



Ray Martin, Ita Buttrose, Tara Moss and Jihad Dib

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Profession must look to itself to raise standards

Greatness cannot be determined by an act of Parliament, and it is up to the professional community of financial planners to stand up and make real change, according to the former chair of the Financial Planning Association (FPA), Matthew Rowe.

Rowe told the FPA Professionals Congress 2014 in Adelaide that the message about the benefits of financial planning is "often lost at the moment, due to all the noise and scandal out there".

"The times we have faced into will act as a catalyst for change and our profession will be better as a result," Rowe said. "We may not see this now, but

we will be stronger for it and the public will be served well because of it."

With the future of financial planning laws and regulations again up in the air, Rowe said the profession could only rely on itself.

"It is time to move on from FoFA [the *Future of Financial Advice* reforms]; it is time for us as a professional community to come together and inspire each other – to inspire each other to move from being good and become great," he said.

The new chair of the FPA, Neil Kendall, said that financial planning has earned the right to be regarded as a profession, "and don't let anyone tell you otherwise".

"We're not a profession that has



IT IS TIME FOR US AS A PROFESSIONAL COMMUNITY TO COME TOGETHER AND INSPIRE EACH OTHER

completed the journey; we are a profession that has started the journey," he said.

"We still have a way to go, but if you look at the progress we have made, it's amazing."

Kendall said the greatness of financial planners is defined by "the lives we improve", including clients who benefit from advice, other planners with whom knowledge is shared, and "the next generation of planners we recruit, train and inspire".

MC Ray Martin said that achieving anything great starts with a high degree of self-belief.

"Not self-delusion, but self-belief," Martin said.

Three high-profile panellists explained their own perceptions and definitions of what "greatness" means and how to effect meaningful change.

Headmaster of Punchbowl High School, Jihad Dib, said that change doesn't come from "saying 'we will become'", but rather

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Stout is CFP Professional of the Year

Randall Stout, a partner in the Perth-based financial planning practice HPH Solutions, has been named the 2014 Certified Financial Planner (CFP) Professional of the Year.

The chief executive officer of the FPA, Mark Rantall, said the award recognises "professionals who have demonstrated the highest professional standards embodied by an FPA member".

"Our award winners are the best of the best," Rantall said.

"Not only have they complied with the FPA code, but when giving advice they have also made a considerable contribution to the profession through community involvement, mentoring and support of their local chapter."

Rantall said that Stout was chosen as the winner "because his submission showed the exceptional levels of service he provides to his clients".

"Randall also gives back to the community and plays an active role in promoting the work of financial planners to everyday Australians," Rantall said.

"He sees it as a privilege to help people make smarter choices. With their finances [locked in], he said he loves making a difference to people's lives by helping them discover and achieve their goals.

"His clients said: 'I would not hesitate in recommending Randall. He is personable, very easy to deal with, explains things in plain English and is always available when we have any concerns.'"



Randall Stout and Neil Kendall

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by doing, so that "slowly but surely, we are". He said this requires a clear purpose and vision, then "taking one step at a time".

Author Tara Moss said greatness "should be defined by what impact we have on the world".

"Do we leave the world a better place than when we came into it," Moss said.

"The impact you have on other people is absolutely key."

Moss said that confounding stereotypes is

one of the big barriers to doing great things, and people who have achieved great things rarely allow others to impose limitations on them.

And publisher and former Australian of the Year Ita Buttrose said that "making a difference is what it's all about".

"It's what we do anything for," she said. "Everybody can make a difference; we just don't think we can. But we can."

The state winners of CFP Professional of the Year awards are:

Qld	Christopher Smith (VISIS Private Wealth)
NSW	Jim Fenwicke (Lumix Wealth)
ACT	Jeremy Gillman-Wells (Bravien Financial)
WA	Randall Stout (HPH Solutions)
SA	Martin Hunter (Hunter Financial Services)
Vic	Catherine Robson (Affinity Private)
Tas	Nicolas d'Emden (Shadforth Financial Group)



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FPA to revisit approved code of conduct

The Financial Planning Association will take another look at having its code of conduct approved by the Australian Securities and Investments Commission (ASIC) to enable FPA members to avoid the need to comply with the opt-in provisions of the *Future of Financial Advice* (FoFA) reforms.

