



# Our Secret Financial Insecurities

**Ensuring our rough patches don't become our financial realities**

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**"...the primary reason many of us can't save for a rainy day is that we live in an ongoing storm."**

– Neal Gabler, *The Atlantic*



# Introduction

## Too many Australians are needlessly suffering from a silent epidemic

This rising financial epidemic is called insecurity. And all Australians are susceptible: the haves and the have-nots.

The greatest difficulty to understand and address this insecurity is its secretive, hidden nature.

While we openly talk about our aches and pains, it is still taboo to talk about our genuine feelings and sense of financial impotence, fragility, and distress.

*Our Secret Financial Insecurities* highlights the many possible causes of these rising fears. Could it be our short-term thinking? Our feelings of entitlement fuelled by the understandable desire for rewards for taking hard risks? Our hand-held screens promising new worlds, cheaply gained with misunderstood money? Fake online promises from inflated products about the latest cool, awesome, trend?

As this white paper demonstrates, the biggest driver of our growing distress about getting through the latest 'rough patch' is in fact ourselves.

Once upon a time we belonged to a tribe.

Our tribe oversaw us, drove us, gave us boundaries, set us challenges, and celebrated our initiation and growth. Our tribe helped us weave our own sense of security and confidence through unwritten rules of responsibility and 'greater good'.

*Our Secret Financial Insecurities* continues the conversation started in our previous white papers on the themes of governance, professionalism, and trust. With these themes lacking in financial services, our own financial insecurities have been running freely through too many of our beliefs, habits, and attitudes.

Our rough patches have become our norms and our Aussie attitude of 'she'll be right' kicks in.

We deserve better than what is being served up to us today as financial advice.

If we want a better approach, let accountants account, let bankers bank, and let financial planners plan. If we want advisers to challenge and support more of us to achieve our goals, let's get some tribal approaches to chase away limited, fearful thoughts and behaviours.

Let's match those approaches with governance, trust and professionalism.

I hope you enjoy this white paper.

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November 2016

# 1. Facing our financial fears

**We're in a gathering storm. While it looks ominous on the horizon, it's much bigger – and closer – than what we think.**



**Right across Australia, the effects of this oncoming storm are being felt. From small business entrepreneurs to wealthy professionals, from young couples starting a family to retirees, everyone is feeling the wind on their face.**

While some are facing their financial fears with bravado, others are keeping them hidden. On one end of the spectrum, younger people are wondering if they'll ever get into the property market, while on other end, retirees wonder if they've left things like Super and downsizing a bit late.

The uncertainty is making everyone nervous.

According to Travis Martin of TWD Monument in West Perth, time is the pressing issue. "Towards the end of a career, whether in business or as an employee, people start thinking forward to their children: how they will buy their first home, set up a family, or how to help them pay for a wedding," he says. "They're worried now, and going around in circles about it."

David Murdoch of Paxton Bridge Financial in Melbourne and Jeff Thurecht of Evalesco in Sydney report that while they both

**They just don't know where all the money goes. When they look at their financial position, they're not where they think they should be – and they can't work out why they're not."**

**– Scott Farmer, Bravium**

work with business clients, that feeling of financial uncertainty is also there. "Most of our clients are aspirational and successful," says Jeff. "So their aspirations drive them to grow and achieve, and in many cases strive for the outward trappings of success."

"Most of them are on reasonable incomes," says Scott Farmer of Bravium in Canberra. "But they just don't know where all the money goes. When they look at their financial position, they're not where they think they should be – and they can't work out why they're not."

This creeping feeling for some (and shaking ground for others) looks to be manifesting itself in a number of curious ways.

## **How are Aussies dealing with financial peril?**

### **1. Keeping up with the neighbours**

*"It's very much keeping up with the Joneses. But you don't know whether the Joneses are hocked with debt to the eyeballs, or whether they're actually doing really well." – Jeff Thurecht*

All our clients work hard, and rightly believe they deserve the fruits of their efforts. This feeling is not only leading to a lack of planning for ongoing regular expenses, but also leads to a lack of planning down the track.

Terry Powell of PF Private Wealth in Melbourne says: "They have the flash home, drive a European car, and send their kids to private school. And a lot of that is funded by debt. People on good incomes for a long period of time are surprised at just how poorly off they are."

