

# Three principles must underpin *ALL FUTURE SUPER POLICY*



REFRAMING THE DEBATE WOULD CHANGE THE TENOR OF THE DISCUSSION AND HELP THE SYSTEM ACHIEVE ITS AIMS.

Three basic principles should underpin the development of superannuation policy to ensure that more people become self-sufficient in retirement and the cost to government is reduced, according to the chief executive officer and managing director of the SMSF Association, Andrea Slattery.

Slattery told the association's 2016 national conference that three principles must be committed to before any other policy steps can be considered. The first is to enshrine in legislation a widely agreed purpose for the superannuation industry, "This is imperative to do immediately," Slattery said.

"The second principle is to commit to a more accurate and relevant measure of tax concessions."

Slattery said that in 2014, Treasury used a method of calculating tax concessions that showed the true cost may only be about \$11 billion a year rather than the more often-quoted \$32 billion.

"If we then include government savings from a reduction in age pension payments because of super, another \$7 billion is saved," she said.

Slattery said the third principle is to commit to "adequacy, sustainability and equity in the super system".

"The age pension has never been a right for all Australians," she said.

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WE SHOULD BE  
WORKING TO  
REDUCE RELIANCE  
ON THE AGE  
PENSION, BOTH  
PART AND FULL

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"But it has been a safety net. As the Intergenerational Report suggests, we should be working to reduce reliance on the age pension, both part and full, from 80 per cent to a much lower percentage in the future."

Slattery said that all future superannuation policy should seek to increase self-sufficiency in retirement for as many people as possible, not only to "relieve governments of significant future fiscal commitments, but to engage greater social wellbeing".

"These three changes in principles, if implemented, would produce a far different picture of the cost and value of superannuation," she said. "The entire tenor of the current public debate would change."

Slattery also announced that the chair of the association, Peter Crump, will be succeeded at the conclusion of the conference by Chase Corporate Advisory executive director Andrew Gale; and Robin Bowerman, head of market strategy and communications for Vanguard Investments, will become deputy chair. ■

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# SMSF INVESTING: *differences between males and females*

**RICK DI CRISTOFORO**  
head of retail sales,  
Colonial First State

A study produced by Commonwealth Bank in conjunction with the SMSF Association in February 2016 found that generally, females are less confident than males in their understanding of different asset classes. And considering the longer life expectancy for females, 56 per cent of SMSF trustees believe women should adopt a more aggressive investment strategy so they can better support themselves in retirement. Interestingly, females are less likely than males to set up their own SMSF to gain more control over their investments (45 per cent compared to 55 per cent), to be able to choose specific shares to invest in (15 per cent compared to 23 per cent), have a belief that they can make better investments than

super fund managers (13 per cent compared with 19 per cent) and poor performance of previous super fund (11 per cent compared with 18 per cent).

As for asset allocation SMSF trustees believe investment properties, Australian shares, international shares and managed funds will fare positively in the future. Although females are less optimistic than males about the outlook for international shares.

The report also highlighted that following a separation, divorce or death of a co-trustee, females are more likely to make changes to their SMSF to align with their own investment goals while males are more likely to maintain the strategies already in place.

Advisers play a vital role in building investment confidence, quality educational content will be key in your one on one meetings, newsletters, articles and events. A clear investment strategy will also help your clients understand how investments you recommend match their objectives. Share your knowledge in a way your clients understand, this will build trust, demonstrate your value and will even encourage more client referrals.

The February 2016 study titled *Women and SMSFs - empowering and supporting SMSF members on their investment journey* is available at [commbank.com.au](http://commbank.com.au) ■

RICK DI CRISTOFORO IS HEAD OF RETAIL SALES FOR COLONIAL FIRST STATE

Disclaimer: This content is for advisers only

# The disruptive force OF AGED CARE

Of all the disruptive influences likely to affect advisers' businesses in coming years, there's one that still tends to fly under the radar: aged care advice.

