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From the roaring 1920s to 2022

Does Australia need nuclear energy to reach net-zero by 2050?

THE ESSENTIAL EIGHT – strategies to improve your cyber security

Bridging the digital gap in the Australian wealth management industry

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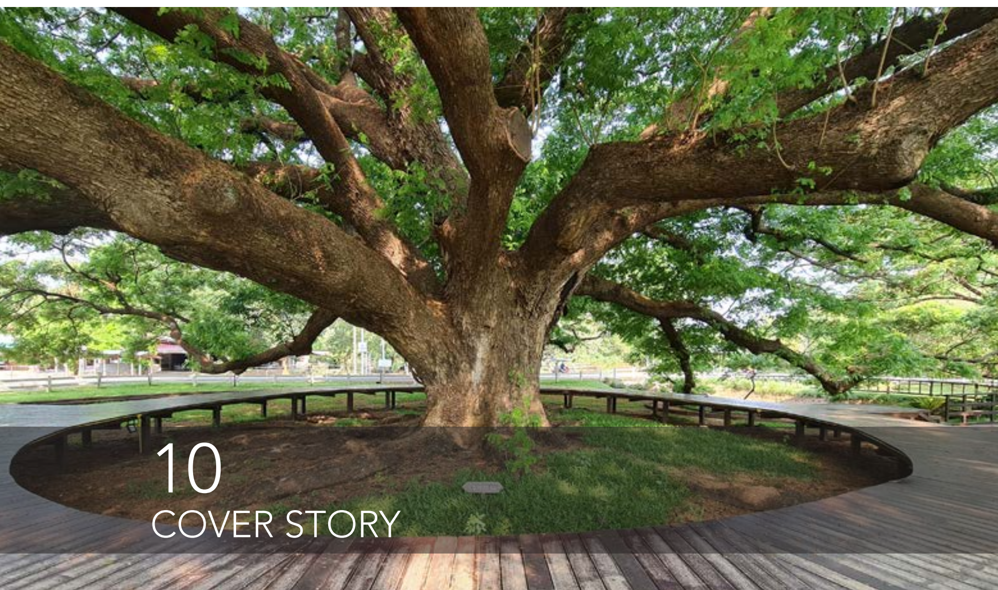

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From the roaring 1920s to 2022

By Angus Gluskie, Managing Director and Chairman, Whitefield Industrials Ltd and Whitefield Capital Management Pty Ltd

ASX listed investment company Whitefield [Whitefield Industrials Ltd ASX Code:WHF] is currently in its 100th year of operation. The company holds a diverse portfolio of ASX listed shares and is one of Australia's longest operating investment funds.

In the century since the company's formation many investment funds have come and gone, yet Whitefield has survived and grown. Here Whitefield's Managing Director and Chairman Angus Gluskie shares some insights into the company's long history and provides some intriguing contrasts between the past and the modern investment world.

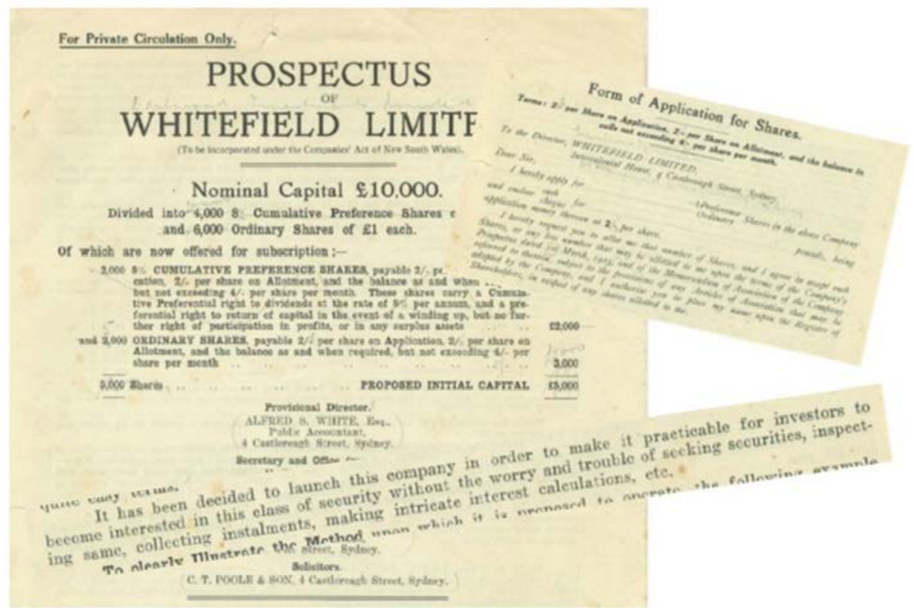
Formation of the company in the roaring 1920s

