MAY 2017
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Stockbrokers
And Financial Advisers MONTHLY

MEMBERSHIP
EVENTS
EDUCATION
POLICY &
REGULATORY ISSUES

'I'd rather be a disruptor, than be disrupted'

Stockbrokers
And Financial Advisers
Association Limited

Inside...

Stockbrokers
And Financial Advisers
Association Limited

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You don't know what you've got until it's gone

One of the many highlights of our annual conference on May 24th & 25th will be the interview of The Hon. John Howard, MP by SAFAA's Chairman, Karl Morris.

John Howard is the inaugural Chair of the Ramsay Centre for Western Civilisation, established by the late Paul Ramsay, and funded by the Ramsay Foundation.

In an article in *The Australian* on 14th March, John Howard made the following comments about the Centre.

> *Like many in the community, I believe we are losing sight of what is owed to the influence of Western civilisation.*
>
> *When we think of our civilisation, we lack an integrated understanding of the contribution of the early Romans and Greeks, the framework of what is frequently called the Judaeo-Christian ethic, the growth of the democratic tradition, particularly its British parliamentary iteration, the rule of law, the Enlightenment, and the spread of free and open intellectual inquiry.*
>
> *The Western tradition has further aspects, not least in the fields of literature, music and other art forms.*
>
> *Appreciating it is not an exercise in cultural triumphalism, rather recognition of a complex and enduring historical reality.*

If you would like to come along to our annual conference on May 24th & 25th and have not yet registered, please register now to avoid disappointment.

New Code of Conduct & CRDS

In anticipation of becoming an accredited code monitoring body for the new professional standards regime, the board has adopted a new *Code of Ethical Conduct* and a *Complaints Review and Disciplinary System (CRDS)*. These can be inspected on our website under *About Us*.

Membership renewals will be predicated on acceptance of these new requirements.

We hope that our new Code and CRDS will be embraced by members who will recognise these as a signal to the industry and clients that members of SAFAA aspire to the highest standards of behaviour.

New 4 day Portfolio Construction Program

Our new Portfolio Construction Program kicks off on Tuesday June 6th.

What's new is that the Program will be staged across four days, being consecutive Tuesdays, in our offices in Pitt Street.

Developed by SAFAA in conjunction with Western Sydney University, Leveraged and Morningstar, the Program will teach advisers how how to build model portfolios that will perform well across multiple business cycles.

One of the students on the course last year, a senior adviser with 20 years' experience, told me that he was surprised by how much he learned. "I thought I knew it all."

The course is taught by the inimitable Rob Wixted. A highlight is interactive group learning.

ASX & SAFAA Scholarships

The ASX and SAFAA are offering 30 ADA 1 & 2 Scholarships.

The Scholarships are designed to help advisers expand their knowledge of derivatives.

A Scholarship for both ADA 1 & 2 is valued at $800 ($400 per ADA).

Candidates will receive 20 hours of CPD upon completion of each ADA.

This offer ends on 31st May 2017. Enrol now as places are limited.

Andrew Green

Limiting risk in your portfolio

In early May, we piloted a new workshop designed for advisers who want their clients to have downside protection for their equity exposure. Participants learnt strategies used by professionals. Now that the pilot has run, we will fine tune the course and offer it on a quarterly basis for members. If you would like further information, please contact Gillian Gilmore.

TASA accreditation lightens load for advisers

Following SAFAA's accreditation by the TPB, members may be eligible for education credits. For further information, please contact Gillian Gilmore.

Empowering women

I recently spoke to a young professional woman who was contemplating applying for a new role and lamented that she didn't have all the necessary skills. My counsel to her was *nobody ever has all the skills. So have a go. You have nothing to lose.*

I am quite sure that a young man with the same experience as the young woman would have had no hesitation about applying for the role, even though he didn't have all the skills!

Our Women in Stockbroking And Financial Advisory Working Group provides inter alia peer support for women who wish to advance their careers. If you would like to join the group, please contact Gillian Gilmore. ■

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Breach Reporting Proposals – Position Paper issued by ASIC Enforcement Review Task Force

ON 11 APRIL 2017, the Federal Government released Position and Consultation Paper 1 "*Self-Reporting of contraventions by financial services and credit licensees*" prepared by the ASIC Enforcement Review Taskforce.

The ASIC Enforcement Review Taskforce was established by the Federal Government in October 2016 to review the adequacy of ASIC's enforcement regime, including in relation to industry Codes of Conduct, to deter misconduct and foster consumer confidence in the financial system. This Position Paper represents the first set of proposals from the Taskforce, and deals with the subject of breach reporting by licensees.

ASIC has long expressed the view that compliance with the existing breach reporting regime by AFS Licensees has been inadequate, although there do not appear to have been many instances of prosecution for non-compliance.

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The Taskforce appears to have adopted the view that the existing breach reporting regime needs to be strengthened, and sets out 12 "Positions" (which presumably are its recommendations) in the Position Paper.

These include:

Position 1 – No change to the requirement that only "significant" breaches must be reported by an AFS Licensee, but introduce an objective test for determining what is a "significant" breach. The test should be whether "a reasonable person would regard the breach as significant".