The opt-in provisions are back in play after the Senate this week disallowed the amended FoFA regulations.

The FPA's general manager of policy and conduct, Dante De Gori, told the FPA Professionals Congress 2014 session on conflicted remuneration in a best interests world that the FPA's code had already been lodged with ASIC.

De Gori said the FPA was also looking at whether regulations covering only the grandfathering provisions of FoFA could be revisited. De Gori said grandfathering could be addressed by regulation rather than by legislation.

The Opposition is known to be prepared to address the uncertainty that exists under FoFA around the buying and selling of financial planning businesses.

On the issue of conflicted remuneration, De Gori said that all FPA members should not only be familiar with the FPA's six remuneration principles, but have built them into the advice process.

Peter Bobbin, a partner in law firm Rockwell Oliver, said that if an FPA



member's conduct is ever questioned in court, the court will examine their compliance with the FPA principles.

Bobbin said it was not enough to only disclose conflicts or potential conflicts, but that financial planners also had to manage conflicts, where that was possible, and also avoid them when they can.

He said it was good business practice to "take some time in your own business to work out what are my remuneration models, and what sub-models do I need to put in place for the occasion when a client walks in off the street?"

"That model might include, I am sorry I can't service you," he said. ■

Applying best interests to insurance

Life insurance advice should be kept entirely separate from risk products, according to Mark Everingham, managing director, Bombora Advice.

"It's got nothing to do with insurance... your advice process needs to be outcome and not product driven," he said, explaining he is a "huge believer in the collaborative advice process.

"The collaborative advice process where the adviser works as a facilitator is the best way to go," Everingham said, speaking during a technical session at the FPA Congress 2014 yesterday.

He said most clients that sit in front of him have "no idea how to properly protect or structure their financial affairs. We need to educate them around estate planning and insurance."

The process starts with a family audit, which involves assessing where the client



is financially now, and where they want to be in the future. "The first meeting actually has nothing to do with insurance," he said.

As part of the technical session on life insurance, Mike Gilbertson, a risk specialist who focuses on advising the legal sector, also delivered a summary of the recent Australian Securities and Investments Commission (ASIC) report into life insurance advice.

"This is important given it will have a huge impact on all of us in the room and the financial planning industry," he said, referring to ASIC's finding there was significant room for improvement.

Among the key findings he referred to was the high lapse rates of policies – 7 per cent in the first year and 14 per cent in years two, three, four and five.

"The regulator identified there were incentives for advisers to write new

business and to rewrite existing business," Gilbertson said.

Among the 202 cases reviewed, he referred to the finding that 63 per cent of files passed and 37 per cent failed.

In seeking to address the shortfall in the standard of advice, Gilbertson said the regulator "wanted insurers to address aligned incentives...and to put measures in place to improve product retention".

From an Australian Financial Services licensee point of view, he said ASIC found they needed to review their remuneration structures and business models around strategic life insurance. Greater monitoring and supervision of financial advisers was also recommended.

"ASIC does have some further work, considering what action to take against the advisers and licensees identified," Gilbertson added. ■



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Captured



Veronica McLaughlin,
Justin Viney, Julia Skull



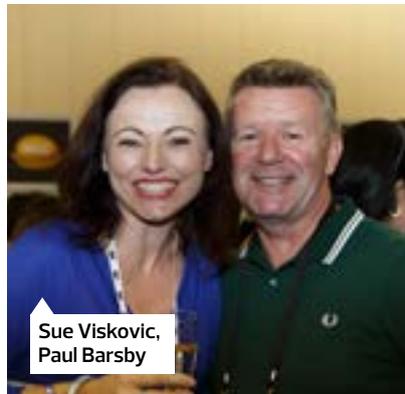
Michelle Tate-Lovery,
Steve Murray



Kerr Neilson, Tim
Sullivan, Mark Rantall



Kathryn Casey, Dante
De Gori, Sam Harrison



Sue Viskovic,
Paul Barsby



Amy Aleksic, Michael
Lovett, Linda Stangherlin



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Captured

D'Arcy Evans,
Pierre Kraft



Caroline Rees,
Olivia Maragna



Mark Milner,
Mark Brimble



Future2 Wheel Classic
riders celebrating



Andrew Hewison, George
Flack, John Hewison



Narelle Martin,
Delma Newton



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The art of communicating advice

Poor listening skills, lack of preparation and asking clients the wrong questions can spell disaster for financial planners.