A socially-minded and entrepreneurial individual, Alfred S.White was the founder of Whitefield.

In his mid-thirties at the time, A.S.White was managing an array of interlinked businesses. He was responsible for the financial operations of his family's milling and bakery business (the stock exchange listed Gartrell White – which ultimately became Tip Top Bakeries / George Weston Foods). He was also managing partner in a practice of professional accountants, had founded and stock-exchange listed another lending company Australian Cash Orders, and created and was managing one of Australia's earliest workers compensation insurers Employers Mutual.

The 1920's were a period of strong economic growth and technological change. Mass production techniques, motorised transport, electrical appliances, telecommunications and a housing boom were changing society and driving economic activity.

In this environment A.S.White launched investment company Whitefield with a £5,000 public share issue in March of 1923 to provide a convenient way for shareholders to have their capital productively invested and professionally and efficiently managed. With buoyant demand, the initial issue was quickly followed by a series of further capital raisings. Within a few years the company's issued capital had risen to over £300,000.



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PROSPECTUS OF WHITEFIELD LIMIT

(To be incorporated under the Companies' Act of New South Wales).

Nominal Capital £10,000.

Divided into 4,000 8% Cumulative Preference Shares and 6,000 Ordinary Shares of £1 each.

Of which are now offered for subscription:–

2,000	8% CUMULATIVE PREFERENCE SHARES, payable 2/- per share on Application, 2/- per share on Allotment, and the balance as and when required, but not exceeding 4/- per share per month. These shares carry a Cumulative Preferential right to dividends at the rate of 8% per annum, and a preferential right to return of capital in the event of a winding up, but no further right of participation in profits, or in any surplus assets	£2,000
and 3,000	ORDINARY SHARES, payable 2/- per share on Application, 2/- per share on Allotment, and the balance as and when required, but not exceeding 4/- per share per month	3,000
5,000 Shares	PROPOSED INITIAL CAPITAL	£5,000

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4 Castlereagh Street, Sydney.

Secretary and Office

Solicitors.
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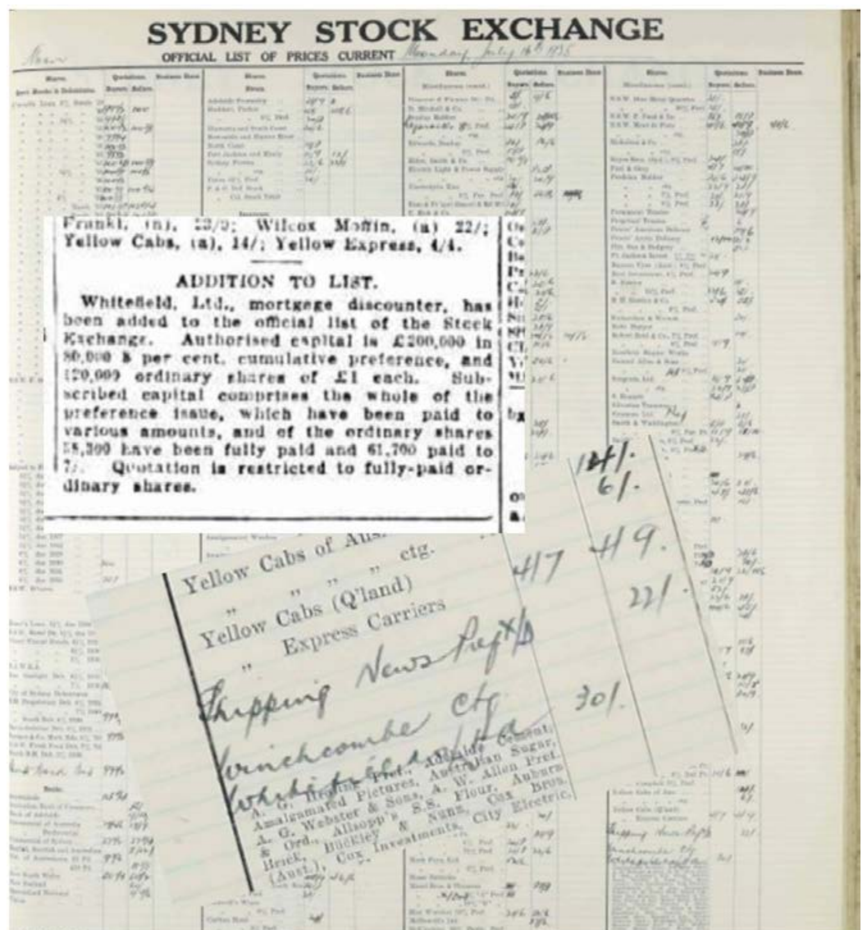
Form of Application for Shares.