Position 2 – The breach reporting requirement to be extended to require reporting of significant breaches or other significant conduct by an employee or representative.

Position 3 – The reporting obligation should arise when the licensee "becomes aware or has reason to suspect" that a breach has occurred, or may occur. This may bring forward the obligation, as the existing requirement to report arises when the licensee reaches the decision that a breach has occurred.

Position 4 – Increase the penalties for failure to report.

Position 5 & 6 – Introduce a civil penalty, and infringement notices, for failure to report, as alternatives to criminal prosecution.

Position 9 – Introduce a similar breach reporting regime for credit licensees.

Position 12 – require annual publication by ASIC of breach report data. This does not extend to the publication of names and identities. In this regard, the Taskforce did not support introducing a "naming and shaming" approach, which it noted was not a feature in any other comparable jurisdiction overseas. The published data can assist licensees in deciding whether changes to their policies and procedures may be warranted to manage their compliance or operational risk.

SAFAA will be lodging a Submission on the Position Paper. The closing date for submissions is 12 May 2017. ■

ASIC Establishes a Financial Advisers Consultative Committee

SEPARATE TO THE recent developments relating to the Federal Government's professional standards framework for financial advisers, ASIC has made an announcement on 29 March 2017 that it had established a Financial Advisers Consultative Committee ("FACC").

ASIC stated in the announcement that the purpose of the Committee is to improve industry engagement with ASIC.

According to ASIC, the membership of the Committee represents individuals from a financial planning, superannuation, insurance, digital advice, self-managed superannuation and "investment" background.

The Committee does not include representation from the stockbroking sector, which is strange considering that stockbroking comes within the Government's professional standards framework applying to retail financial advisers.

According to ASIC's announcement, the FACC will supplement ASIC's existing engagement with the financial advice industry by:

- contributing to its understanding of issues in the financial advice industry, including those directly impacting on practising advisers
- improving ASIC's capacity to identify, assess and respond to emerging trends in the financial advice industry. ■

ASIC Proposal for a Financial Services Panel

ASIC RELEASED a Consultation Paper on 11 April 2017 outlining proposals for establishing a Financial Services Panel to assist ASIC in some fashion in ASIC's administrative decisions on financial services and credit matters.

> *The proposals in the Consultation Paper canvass a range of options for drawing members of the Financial Services Panel from industry participants and from a range of other participants or professions independent of the financial services industry.*

ASIC's administrative powers extend to such matters as making banning orders against AFS Licence holders and credit licence holders, and also against representatives or employees of a licence holder; cancelling, suspending or varying an AFSL or credit licence; and issuing infringement notices.

At present, ASIC staff make decisions of this nature, acting as delegates of ASIC. The proposals in the Consultation Paper canvass a range of options for drawing members of the Financial Services Panel from industry participants and from a range of other participants or professions independent of the financial services industry.

Under the proposals, where ASIC were to refer a matter to the Panel, the Panel would be responsible for making the decision, for example, a decision whether ASIC should make a banning order against the person.

ASIC notes that it is not proposing to refer all banning matters to such a Panel, as this would significantly increase costs. Rather, ASIC is consulting on criteria for when a referral would be appropriate, such as where a matter involved some significance, complexity or novelty.

As a matter of principle, obtaining industry guidance on decisions of this nature has the capacity to improve the quality of ASIC's decision-making. There are however a number of issues that would need clarification, such as how the Panel would sit within the Commonwealth's legal and administrative review framework, and what sort of exposure individual members may have as decision makers.

SAFAA will be looking to lodge a Submission on the Consultation paper. The closing date for submissions is 23 May 2017. ■

Professional, Ethical and Educational Standards for Retail Financial Advisers

MEMBERS MAY have seen from Press reports that on 10 April, 2017, the Minister announced the appointment of the Chair and other Board members of the standard setting body for the new Professional Standards framework for retail financial advisers. The name of the body has also morphed further into Financial Adviser Standards and Ethics Authority Ltd ("FASEA").

Ms Catherine Walter AM has been appointed as Chair for a four year period. The other eight Directors have been appointed for varying terms, to assist continuity planning at Board level.

Whilst all of the appointments are persons of undoubted standing, the Association is somewhat disappointed that none of the Board members has been drawn from a market background.

The most important next steps will be the appointment of the Chief Executive and Secretariat, and the establishment of a suitable Consultative framework. It will be at this level that the key work of FASEA will need to be undertaken. This will include:

- preparing the new National Exam for financial advisers
- supervision requirements for new advisers
- setting continuing professional development (CPD) requirements and approving CPD courses
- setting standards for the bachelors degree requirement and approved bridging courses to reach AQF 7 level.

The Association will be looking to see some consultative committees established by FASEA, which could be similar in nature to the ASX Corporate Governance Council, in which relevant industry bodies could be represented in order to ensure that relevant industry standards are set.