This was the message from Andrew Whelan and Yves Stening, directors, iCommunicate, a communications and training consultancy, who delivered an interactive session on day one of the FPA Professionals Congress 2014.

The session was held as part of the event's "best practice" stream of seminars.

"We believe the problem with advice is the illusion that it's taking place," Whelan said, explaining that instead, "people value far more what they discover for themselves than what they're ever told".

The session featured a roleplaying session, depicting a financial planning client and his wife who had gone through a number of important life events, including the sale of a property and the settlement of a divorce on the part of the husband.

The scenario involved the adviser telephoning a long-term client for a regular follow-up. It demonstrated a number of examples of poor listening on the part of the financial planner; lack of preparation; and a failure to ask the right questions. These started from the initial follow-up phone call and continued



through to the subsequent meeting.

The problem started from the outset, with the financial planner having called the client's house when the husband was at work. The planner ended up speaking to the client's wife, with whom he had had no prior contact.

Following a short, awkward phone call, the wife queried the cost of the advice and the level of service they were receiving.

This continued into the review meeting, when the adviser repeatedly fumbled a number of personal details about the client that he should have known, and misunderstood much of what the couple wanted to achieve. ■

Four generations make history

For the first time in history, four distinct generations of employees could be employed within a single business, presenting a unique set of challenges for managing financial planning firms.

Business consultant and futurist Avril Henry told the FPA Professionals Congress 2014 that this had "never happened in the history of employment", and it was another, less well-known consequence of increasing longevity.

The so-called "Veterans" were born prior to 1946. Baby Boomers were born between 1946 and 1964; Generation X was born between 1965 and 1979; and Generation Y – "the most misunderstood generation in the workforce", Henry said – was born between 1980 and 1995.

Each generation has different



motivations for why they work, and different objectives for what they want to get out of it. Henry said differences could also be illustrated neatly by their attitudes towards technology.

She described the Veterans as "digital aliens".

"Technology is not something they like, and most Veterans see it as a necessary evil and, if possible, something to be avoided," she said.

Baby Boomers were the "digital immigrants".

"We love new technology, and because we're cool, we want all new technology," Henry said. But that did not necessarily translate into technical competence in all cases.

Generation X were the digital adapters, Henry said, who had encountered

technology during school years, used it through university, and who view it very much as "an enabling device".

Generation Y were the digital natives, who have been using technology extensively since they were aged about two.

"They have never known life without technology," Henry said.

"Technology has always been, for them, a social tool first."

This particular characteristic meant that being connected was highly valued by Generation Y employees, who valued being part of a team above most other things.

"Create a team, and they will stay, because a team is about being connected," she said. ■



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SPONSORED EDITORIAL

Investment platforms on the rise

By Damien Mu, chief executive officer, AIA Australia.

The world of the financial planner is constantly changing. From increasing regulation and compliance to greater competition from online financial products and investments, planners need to navigate a number of challenges in order to grow their business and provide clients with the best financial advice possible.

One of the principal issues that planners face today is how to effectively manage the time-intensive task of handling paperwork and administration, particularly when writing risk insurance. While this is a key part of the provision of financial advice, being mired in administration often prevents planners from spending more of their time doing what they do best – providing financial advice to clients.

As planners struggle with the demands of administration and compliance, clients are also demanding more when it comes to how technology is integrated into their investment portfolios. They want to know how their finances are tracking at the touch of a button, regardless of the location, time or device they are using. Anything less will simply not do.

To keep up in this environment, an increasing number of financial planners are turning to online investment platforms to help manage their clients' portfolios. This is especially the case when it comes to writing risk. According to recent statistics from the Investment Trends Planner Risk Report, the proportion of risk being written on platforms reached 39 per cent in 2013, up from zero in 2003.