It has been decided to launch this company in order to make it practicable for investors to become interested in this class of security without the worry and trouble of seeking securities, inspecting same, collecting instalments, making intricate interest calculations, etc.



SYDNEY STOCK EXCHANGE

OFFICIAL LIST OF PRICES CURRENT

Frankl, (n), 23/9; Wilcox Moffin, (a) 22/; Yellow Cabs, (a), 14/; Yellow Express, 4/4.

ADDITION TO LIST.

Whitefield, Ltd., mortgage discounter, has been added to the official list of the Stock Exchange. Authorised capital is £200,000 in 80,000 8 per cent. cumulative preference, and 120,000 ordinary shares of £1 each. Subscribed capital comprises the whole of the preference issue, which have been paid to various amounts, and of the ordinary shares 58,300 have been fully paid and 61,700 paid to 7/. Quotation is restricted to fully-paid ordinary shares.

Early trade and listing on Sydney Stock Exchange

The original Whitefield share issue was made directly to investors as well as being distributed through a network of stockbrokers. The shares were traded for the first years in over-the-counter secondary markets via the stockbroking community.

To provide greater liquidity for shareholders, the company applied for and was admitted to official listing on the Sydney Stock Exchange in June 1928. The first bid for its ordinary shares can be seen in the Noon listing of stock exchange prices on 16 July 1928.

Early investment – from mortgages to Australian shares by 1944

With consumer spending on housing and household goods driving much economic activity in the 1920's, Whitefield's early investments were in the financing of mortgages, autos and consumer goods. The latter activities being undertaken through companies ultimately merged into Whitefield - being Motor Discounts Ltd founded 1924 (auto finance) and Sylvatone Ltd founded 1925 (gramophone and consumer finance).

The consumer spending boom of the 1920's however quickly faded into the consumer frugality of the Great Depression and subsequent war years, constraining the opportunities for investment Whitefield had initially sought. Growth for the company was further limited by the Government's requirement that it redirect increasing amounts of capital into war bonds.

Over the same period technological development continued at a rapid pace and the opportunities for economic growth were increasingly evident in a multitude of business sectors – manufacturing, engineering and business services. Australia's state-based stock exchanges were also enhancing their operating structure and had agreed upon uniform listing and broking rules.

With the broad objective of being a vehicle for sustainable wealth creation Whitefield resolved in 1944 to re-orient its capital and strategy to investment in stock exchange listed businesses, and this quickly became its sole area of operation.

Benefits of a diverse exposure to the broad Australian economy

The expanding investment in listed shares was a by-product of the emerging financial landscape. It also reflected management's belief in the benefits of investment diversity in controlling risk, the financial rationale of being exposed to growth in profits from business and the functionality of listed stock markets in facilitating public investment across a wide spread of listed entities.