### **2. Feeling comfortably numb**

*"A lot of them look as though they're doing very well, but if you picked them up by the ankles and gave them a good shake, not much would fall out." – Terry Powell*

While our politicians are being blamed for their 'short-termism', in many ways we may be guilty of the same charge. Terry Powell observes that with no long-term plan, people tend to focus on immediate, short-term benefits like annual holidays. "I don't know whether they know they've got financial fragility or



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– Jeff Thurecht, Evaluesco

distress,” he says. “They’re in a comfortable state of numbness, feeling neither pleasure nor pain, and so they go on, one year to the next.”

For David Murdoch, many business clients would rather say “she’ll be right” rather than look at the nitty-gritty of one day getting out of business. “They ask: ‘Why do we need to take this three, four, five-year approach about my business exit? I don’t know what else I would do – so why do I need to deal with this now?’”

### **3. The cult of ‘busy’**

*“I think the default answer when you ask ‘How are you going?’ is ‘Busy’. Everybody’s busy.” – Jeff Thurecht*

Across the board, stress is a huge driver of clients seeking advice. “Everyone’s so busy these days and so they have so little time for things like family, relationships, and health,” says Scott Farmer. “Finance is just another one on the list, and it probably gets pushed down the order or priorities a bit. This busy-ness ensures that other important life priorities get pushed to the side.”

### **Key causes of financial anxiety**

*Many Certainty Advisers have watched as public opinion of the banking industry – and the legislation that supports it – has slipped. Could the causes of our anxiety be this ‘new world’ of banking? Is it simply not knowing who to trust any more?*

#### **Government**

With five different Prime Ministers in five years, it’s no wonder many Australians are feeling disillusioned in the power of their government to affect long-term planning. The trickle-down effects are now being realised.

“I think there’s very poor leadership in governments,” says Terry Powell. “They’re very focused about remaining in power for their own self-interest. They are also rewarding failure and penalising success. This then flows through to people’s mentality. They say: ‘Gee why bother, let’s just live for the moment.’ I hope it’s a rough patch but I’m not seeing too much leadership that will provide some light at the end of the tunnel.”

**“When we dig in to ask more hard questions, we really start to understand what they’re about.”**

– Paul Heatley, TWD

### **Banks**

As banks became publicly owned institutions and charters and mandates changed, suddenly they had to find other ways of making profit for the shareholders. Paul Heatley of TWD has not only seen this huge change in banking, he has lived it.

“Years ago in banking, I helped out a lot of businesses looking for lending solutions which we secured against business valuations, rather than just the ‘bricks and mortar’ approach of most lenders at the time. I ended up leaving because the focus changed. No-one was really interested at head office about how many small business people I helped that week; all they really wanted to know was how many referrals I’d passed up to the Financial Planner for life insurance.”

This kind of culture drips down from the top. Loans and products are sold, with employee scorecards keeping track and bonuses awarded, plus bonuses awarded to the board and management. Add that to a shareholder-driven mandate for a ROI, and clients are being left out of the equation.

Jeff Thurecht believes banks are still not safeguarding the interests of their clients. “Some of the changes to consumer credit laws and consumer protection do help when it comes to lending – but I don’t think they go far enough. They’re still not really focused on the best interest of the client.”

### **So who is really looking after our best interests?**

Across the financial planning industries, we could all do a lot more to address the broader picture of this financial peril. Like the clients who are too busy, stressed, or apathetic to see the big picture, many advisers such as banks, lawyers, and accountants are far too focused on solving the problem immediately in front of them.

When banks only give advice on how to borrow money, accountants only give advice on tax, and financial advisers only give advice on superannuation, insurance, and some investments, no-one has a birds-eye view.

“So who’s taking control of that overall situation and putting it all together?” asks Jeff Thurecht. “In the main, no-one. It’s a huge gap.”

# 2. The paths to greater financial security

## Solutions, approaches, and responsibilities

In this world of financial instability, many people will find themselves in a rut if they don't seek some sort of advice. Without expert insights, those personal aspirations – the dream home, the better school, the retirement holiday – will be nothing more than daydreams.

Certainty Advisers see the paths to sorting out our anxieties as diverse as our client base. For advisers like Travis Martin, some solutions lie in the quality of the advice and how well we can get our clients to think about the long-term.