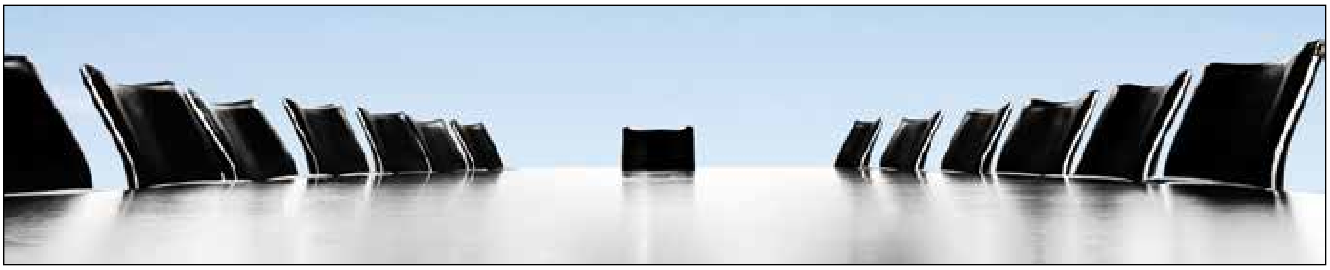
The Government has indicated that it has a strong desire to hand FASEA over to industry at the earliest opportunity. For this to happen, it will be critical that there be governance arrangements in place, including board representation, that adequately reflect the whole spectrum of the financial advice industry that is subject to the standards.

As previously stated, seed funding for FASEA is to be paid by the major banks and by AMP. However, Treasury also flagged that FASEA should move to an industry funding model as soon as possible, with the likelihood that industry funding will be in place prior to 1 January 2020.

> *Whilst all of the appointments are persons of undoubted standing, the Association is somewhat disappointed that none of the Board members has been drawn from a market background.*

SUBMISSIONS | Members can view submissions at www.stockbrokers.org.au

POLICY ENQUIRIES | Peter Stepek, Policy Executive, pstepek@stockbrokers.org.au



Committee News

Recent meetings of the Stockbrokers And Financial Advisers Association – Committees, Working Groups and Advisory Panels:

New Individual Practitioner Master (MSAFAA) Membership applications approved:

Alan Costello
Alexander Warner
Andrew Fennell
Andrew Stafford
Barbara Sibley
Brett Careedy
Jabin Hallihan
John Barker
Justin Still
Lachlan McPhie
Patricia Tsicalas
Paul Shepherd
Samuel Paradice
Simon Bond
Steve Cartwright
Stuart Allison
Suzana Tripkovic

New Individual Practitioner Member (MeSAFAA) Membership applications approved:

Alexandra Burridge
Amanda North
Andrea Morgan
Andrew Brown
Andrew Larkin
Andrew Phillips
Angus Douglas
Anthony Blythe
Anthony Sheehan
Blair Carroll
Brian Larkin
Bruce Smith
Clive Briggs
David Edwards
David Wright
Dianne Colledge
Dianne Webster
Edward Christoe
Faith Armour
Fraser MacLeod
Geoff Worrall
Georgina Hartley
Glenn Luckie
Heath Hill
Iain Cooper
Isobelle Torralba
James Smith
Jason Coffey
Jeffrey Pappin
John Cleary
John Turley
Kellie Kennett
Kylie Eather
Lindsay Tang
Lucy Wang
Marijan Simunic
Mark Goes
Matthew Gordon
Michael Kenny
Michael Ryan
Michael Wood
Peter Almond
Peter Clarke
Peter Crafter
Peter Foreman
Peter Oates
Richard Gregory
Robert Conway
Robert Gibson
Robert Ward
Roger Corrie
Ryan Hoffman
Sean Gallagher
Scott Murdoch
Simon Hopkins
Simon Reed
Sky Kendall
Stephen Lowe
Steven Burgess
Stuart Doherty
Sue Mills
Varun Sarup
Virginia Fay
Wayne Shand
William Bishop
William Partington

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Portfolio Construction Program

If you are committed to advancing your portfolio construction knowledge and wisdom, then the Portfolio Construction Program is for you.

We recognise that traditional tools and approaches to portfolio construction to set investment strategies for clients just aren't up to the job any more. And as strategies evolve, they demand new, innovative and flexible product solutions.

Technology also continues to evolve to allow for more complex strategies to be developed and implemented. Those responsible for portfolio construction need to be able to cater to a range of scenarios rather than relying on a limited range of strategies or portfolios.

That is why the Stockbrokers And Financial Advisers Association, in partnership with Western Sydney University, developed the Portfolio Construction Program. This program is especially suited to practitioners, which will be run by practitioners. The Portfolio Construction Program has been designed to encompass all of the information and tools needed for you to function in an evolving and increasingly sophisticated financial environment. There is a definite emphasis on the practical application of these techniques.

TO REGISTER
call 02 8080 3200 or visit www.stockbrokers.org.au

Venue

SAFAA
Level 6, 56 Pitt St, Sydney

Dates

Tuesday 6 June
Tuesday 13 June
Tuesday 20 June
Tuesday 27 June

Time

9:00am – 4:00pm

Cost

(all prices inclusive of GST)
Individual Member: $1,799
Organisation Member: $1,999
Non-member: $2,199

CPD

Thirty (30) Continuing Professional Development (CPD) points will be allocated to candidates upon successful completion.