The reasons behind the shift are simple. For the planner, aligning with an



investment platform means they can streamline their clients' investments into one bundle, allowing them to see an entire portfolio in one place, as well as reducing the accounting that goes with it. For the client, having visibility of all of their investments in one place is a massive benefit, as well as being able to get consolidated reporting of all funds and investments, which is a huge help at tax time.

As a life insurer looking to partner with more planners, we see tremendous upside in the growth of investment platforms. Currently, they are one of the most effective customer acquisition channels for us – a third of our overall business is written via platforms – and we've added several new partnerships with different software platforms over the past few years. This ensures that planners can always access a comprehensive range of



THEY WANT TO KNOW HOW THEIR FINANCES ARE TRACKING AT THE TOUCH OF A BUTTON

our products for their clients, regardless of which platform they choose to use.

In recent months, we have expanded our presence on investment platforms further by making the AIA Vitality program available on Priority Protection for Platform Investors (PPPI) policies. Investors looking to secure life insurance cover will now be able to purchase the health and wellness program on platforms that include Asgard, HUB24, LifeFocus, Personal Choice Private, Powerwrap, PortfolioCare, netwealth and Praemium.

Over the next few years, we expect the number of planners writing risk via investment platforms to increase. In an increasingly time-poor environment, planners will benefit from the simplicity of managing their clients' investments in one place and, given that their clients will also continue to demand it, they will be able to keep up with the competition. ■



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The final word

Rowe farewell

A range of financial planning industry luminaries gathered on Wednesday night to farewell Matthew "Eagle" Rowe, whose term as chair of the FPA ended at the association's annual general meeting on Wednesday afternoon.

Directors past and present, FPA members, the regulator, business partners and spouses heard FPA chief executive Mark Rantall and communications consultant Bruce Madden pay tribute to Rowe's leadership of the association through a tumultuous four years.

Even as the event got underway, debate continued to rage in the Senate over the future of the Government's *Future of Financial Advice* (FoFA) regulations, throwing the industry into disarray. Welcome to the hot seat, Neil Kendall.

How to change the world

"Are you honest, competent or trusted enough [as a financial planner] for me to send my mother to see you?" asked Carl Richards, a Utah-based Certified Financial Planner and founder of financial planning firm Behavior Gap.

Richards delivered an informal masterclass to about 120 attendees on Wednesday, ahead of the Thursday launch of the FPA Professionals Congress 2014.

Richards outlined a number of approaches financial planners should use to generate meaningful content that promotes the value of their advice, such as email newsletters, social media strategies, blogs and tools like Twitter and Facebook.

Among some of the lighthearted moments of the session, Richards asked the audience whether he should answer his young son's FaceTime call during the presentation, and urged attendees to get into a fight on Twitter.

"Get into a fight on Twitter any time you can, it's really fun," he joked.

Crunching the numbers

We've all heard of DINKs (double income – no kids) and YUPPIEs (young urban professionals) – but Bernard Salt, partner of KPMG and demographer, enlightened congress attendees on a couple of lesser known acronyms yesterday.

During his discussion of demographic and regional trends across Australia during FPA Congress 2014, Salt assessed the capacity of the population to invest in goods and services, including financial planning.

He referred to KIPPERs (kids in parents' pockets eroding retirement savings) and NETTELs (not enough time to enjoy life). The former was used in reference to generations Y and Z, while the latter referred to time poor inner city professionals.

Analysing income data gathered from the Australian Bureau of Statistics and the Census, Salt identified a number of socioeconomic hotspots. The Sydney suburb of Birchgrove was identified as having the highest median weekly family income of \$3060 – against the Australian average of \$1480.

He also suggested which job sectors and ethnic populations are likely to hold the greatest opportunities for financial planners – with workers in the healthcare and social services sectors tipped to grow. Asian and Indian ethnicities were tipped as growth areas financial planners may target.

Salt also found the average 60-year-old Australian now has around 32 years in retirement. This added to his finding that retirement and succession planning were the specialisations of highest potential for financial planners.



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