“We've all got to step back a bit and understand what the client wants from their entire life,” he says. “We need to see the recommendations we make to that one specific issue, and understand how that fits in the context of their broader, long-term financial life.”

### How can we in the advice industries make a difference?

Creating trust with our clients is complex. As technical experts we can track the discovery process and continually check in and manage strategies and behaviours. And as perceptive advisers it's not only what we say but how we say it (and when). In this way – as both experts and advisers – we build confident clients who are clear about their present and future aspirations.

### Clear the clutter with focused advice

People seeking financial advice have often seen a lot of options and digested a lot of opinions, and still don't know where to start. Clearing the 'financial pornography' is the adviser's job, and needs to really cut through the noise with clarity and focus.

“Ultimately, it comes back to their aspirations,” says Scott Farmer. “So a lot of our questions are around their behaviour around money. It helps our clients understand their financial decisions today, how that impacts on that future, and what that will mean for them. When we talk about putting clients back in control of their financial position, this is what we mean.”

**“People who do take control over their own destiny will do very well. They understand that wealth creation is a marathon not a sprint.”**

– Terry Powell, PF Private Wealth

For David Murdoch, this line of very specific questioning helps his clients trigger different reactions. He will ask: “What do you want, what will that look like in five, ten, or fifteen years? Have you ever really thought about that?” He says, “It might take two or three years for us to actually work through and articulate what it is, but certain age milestones will trigger a different reaction along the way. Then we go back and work out how to create it.”

### Speak up

Queries such as ‘what will happen after you die?’ or asking about previous bad financial decisions can make some clients feel uncomfortable or bad. This kind of questioning can also be precarious, but is still necessary.

“Sometimes the more money they have, the more worried they are about it,” says Paul Heatley. “It does take that first or second conversation, sometimes even a third conversation before you really get to the point. A lot of people who have been successful often don’t like to own up to the fact that maybe they’re not doing as well as it looks. When we dig in to ask more hard questions, we really start to understand what they’re about.”

### Work on perceptions

While banks and commission-focused advice firms have dominated, we have all suffered from the “dodgy insurance salesman” effect. Working hard to change that opinion of the financial advice industries could be key to turning around public perceptions.

Says Paul Heatley: “People are still getting their head around the fact that we can provide that solution. That we’re not just investment managers, not just life insurance salesmen; we can actually provide a true holistic plan to solve these problems and complexities.

“I think it’s a unique experience when people come to a Certainty Advice firm. It just takes a while for them to understand that we can do it and that’s exactly what we’re about.”

## HOW TO IDENTIFY FINANCIAL PORNOGRAPHY

1. Any financial offering asking you to ‘act now before it’s too late’
2. Any financial offering promising a ‘risk-free’ or ‘safe’ approach
3. Any financial offering that looks a bit too sensational (e.g. ‘hot tip’)
4. Any financial offering that promises discounts
5. Any financial offering suggesting the best advice is easy to implement

## THE 5 ADVICE DISCOVERY POINTS TO CLEAR THE CLUTTER

1. Start from the right spot: above all, understand what is of value to the client.
2. Identify behaviours, mindsets and forward paths first, and products and performance, second.
3. Encourage professionalism between different advice firms: legal, accounting, and banking.
4. Identify and distrust financial pornography.
5. Use the KISS principle at all times: Keep It Simple, Stupid!

## Three paths forward for financial certainty

### Solution 1: Products and advice should never mix

Separating the product-sellers from the advice-givers could be a huge step. While the banks have dominated and overcrowded the market with product-related solutions, Travis Martin believes we can certainly change that. "I think the biggest catalyst is going to come from people realising that anyone who is there to sell you any product, whether it's tangible or intangible, cannot be the one who also provides you with the advice," he says. "When people realise that, then they'll actually start to seek out the right advice."

### Solution 2: Increase financial education and literacy

*The 2016 Income Protection Gaps: Challenges and Opportunity* report (1) compiled by Zurich and the University of Oxford found that Australians are considered under-insured and financially illiterate. Increasing people's financial literacy, knowledge and awareness and teaching it at schools could definitely work to close this gap between knowledge and action.