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'Tis the season to……

Fix, Pre-Pay and Diversify

It's a busy time at Leveraged with the run-up to the end of the financial year. Traditionally, it's a period when geared investors take stock of their holdings, review their tax situation and consider their investment plans for the year ahead. On the checklist for many is a call to their broker, accountant or financial adviser, a review of their portfolio and an opportunity to let go of the underperformers and perhaps buy some more of the good and undervalued stocks or asset classes where they may be underweight.

Thinking ahead

The opportunity to prepay the interest on your loan may bring you greater certainty too and locking in your margin loan at a competitive fixed rate will minimise the impact of interest rate fluctuations. Each June, it's the season to fix and prepay the interest on your margin loan – and that season is fast approaching. Such a review may also include a dalliance with ETF's which continue to increase in popularity and it's not hard to see why. Investors can quickly and easily diversify into a multitude of different asset classes and international markets that are showing solid future growth prospects.

Gearing trends

The rise of the direct investor is likely to see a continued shift away from actively managed funds, further providing advice opportunities for brokers and planners, particularly to younger investors who have been locked out of the East Coast residential property market and who recognise the need to build wealth through strategies such as margin lending. Investors new to gearing are borrowing to invest, primarily in order to diversify their portfolios and obtain greater market exposure. Low interest rates mean that with lower returns on cash, some investors are finding Leveraged's Instalment Plus facility a great way to build a share portfolio. Starting out with as little as $1,000, the obvious appeal is that you can start building a portfolio with thousands, rather than the hundreds of thousands needed to get a foot in the residential property markets. Borrow a modest amount to buy shares – or go large to buy an investment property? What's less likely to keep you awake at night?

Taxing times

Generally, the interest paid on an investment loan may be claimed as a tax deduction. This means the cost of borrowing may be reduced by around 30-40%, depending on tax circumstances. For older investors, constant tinkering with the super regulations makes a compelling case for keeping a component of their savings and investments outside of super – where it will be taxed at higher rates, but fully accessible at any time. So if the property market cools, or your dream home suddenly becomes available, you are positioned to move swiftly. It may be that in future, the super payments that are currently tax-free become at least partially taxed, or that lump-sum withdrawals are banned in favour of a compulsory annual income stream. The point is that there is no certainty. Super policy is constantly changing, and it is important not to rely on only one retirement funding strategy when it comes to future financial security.

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The professional's choice

Leveraged offers your clients a range of loan products, the flexibility of choosing from a menu of brokers or investment platforms, one of the most diverse lists of acceptable investments in the market, excellent risk management tools, great communication and professional support.

If you'd like to know more about Australia's Number 1 rated margin lender for overall customer satisfaction*, please **get in touch**. ■

'I'd rather be a disruptor, than be disrupted'

By Jost Stollmann

Disruption is the word of the day; either you disrupt or you become disrupted. Digital transformation is accelerating and touching all sectors of the economy including the financial services sector. So, if this sector is ripe for disruption, what does the future hold for today's stockbroker and financial advisor community?

A change in mindset: stockbrokers and financial advisors need to reinvent themselves

Everything is being disrupted as the world moves to cloud-based IT and an everyday richer world of mobile apps.

Transformation happens in windows. They open and close. The Australian media and advertising industry is a classic example of this – while there were once Australian champions in this sector, this space is now owned by Google and Facebook.

Maybe the Australian retail sector will soon be owned by Amazon and Alibaba. Will a global player take over the Australian stockbroking and financial advisory services scene? Or can home-grown contenders find a way to play?

In a world where most industries are being disrupted by new technologies, Australian businesses in the financial advisory sector can 'surf on the waves of digital disruption.' Sounds easy enough, but how does a business actually do this?

According to Jost Stollmann, Executive Director at Tyro Payments, it's about letting go of what you know and adopting the mindset of your future consumer.

"You have to drop everything that you have learnt that has made you successful in business thus far and think differently about your business model."

"You need to compete with your existing business – it's the cannibalisation effect: do you let a new start-up put you out of business or do you let your new business model put your old model out of business?" he said.

It is not money that you need, it is ideas

Jost would know a thing or two about being an effective disruptor, having launched Tyro back in 2006, Australia's digital challenger bank that competes successfully with the bank oligopoly with its suite of fully integrated, mobile, cloud-based banking products and services.

According to Jost, the new user experience is moving from brick and mortar to online and mobile. It may be hard to let go of how you once operated and adopt a whole new strategy, yet the bottom line is that you need to weigh up where the future of your business lies.

"When you rethink and rebuild your business, you have a blank sheet to architect it in a way that accommodates the 'new consumer' that your business will be serving" Jost said.

We are seeing a growing trend of larger businesses failing to innovate and keep up with the changing pace of the marketplace.

"My hypothesis is that the ones who have big profit margins do not feel the need to rethink, reinvent, remodel – they are too comfortable" Jost said.

Jost believes the bigger players find it difficult to readjust and accommodate the increasing needs of empowered customers in the digital world, yet the smaller players can utilise their entrepreneurial mindset and agility to embrace change.

"Smaller businesses often work on a shoestring budget and thinking outside of the box is a must for them," he continued.

