Jake Cunningham of Pinstripe Media



What's the collective noun for a group of animals at a waterhole?



Chris Campbell, left, with Cooper Grace Ward's Scott Hay-Bartlem and Fletch Heinemann



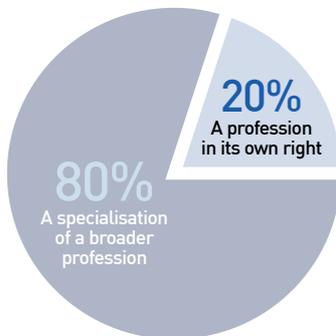
It can be lonely in opposition but Bernie Ripoll is always welcome.

THE NUMBERS ARE IN

It's been near impossible to move at the 2014 SPAA SMSF National Conference without hearing someone talking about the rise of "a new profession" or "new advice space" or words to that effect. And Final Word is all for high professional standards when it comes to the people who advise Australians on what to do with their hard-earned.

Over at *Professional Planner* this past week they've been running a poll on their website, asking the question: Is SMSF advice a profession in its own right, or a specialisation of a broader financial planning profession?

At the time of writing the results were running like this:



These polls aren't scientific, of course, and they often suffer from small sample sizes. But Final Word just thought you might like to know.

REGULATORS CAST IN NEW ROLE AS PUNCHLINES

Who says regulators don't have a sense of humour? Not Final Word, that's for sure. At least, not while those regulators are within earshot.

It liked Greg Tanzer's line about February not being the best month to visit Brisbane, unless you like walking around in a pool of sweat – which he's got used to, working at ASIC. Greg also invited SPAA delegates to consider just how much more sand they'd actually need (we won't repeat the entire joke, other than to say it starts off by asking: What do you call it if you have five ASIC Commissioners buried up to their necks in sand?).

Even Treasury is getting in on the act of making its senior people appear human. After conference MC Andrew Klein made the astute observation that the assembled line-up of Andrea Slattery, Rob Heferen, Alison Lendon and Greg Tanzer looked like an ABBA reunion, Heferen remarked that he thought he'd make a pretty good Bjorn. It's always the quiet ones, isn't it?



SPAA Daily News
February 2014

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Printing – Snap Printing, Queens Street Brisbane

SPAA Daily News is published by Conexus Financial, the publisher of *Professional Planner* magazine. All views expressed are those of the authors and do not reflect the views of the conference organisers.

Conexus Financial Pty Ltd, an independently owned Australian company. Level 1, 1 Castlereagh Street, Sydney NSW 2000

CONFERENCE CLOSES AND GOES FROM KRUMPET TO CRUMP

Adam Elliott, of animated movie Harvie Krumpet fame, enthralled the conference audience as he recounted the surreal experience of winning an Academy Award. But even more surreal was the experience that followed. When you're presented with an Oscar, it doesn't have your name on it – they send you a plaque about two weeks later.

Elliott duly rocked up at the Collingwood Trophy Shop to get the job done. When the

shop owner asked him what sort of trophy he wanted the plaque attached to, Elliott presented her with his gold statuette. Her reply: "I've been waiting my whole life for this moment."

Bizarrely, the serial number of Elliott's trophy was 3184 – the postcode of the Melbourne suburb of Elwood, where he lived when he wrote the script for Harvie Krumpet.

From Krumpet to Crump, and the

outgoing chair of SPAA, Andrew Hamilton, closed the conference after thanking SPAA CEO Andrea Slattery, the SPAA board and the association's members for the chance to chair the organisation. Hamilton handed over to Peter Crump, executive director of ipac South Australia, who takes over as SPAA chair following a stint as vice chair and chair of the professional standards committee, having been appointed to the board in 2010.

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