Aged Care Steps director Louise Biti told the SMSF Association National Conference that increasing demand for aged care advice is unstoppable. About 12.3 per cent of the global population, or about 900 million people, is currently aged 60 or older and on current trends the proportion will grow to more than 21 per cent by 2050, representing more than two billion people.

"Aged care has the potential to be a disruptor in your business because if you don't start to talk to your clients about it, someone else will," Biti said.

"[Your clients] will start to talk to

somebody else. If you don't understand it, or have a solution for how you want to deal with it in your business, you could lose clients."

Biti said that doesn't mean every adviser must become an expert in aged care, but every advice business needs a strategy for how to deal with demand. That could include referring clients to specialist aged care advisers.

Biti said effective aged care requires advisers to deal with "the three Gs": grief, guilt and greed but good advice can add enormous value for clients.

It is not only very elderly clients themselves who are driving demand for aged care advice, Biti said, but increasingly it is clients in their 40s and 50s who are looking for guidance on how to look after elderly parents. ■



LOUISE BITI / director / Aged Care Steps

# REVIEW TO MAKE SUPER 'FIT FOR PURPOSE'



**JIM CHALMERS**  
Shadow Minister for Financial Services and Superannuation

The Productivity Commission will review the efficiency and competitiveness of Australia's \$2 trillion superannuation system by November, Assistant Treasurer Kelly O'Dwyer told 1500 delegates at the SMSF Association national conference yesterday.

Announcing the review via a pre-recorded video, Ms O'Dwyer said there would be no moratorium on super reform while the review was underway.

"The productivity review will be of the entire system not just default funds which will be very important to SMSFs," she said.

"There won't be a moratorium with reform while the review's going on, making for a dynamic and fit-for-purpose system."

The first stage of the review would develop criteria to assess the system's efficiency and competitiveness before alternative models were developed for allocating default fund members to products.

Her statement to the SMSF conference coincided with a joint announcement with Treasurer Scott Morrison asking the commission to develop alternative models to make the allocation of default super products more competitive.

The review, recommended by the Murray inquiry last year, will be followed by another once the MySuper reforms are fully implemented by July 1, 2017.

Meanwhile Labor's Shadow Minister for Financial Services and Superannuation Jim Chalmers said dipping into Australia's \$2 trillion in super savings to push capital flows into start-up companies was one way to innovate and improve productivity.

"We need to put people at the centre of super, define and enshrine the purpose of super and have safeguards in place," he said.

He added that the superannuation guarantee needed to get to 12 per cent while part time and casual workers needed to get a better deal in the super system. ■

# In disruption we find OPPORTUNITY FOR GROWTH

The combination of social media and emerging competition policy will be disruptive to the financial services industry and to financial planners, but disruption brings opportunities, the 2016 SMSF Association National Conference has heard.

Professor Ian Harper, a partner in Deloitte Access Economics and chairman of the Competition Policy Review, told the conference Thought Leadership Breakfast that disruption is ultimately a force for change that drives productivity growth and that the aim of the review had been to empower consumers.

"If you empower consumers, and give them the right to choose, then surprisingly they will often choose services that are more

closely aligned with their needs, their wants, their preferences - and if it's cheaper into the bargain, so much the better - and they will push this process along for you."

A consequence of empowering consumers is they will find ways of dealing with advisers that challenge and threaten traditional ways of delivering advice. Karen Stocks, managing director of Twitter, says delivering financial advice through social media is not a far-fetched idea.

"Everything will come through a mobile device or a wearable technology, something that is mobile and goes with people as they go," Stocks said. "So that [with] financial advice, I think we need to start thinking around what technology can deliver, back to the personalised service."

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The chief executive of the Financial Services Council (FSC), Sally Loane, said some of the largest institutions - all of them FSC members - are embracing disruption and the opportunities it can bring to deliver services directly to consumers.

"Some of the big banks are sponsors and supporters of the big new fintech start-up hub in Sydney called Stone & Chalk," she said.

"And some of them have got their own innovation labs, so they're at the cutting edge, and they're obviously investing in all sorts of innovation, getting to know their customers and their customers' needs."