Understanding disruption: stockbrokers and financial advisors need to form a point of view

Your customers are looking to you for guidance in how to think about the drivers of transformation and the likelihood of winners and losers. Who should a client partner with or invest into?

1. The incumbent banks

The big regulated bank institutions could continue to be the winners. The Big Four have grown consolidating banking in Australia since the GFC and have delivered staggering profits of $30 billion. They have a lot going for them: a strong capital base; customer franchises; and resources to buy and integrate technology with.

They are also adopting the methods and tools of the start-up community at a rapid rate: agile development; simplified architecture; APIs; DevOps; and continuous deployment.

Although the big banks are adapting their platforms to better suit their customers, their legacy systems and compliance costs burden them.

Imagine if the Australian Government and regulators mandated open banking (open data, open API and shared KYC)? The big banks would be forced to compete with new players and consumers would get more choice in who they bank with.

An "open" marketplace would mean that the big banks would no longer have the unfair advantage from their locked-up customer data, their closed interbank transaction infrastructure and the switching barriers for customers looking for a better deal.

2. The new players

The nextgen banks and the fintech community could be the winners in a new open economy. There are hundreds of Tyros in the making ready to seize upon this opportunity.

These fintechs, regtechs, advisetechs have started to cherry pick among all facets of banking and offer great solutions with creativity, agility and dramatic cost advantages. Their challenge is to quickly build their regulatory and risk management skills and manage their customer acquisition costs.

3. The threat of big data conglomerates

The big digital consumer brands and data aggregators could ultimately be the real winners. Alibaba, Amazon, Apple and Google are making their entry in the financial services world on a big scale and this is only the start of the revolution.

Take the example of Alibaba who generates 20,000 data points on each customer that it acquires - the leading data correlation and AI capabilities are endless. Think about the huge transaction cost advantage and the dominant user interface that Alibaba has as a result!

You can even have a piece of the pie without even being a bank. Look at Apple and its Apple Pay platform. This is effectively going to disrupt the payments platform within the financial services sector in Australia.

The potential, on a global scale, to reap the rewards of being disruptive within your sector is huge. Jost sees a bright future for Australian businesses within the stockbroking and financial advisory services areas. As long as you learn the ropes early and develop your digital muscles, any Australian business can become a champion of disruption and reinvention will be able to take you a long way. ■

Jost will be presenting at the Stockbrokers and Financial Advisers Conference on 25 May 2017.

ABOUT JOST STOLLMANN, Executive Director, Tyro Payments.

Jost Stollmann is one of the key pioneers of the digital banking ecosystem. Being a passionate entrepreneur, Jost has played a pivotal role in disrupting the payments industry in Australia by challenging the big bank oligopoly and introducing integrated, mobile, cloud-based banking solutions through Australia's digital challenger bank, Tyro Payments.

With Tyro being the first technology firm in Australia to gain a full bank license in 2016, he has introduced 'NextGen' banking into the Australian market, transforming the way Tyro's 18,000 small to medium enterprise clients manage their accounting and business administration.

The state of CYBER SECURITY in 2017

By Robyn Adcock

The importance and relevance of cyber insurance is increasingly recognised in Australian board rooms – helped in no small degree by the level of publicity surrounding major cyber security breaches across the globe.

If hackers are in a position to influence the US Presidential election and bypass the security protocols of some of the world's leading companies, there's no room for complacency in the Australian corporate sector. And while there's no doubt that the risks are better understood at C-suite level than ever before, it's not uncommon for corporate entities to underestimate their level of exposure.

We would expect that to improve further in 2017, however, following the Senate's passing of new legislation on a mandatory data breach notification scheme in February. The introduction of this legislation is a game-changer. It means there will soon be no place left to hide for corporate entities that don't take the cyber security threat seriously.

What will the mandatory data breach notification scheme mean for my business?

Once introduced, the mandatory breach notification scheme will apply to all organisations that are governed by the Privacy Act. This includes government agencies, and businesses with an annual turnover of more than $3 million.

Organisations will be required to report eligible data breaches to the Privacy Commissioner as well as notifying any customers that may have been affected, 'as soon as is practicable'.

Stockbrokers and financial advisers hold a lot of personal information on behalf of their clients and should consider themselves under threat. There will be consequences for those who do not adhere to the regulations. Repeat offenders can be hit with fines of up to $1.8 million for organisations and up to $360,000 for individuals.

There is also a heightened risk of reputational damage for companies found to have experienced a serious data breach. Those organisations that don't already have a robust data breach response plan should make this a priority ahead of the new laws coming into effect.

The state of the cyber insurance market

The value of cyber insurance is most clearly recognised with regard to privacy. The costs attached to losing clients' personal data are high – the average cost of each individual lost or stolen record in Australia was calculated to be $142 by IBM and the Ponemon Institute in 2016.

Providing protection against such losses is often considered the essential element of cyber insurance, but there's more to it than that. Cyber insurance also provides protection against liabilities arising from loss of employee and company data, and loss of income while systems are down, or being investigated and repaired.

In terms of the cover available on the market, there are some major differences in policy wordings, highlighting the need for companies to seek expert advice from an insurance broker.