Would those programs come about through banks, or even from the top? Jeff Thurecht suggests that the government plays a more active role in encouraging banks, accounting and financial advice firms to facilitate practical financial advice. "If we don't do that, then we aren't going to get people off this treadmill. With little government responsibility, people are just going to be getting bombarded with more and more noise through the media."

### Solution 3: Be proactive

Many Certainty Advisers believe, however, that with government support a long way off that the financial advice industry and their clients need to take more control of their own financial futures. Advice and planning is crucial to this.

"People who do take control over their own destiny will do very well," says Terry Powell. "If they set short and long-term goals and put in place the right behaviours and strategies, they'll understand that wealth creation is a marathon not a sprint."

Jeff Thurecht is optimistic about this brave new world of independence. "A lot of what we're seeing is actually controllable," he says. "It's easy to point to legislation and media and technology, but at the end of the day you need to make some tough decisions and take actions to improve your own financial position."

#### Footnote

(1) [https://www.zurich.com/\\_/media/dbe/corporate/knowledge/docs/income-protection-gaps-challenge-and-opportunity-june-2016.pdf?la=en](https://www.zurich.com/_/media/dbe/corporate/knowledge/docs/income-protection-gaps-challenge-and-opportunity-june-2016.pdf?la=en)

# 3. Three real life solutions to taming our financial fears

## Certainty Advisers tell their stories



**Whether talking with clients who spend big in the lean times or lose sleep despite doing well, Certainty Advisers focus on helping people face the financial storms head-on.**

Financial insecurity means different things to different people. Regardless of the causes, if left unidentified as just a 'rough patch', there will be ongoing effects. There is ample evidence that the ongoing effects of the real financial fears people face will have a significant social cost far beyond the financial consequences.

### **The financial insomniac**

*"When I first met this client he was hard to relate to. He didn't give much away or connect with us in any way in the meeting. He didn't even smile!"*

"My client was incredibly busy working long hours. He was also extremely stressed, had trouble sleeping, and felt like everything was out of his control. It's important to note here the impact that that stress has on your life. If you're not sleeping, it affects relationships, it affects your job. As advisers, we need to see past the stress and ask: Is it happening just that day or more of a long-term issue? Is it a rough patch or more ingrained in the lifestyle? We got him back on track to help him understand where he was at, what the issues are, and how to plan going forward.

"He's actually the most wonderful, friendly guy and is now one of my favourite clients to work with! Three years later, he's stopped stressing about money and started sleeping again. And that's not as a result of his financial position changing dramatically, it's that understanding and planning. It flows onto his work as well, so he's a real turnaround story for us."

**“As advisers we need to see past the stress and ask: Is it happening just that day or is it more of a long-term issue?”**

### **The rugged individualist**

*“A lot of successful entrepreneurs have technical knowledge, but not necessarily the ability to best manage their own affairs. After years of taking their own advice, or worse, just neglect, this ‘she’ll be right’ attitude can cause significant distress”*

“A client had grown a successful business with good revenue growth and expansion over many years. But like many successful individuals, as he neared closer to the desired exit date, his unrealistic expectations of the business worth and transition was generating significant angst and fear. His hopes for the big reward for all the hard work, risk taking and sacrifice seemed to be eroding at the wrong end of his career.

“In this one case, the client initially refused to talk about the more realistic business valuation from a couple of his loyal staff. As he had built an enterprise so dependent upon himself, those seeking to transition into ownership couldn’t afford the investments necessary, yet still come close to the price the founder wanted. A compromise was needed.

“So in the end we had to say ‘get real’. For his own good, we had to challenge him and his mindset. We took a few different approaches to get the message through and we eventually did. It’s a slower extradition and a lower up-front payout than he originally wanted. But most importantly, the Certainty Advice approach enabled us to show him how most of his aspirations could still be obtained – still considering the lower initial payout and longer transition. That is the most important piece regarding the deal and our advice. We believe that if the advice means some travel along a ‘rough road’ (which is often necessary) it’s so important to keep focus on where you want to end up. You need to avoid getting sidetracked in short-termism, entitlement thinking or the sense the world is closing in on you.”