The chief executive officer and managing director of the SMSF Association, Andrea Slattery, said the internet caused enormous disruption to travel agents, for example, with the advent of online ticketing and accommodation booking, but smart businesses adapted and today are thriving. "I believe it will be the same for advisers," Slattery said. ■

## SMSF Association National Conference 2016

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**TO HELP YOU SERVICE YOUR  
SMSF CLIENTS MORE EFFICIENTLY**

### SPONSORED EDITORIAL iShares

# Building income portfolios with ETFs

As yields from cash and government bonds remain at near historic lows, the search for income is a top priority for many investors. BlackRock believes that diversification across asset classes is vital and this can be achieved by using ETFs.

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A multi asset approach to income investing through ETFs will incorporate fixed income and equities to ensure diversified exposure across the income-generating universe.

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DIVERSIFICATION  
ACROSS INCOME  
GENERATING  
EQUITIES AS WELL AS  
ACROSS THE FIXED  
INCOME UNIVERSE

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There is now a wide range of ETFs available to Australian investors to help build income portfolios. Broadly, these fall into the two main asset class families: fixed income and equity.

Fixed income ETFs provide income investors means to deploy capital quickly and efficiently in investment grade and high yield markets, such as corporate bonds. They can help investors find new ways to manage duration within portfolios.

Equity ETFs are increasingly popular with investors seeking income because of lower government bond yields. They also provide diversification. ETF equity dividend index strategies have evolved to offer exposures ranging from ETF equity dividend index, to major developed equity markets, to emerging markets.

With ETFs you can build an income portfolio that delivers diversification across income generating equities as well as across the fixed income universe. These include sectors and/or exposures that may respond differently to changes in interest rates, and are vital in order to produce a stable, reliable and diversified income solution. ■

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IAN HARPER  
partner / Deloitte Access Economics

## THE SWEET SPOT for advisers

Increased consumer choice brought about by changes in competition policy will be where SMSF practitioners will help drive productivity, considered vital to maintaining Australia's income per capita, competition review chairman Professor Ian Harper told the SMSF Association National Conference.

In his 15-minute overview of the 600-page Competition Policy Review, Harper said longer-term benefits from health, education and welfare reforms would be the sweet spot for superannuation practitioners.

The National Disability Insurance Scheme (NDIS), where people seeking disability services will have a choice on what and where they spent their money, was one example of where "people needing advice" would turn to the industry.

Changes to health, education and aged care service provision also would drive innovation and overall productivity, the Deloitte Access Economics partner said.

"There will be greater capacity for consumer choice and the consumer will drive change and innovation [in the public sector] as it does in the private sector," he said.

"Introduce consumer choice where it's foreign and reap the benefits of income per head that arises from increased productivity," he said.

Harper chaired the Competition Review that handed down 56 recommendations to the Federal Government in March 2015.

In November, the Government accepted outright 39 of those recommendations, accepted five in part and left 12 open to discussion, including laws dealing with oligopoly power.

In the short term, Harper said changes had already occurred in some states, particularly with tax deregulation and retail trading hours.

Changes to allow parallel imports on books and new cars as well as pharmacy ownership would also drive short-term productivity.

Harper said the Federal opposition was in step with the Government's responses, on all but a few issues, so changes to competition law would not rely on the cross benches in parliament or "the brick with eyes" Senator Glenn Lazarus to pass.

Harper said Australian income-per-head growth had doubled every 35 years but had already fallen in line with a "drawing of air from the China balloon".

The Hilmer review in the 1990s showed Australia could reverse an expected fall in income growth by focusing on productivity, he said. ■

# Innovation – IT'S IN YOUR HANDS

Gutenberg's printing press, Steve Jobs' iPod and self-managed super funds (SMSFs) are all disruptive innovations which have changed the world, according to Deloitte Australia chief edge officer Peter Williams.

What started as an afterthought in then-Prime Minister Paul Keating's compulsory superannuation legislation in 1993 has risen to become 34 per cent of Australia's super system in 2015, he said.

But forecasts are for SMSFs to remain about one-third of the system until 2035 unless the industry innovates, Williams said.