As with other areas of insurance, the best way to minimise premium costs is to have demonstrable evidence that best practice is being adopted in terms of data security, staff and contractor training, breach response plans, penetration testing and vulnerability assessments.

What lies ahead?

Conversations with corporate clients regarding cyber security threats have changed markedly over the past year. There is much more ownership at higher levels of the business. This is a positive step, and we recommend that cyber security remains a fixture on agendas at board level. This is a fast-moving and continually evolving area of risk. Boards are well advised to ensure they stay abreast of the latest threats and to factor them into network security and breach response planning.

Phishing, DDoS and ransomware attacks are becoming ever-more advanced. Indeed today's cyber criminals are arguably the best innovators in the IT space. They don't have to follow standard rules of business and their sophistication elevates the risk of breaches caused by human error.

We live in interesting times. Companies should not be fearful of the threats to their cyber security, but must place an onus on caution and vigilance around data protection and how they conduct their business in a connected environment. ■

Conversations with corporate clients regarding cyber security threats have changed markedly over the past year. There is much more ownership at higher levels of the business.

ROBYN ADCOCK is Arthur J. Gallagher's Client Manager, Professional Financial Risks, and a cyber insurance specialist

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Robyn's commentary was included in the latest Arthur J. Gallagher Market Overview Report: Riding the Wave of Uncertainty, which was published on 27 March. Download the full report here.

Looking at the $1.6m cap

By Peter Grace

There has been a lot written and debated about the $1.6m pension cap. But where did the figure come from and what sort of retirement income will it provide?

REMEMBER THE pension cap is the amount of superannuation that an individual can transfer to a tax-free pension. They can also have superannuation in the accumulation stage but that will be taxed at 15%. Everyone who starts a pension will have their own pension cap.

Choosing a figure

The purpose of superannuation is to provide the opportunity and incentives for people to achieve a standard of living in retirement above the safety net provided by the Age Pension. The single age pension is currently just over $23,000 a year.

The ASFA Retirement Standard benchmarks the income needs in retirement. They assume a single retiree owns their own home and is reasonable healthy. The latest figures for a 65 year old are just over $24,000 for a 'modest' lifestyle and $43,500 for a 'comfortable' lifestyle.

Government policy makes it clear that the purpose of superannuation is not to provide an unlimited tax shelter or a means to amass assets to pass to the next generation. Because the $1.6m cap is for an individual, the figure was based on twice the upper asset test threshold for the single age pension.

Features of a superannuation pension

Many retirees have complained that with current low interest rates it is not possible to achieve a pension income of $23,000 (the single rate of age pension) even if they had $1.6m in super. This complaint reveals a misunderstanding of how most superannuation pensions work.

With an account based pension, the retiree must withdraw at least a minimum amount each year. This is 4% of the account balance up to age 65, then 5% to age 75 increasing to 14% after age 95. The aim of this requirement is to ensure the capital is used up for retirement purposes and not accumulated as a reserve or for estate planning purposes.

Term	2% earnings	4% earnings	6% earnings
25 years	$81,952	$102,519	$125,162
30 years	$71,439	$81,630	$116,238

What income could be paid from $1.6m?

To estimate the income that can be generated from $1.6m capital amount we need to estimate the term in retirement and the earnings on the assets. The earnings should be expressed net of inflation to ensure the retiree's spending power is retained.

These calculations assume the capital is exhausted at the end of the term. The figures are between 3.5 and 5.5 times the single age pension and well in excess of the ASFA comfortable retirement standard.

Challenge for advisers

If retirees adopt ultra conservative strategies they will limit their retirement income and the longevity of their income stream. Advisers need to educate and coach pre-retirees and retirees to accept more 'risky' portfolios where the pension capital has the opportunity to grow. ■

Our new and updated RG146 Superannuation course is highly recommended for anyone who advises on securities in self managed or other superannuation funds. Each month we will be publishing a short article covering a current superannuation topic written by Peter Grace the author of our new course. Peter can be contacted on wordsandtraining@bigpond.com

Gender equlity survey

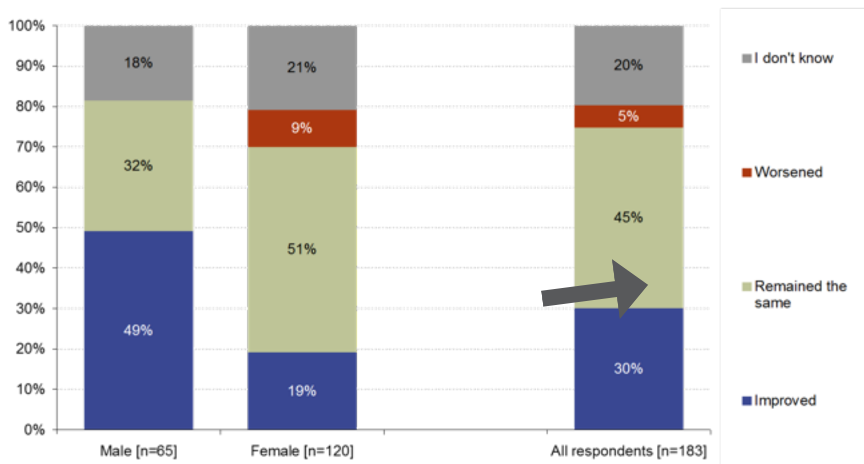
PART II

The SAFAA Women in Stockbroking And Financial Advisory Working Group conducted a survey mid 2016. A total of 188 responses were collected from the stockbroking community, from organisations of sizes varying from under 100 employees to over 500 employees.