### **The boom time rat**

*“A business client had had good growth for a long period of time during the mining/property boom. But they’d gotten to a stage where their cashflow was starting to tighten.”*

“So they started to repeat a lot of things that they had done during the boom that had made them money. They were buying extra properties and spending a lot of money on things that had made them money previously, not recognising that we are now in a different environment. We helped them recognise that the path they were on wasn’t going to help them out. The only thing that was going to help with any real certainty – while it’s boring – is managing their behaviour, how they use their cashflow, and managing the financial decisions that they make with assets or investments.

“It’s an ongoing management process. They have much greater awareness of what they need to do. They call us to talk through their decisions, the implications, trade-offs, or risks. They now recognise that having that second set of eyes gives them some perspective. While it doesn’t stop them wanting to make the decisions, it does often help them make the right decisions.”

# Conclusion

## Will the storm pass?

So what will happen? Will these storms pass? What does the future look like for those feeling stuck in their own rough patch?

There's no doubt the biggest change in how future storms will affect us is technology. Technology will provide more options, new services and more uncertainty. Greater choices easily leads to greater apathy and disillusion – particularly if the new choices are built upon old advice structures.

While debatable, after technology the next driving change will be consumer attitudes towards advice. People are becoming more aware of the flaws and rip-offs thanks to headlines exposing how the current 'advice' systems make easy money from their money. They are increasingly seeking advisers who actually operate in their best interest to offer value for money. Rather than the weasel words 'fee for service', which too often camouflage another product offering rather than an advice offering.

### So how do we as advisers, and by extension our clients, respond?

As always, the only thing you can control is yourself. With altered mindset on cashflow, financial behaviours and taking a long-term approach, we can all change how our future looks and feels. The biggest lesson we can learn from our case studies is to forge out ahead – but not alone. Seek timely financial advice, understand your current position, work out some goals, be open to an honest review of your own unique mindsets, attitudes and complexities in your financial life, and talk to someone to help clarify your own best possible path forward.

**An independent, product-free financial adviser is always the best place to start.**

We'd love to know what our readers think. Are you or your clients in uncertain financial straits? Starting a new job, a family, settling down, getting out of the rat race, and looking to retire soon? Check out [www.seekingcertainty.com](http://www.seekingcertainty.com) and send us your feedback! For more of these thorny financial questions and solutions, visit our blog or our Facebook page.

We'd love to hear from you. Let's keep talking.

**Certainty Advice Group**  
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### Free offer!

All readers of *Our Secret Financial Insecurities* get a free hard copy of our 2015 best-seller *Seeking Certainty*. Simply send us your details to [admin@certaintyadvicegroup.com](mailto:admin@certaintyadvicegroup.com) and we'll post you a copy.

# About Certainty Advice Group

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Certainty Advisers are accredited, skilled and regularly reviewed to ensure their financial advice adheres to standards of what they refer to as *Fourth Generation Advice*.

Everything Certainty Advisers do starts from a focus on serving each client's greater good and best interest without any real or perceived conflict. Thereafter they seek to provide a broad overall advice position without favour to one particular advice approach, and often work with other advice professionals to cater for all financial needs of their clients.

## What are the four generations of financial advice?

**First generation advisers** specialise in advice surrounding specific financial product or services. These advisers may be experts in self-managed superannuation, or investment management or underwriting or property or a combination of these skills. These advisers generally have excellent people skills and product knowledge. Their remuneration model or fees are usually calculated as a basis of the product they are recommending.

**Second generation advisers** are similar to first generation. However, underpinning their advice is often a specific investment, product or services platform. These software platforms provide reporting convenience for clients as well as build an asset value for their firms as increasing amount of their client's product accumulates on 'their' platform. Custodians of these product platforms can achieve significant sale values when the ongoing stream of incoming client's monies are 'purchased' by other existing platform providers.

**Third generation advisers** are usually well-established advisers often serving a specific niche of clients whose primary focus is a 'liquidity' event or buy-out of their advisory firm either by another platform provider, financial institution, or new market entrant seeking financial product distribution opportunities via stock market listing, or sale.

**Fourth generation advisers have as their single main priority their clients' needs, best interest, and greater good.** The advice is impartial, uninfluenced in any real or perceived manner by products recommended, alliances they work with, hours they work, platform they recommend, or their own longer-term firm sale value. This generation of financial advisers engage as a principal adviser, or work in conjunction with other principal advisers to serve their clients' financial needs. They engage annually with each advice client and adhere to clear and agreed terms of engagement.