Recognised as a "thought leader" with particular focus on digital innovation within Deloitte's Centre for the Edge, Williams told the SMSF Association conference that the industry needs to use "digital exhaust", or the data put out by people everyday through social media and transactions, to cater to individuals' super needs.

He likens the process to Amazon using algorithms to recognise and recommend new music, movies and books to customers according to their previous purchasing habits.

SMSF advisers should think of themselves as a player in an ecosystem which "creates an explosion of diversity" and focuses on the fundamental needs and desires of its clients such as what they need in retirement and how they want to spend their money, Williams said.

In contrast to industry and retail funds which have a "three sizes fits all" approach the SMSF industry had capacity to collaborate with others, participate in online communities and create and leverage new platforms for super consumers.

"We need to ask 'how fast can I learn?' rather than 'how big can I be,'" Williams said.

Speaking to a packed plenary hall on his topic "Leveraging Disruption", Williams said SMSFs could overtake their current stake in the industry to become 80 per cent of the super fund market by 2035 by leveraging its current position.

"It's in your hands. You can smack it out of the park," he said. ■

KATH BOWLER  
chief executive / Licensing For Accountants



## KNOWING WHEN TO JUMP OFF THE CLIFF

Follow some basic rules, and you'll know when to jump off the cliff "into the world of licensing" when advising

clients about self managed super funds, Kath Bowler, Licensing for Accountants chief executive, told the 2016 SMSF Association National Conference

For accountants and financial planners, those rules begin with the clients' question "can I?" or "should I?", Bowler said.

"If you're confused about licensing, it's no wonder," she said, pointing to more than 26 different licences available to advisers and various levels of training requirements.

"Personally if you're an SMSF specialist and you want to be at the top of the cliff, your talent is wasted," she said.

"If you want to stay at the top versus the bottom, you need to be reactive. If the client asks "can I test"? you don't need a licence."

But if a client asks "should I?", that's when you should be proactive and a licence is required, she said.

Bowler's presentation "Licensing and accountants: how far can you go before you fall off the cliff?" was directed at

accountants who may have been advising clients in a traditional practice for many years but are turning to setting up and advising on SMSFs.

Co-presenter Aaron Dunn, managing director of The SMSF Academy, said ASIC was now focusing on the SMSF space and the quality of advice, particularly with rules changing from July 1 this year where changes to exemptions come into play.

Bowler, who has had 20 years' experience in financial services including eight years with CPA Australia before establishing an SMSF consultancy, says coming down from the cliff goes in stages.

Advisers setting up or closing down an SMSF, doing tax returns and planning, and working on clients' instructions only, will stay at the top with no licence requirements, she said.

However those making recommendations on contributions or starting a conversation with "in your case" need to "jump in" to the limited licence and authorisation space.

"It's not so bad down the bottom, if you go down the bottom you can do more advice," she said. ■

## DON'T I KNOW YOU?

*If you're ever in a taxi queue and Ian Harper asks you if you'd like to share a cab, think twice before accepting. Not that Harper isn't a thoroughly good bloke, it's just that after the Competition Policy Review, which Harper chaired, he reckons just about every taxi driver in the country knows him and has an opinion on him, and his review. It can occasionally make for entertaining journeys. But they're not always hostile: there was the time when the driver asked him if he was the Ian Harper, and after replying yes, he was, learned the driver had the same name and they spent the trip trying to work out if they were related.*

## Trending at number two

It may have had something to do with Karen Stocks, Twitter managing director, sitting in on the Thought Leadership breakfast on day one of the conference, but the SMSF Association twitter hashtag #SMSFAssoc was trending at number two in Australia at 10am on Wednesday. For a moment it was third worldwide to the Grammy Awards and Taylor Swift, according to conference MC Andrew Klein. What was more interesting than the conference? It was the YouTubers Ethan and Grayson Nolan's latest upload. But it was tracking well above Australian comedian and musician Tim Minchin's new song about bringing home Vatican-based George Pell to attend a royal commission into child abuse.

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