Over three issues of the SAFAA Monthly we will share with you some the key findings from that survey (not in any particular order) – Part II:

KEY FINDING: Members of the stockbroking industry are most often of the view the situation of women in the industry has remained the same in the past five years.

How has the situation for women in stockbroking evolved in the last five years? By What is your gender?



Encouragingly, only 5% of those interviewed are of the view the situation of women in stockbroking has worsened in the past two years, with women the only group stating this. Nearly half of the men interviewed (49%) feel there have been improvements.

One in five (20%) of all respondents were not able to answer the question. This highlights the opportunity for periodic monitoring and industry-wide dissemination of progress achieved in this area. One of our objectives is to run a gender diversity survey on an annual basis, allowing corporates to use it as a tool for measuring progress in the workplace.

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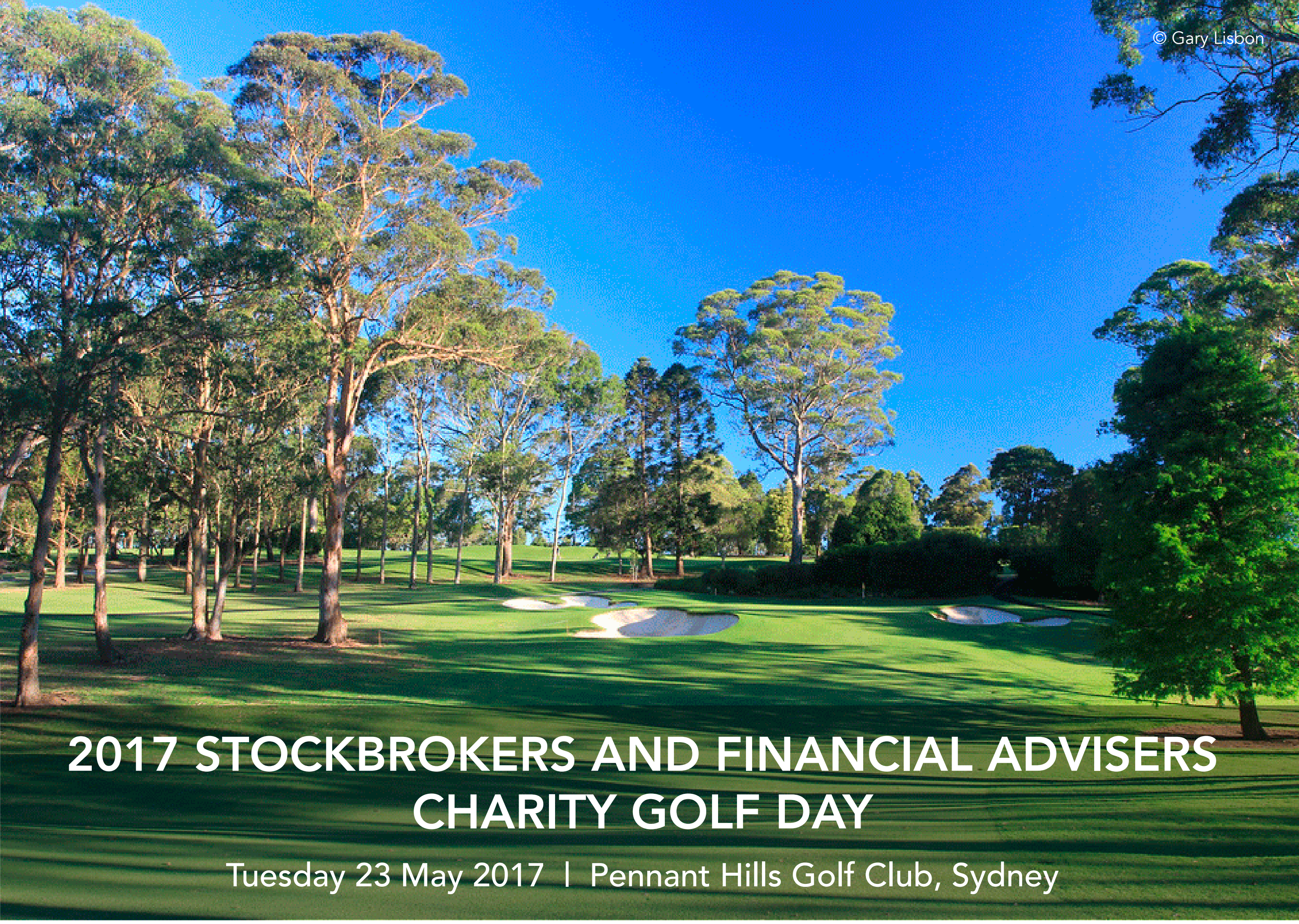
ACCREDITATION & TRAINING May, June & July 2017

Responsible Executive (RE) Series Workshops	**RE REFRESHER** – 4 CPD (COMPLIANCE) This workshop provides a refresher on the requirements applicable to REs and reviews some of the main topics in The ASIC Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive Examination. Intended as a refresher course for existing REs who have already passed the Exam(s), this workshop could also be of interest to potential REs. Topics include RE Management & Supervision Requirements (& ASIC RM comparisons); Capital Adequacy, Records, Trust; Dealing & Client relations rules; Disciplinary Processes; Corporations Act requirements.	SYD: Fri 23 Jun | 9:00am – 1:00pm MELB: Tues 18 Jul | 9:30am – 1:30pm
	RE EXAM PREPARATION COURSE – 10 CPD (COMPLIANCE) This 2 x 3-hour intensive workshop (conducted over 2 days) covers the ASIC/ASX Markets & ASX Clear (Clearing & Settlement) RE exam syllabus in detail, ensuring that candidates are well prepared for the exam(s) and know what to expect on the day, with sample questions and a practice exam.	MELB: Wed 14 & Thurs 15 Jun 9:30am – 12:30pm
	RE EXAM PREPARATION 'SHORT COURSE' – 4 CPD (COMPLIANCE) This 4-hour intensive workshop is a condensed version of the Stockbrokers And Financial Advisers Association 2-day RE Exam Preparation Workshop. It covers The ASIC Market Integrity Rules (ASX Markets) 2010 and/or The ASX Clear Operating Rules (Clearing & Settlement) Responsible Executive exam syllabuses in detail, with 7 subject areas and 2 assessments during class time.	SYD: Thurs 22 Jun| 9:00am – 1:00pm MELB: Wed 19 Jul | 9:30am – 1:30pm
Professional Development Workshops	**MARKET MANIPULATION AND OTHER PROHIBITED CONDUCT** – 4 CPD (COMPLIANCE) This workshop covers an in-depth examination of what constitutes market manipulation and other prohibited market conduct. Involving a mix of presentation and scenario-based discussion, it is designed to suit market professionals, both front and back office, including: Sales staff/client representatives; Proprietary Traders; DTRs; Investment banking; Settlement staff; and Compliance & Legal.	SYD: Thurs 15 Jun | 9:00am – 12:00pm MELB: Thurs 27 Jul | 1:30pm – 4:30pm
	INSIDER TRADING – 4 CPD (COMPLIANCE) This workshop provides a thorough analysis of Insider Trading. Topics include: elements of insider trading; statutory defences; insider trading and continuous disclosure; front running; dealing with rumours; management of confidential information; how to protect yourself, including Chinese walls, internal processes; and consequences of insider trading breaches. The Workshop is designed for sales staff/client representatives; proprietary traders; research analysts; investment banking; compliance and legal; and regulatory staff.	MELB: Thurs 22 Jun | 1:30pm - 4:30pm SYD: Thurs 20 Jul | 9:00am – 12:00pm
	A DAY IN THE LIFE OF A TRADE – 2 CPD (COMPLIANCE) This 2.5 hour short 'course in operations' focuses on the evolution of share and derivative trades from order placement through to execution to settlement (and later exercise/expiry where relevant) and reporting requirements. Designed for new or unfamiliar starters in the Industry or Markets, this workshop provides a comprehensive overview of the market and operational process. It provides an excellent foundation for retail desk assistants and would suit as a refresher for experienced staff as well as those staff in auxiliary and rotating roles: legal, IT, HR and other supporting roles associated with stockbroking. There is no assumed knowledge for participants of this workshop.	SYD: Mon 5 Jun | 9:00am – 11:30am MELB: Wed 7 Jun | 2:00pm – 4:30pm
Introductory Series Workshops	**UNDERSTANDING DERIVATIVES: OPTIONS AND WARRANTS** – 4 CPD Derivatives are an established and essential component of global financial markets. Focusing on options and warrants, this workshop discusses how and why derivatives are used for leverage and/or manage risk. Key concepts are explained through worked examples, under the guidance of an experienced practitioner. This half day workshop is also ideal preparation for **Accredited Derivatives Adviser Level 1 - ADA1 candidates**.	MELB: Thurs 8 Jun | 9:00am – 1:30pm

For further information visit **www.stockbrokers.org.au**



2017 STOCKBROKERS AND FINANCIAL ADVISERS CHARITY GOLF DAY

Tuesday 23 May 2017 | Pennant Hills Golf Club, Sydney

REGISTRATIONS

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The 2017 Stockbrokers And Financial Advisers Charity Golf Day is to be held at Pennant Hills Golf Club, Sydney on Tuesday 23 May 2017.

The Association Cup will be awarded to the team that finishes in first place in this Ambrose Competition.

Once again, the Stockbrokers And Financial Advisers Association will support the Heartwell Foundation, a community-based rehabilitation and education program for children with special needs. Heartwell empowers children to lead a better quality of life by developing their skills and improving their health, self esteem and confidence to participate with their peers.

To register a team or individual player, please visit
www.stockbrokers.org.au

If you wish to join our list of sponsors, please contact SAFAA Marketing.

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"A really good conference. Well done."

"Good blend of industry, listed companies, experts, commentators and panels."

"The conference app was a terrific innovation."

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