This emphasis on economic diversity is a large contributor to the durability of Whitefield, while still preserving its ability to generate strength of investment outcome. Whitefield held over 300 separate stocks in its portfolio in the 1950s and holds around 160 stocks today.

In contrast many other investment funds have come and gone over those 100 years, in many cases the product of overexposure to risky investment concepts in the search for unsustainably high returns.

Over the same period technological development continued at a rapid pace and the opportunities for economic growth were increasingly evident in a multitude of business sectors - manufacturing, engineering and business services. Australia's state-based stock exchanges were also enhancing their operating structure and had agreed upon uniform listing and broking rules.

Consistency, longevity and a long-term mindset

Some part of Whitefield's longevity can also be ascribed to its legal structure as a listed investment company.

While investors in Whitefield may sell their shares to others on the stock exchange at any time, shareholders also recognise that they are making a commitment of their capital to a closed-end long-term investment vehicle, while seeking to benefit from this durability of structure.

The committed capital of investors has provided the financial stability required to invest, sustain and enhance investment teams and processes over time. Good investment teams and outcomes do not suddenly appear by accident. Whitefield has had five individuals in the role of either Chair or Chief Executive over 100 years, the tenure of each (across the combined roles) being between 30 and 50 years.

The committed capital of investors has also encouraged management to prioritise the generation of sustainably good long-term results over less-sustainable short-term outcomes.

Durability of the investment entity has further benefitted shareholders by maximising the benefits of compounding and minimising the costs, disruption and uncertainty that they would otherwise be incurred if they were repeatedly having to move from one short-lived investment fund to another.

Whitefield not only has many investors who have owned shares in the company for decades, it still has investors today whose shares were issued to their families in 1923.

What has changed over 100 years

Most notably, at a technical level there has been steady incremental change in the tools of trade adopted by investment managers including Whitefield.

With manual mathematical calculations and hand written records, investment management through to the 1970's relied on financial understanding, research and convenient investment rules-of-thumb (such as value ratios).

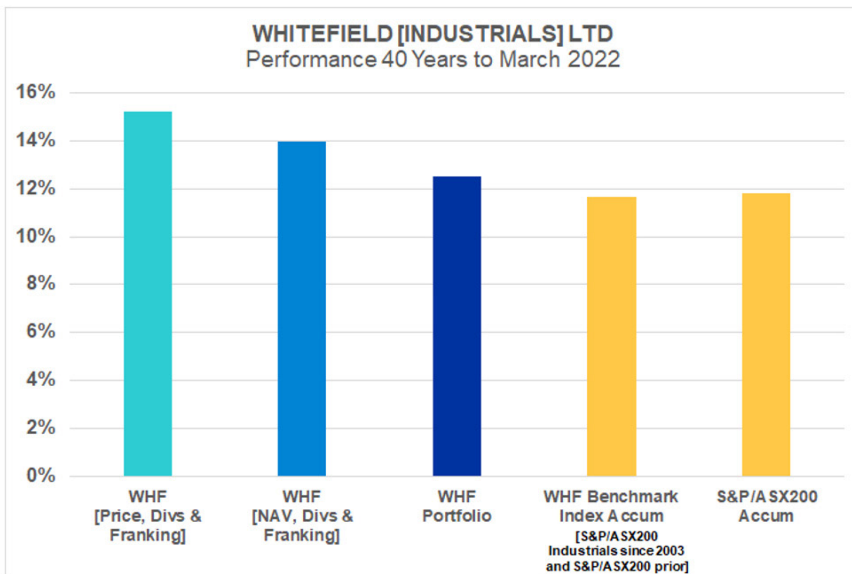
The advent of computerisation in the 1980s and 1990s allowed indexes, spreadsheet driven modelling and more complex financial calculations to be overlaid into the investment assessment and portfolio structuring process.

Most recently the digital age has enabled the rapid transmission and assessment of data electronically – providing quick access to vast amounts of past and present data, enabling calculations, modelling, comparisons and testing to be performed in ways that were not possible in prior decades.

A further intriguing point of contrast over the last 100 years relates to regulation.

Whitefield's 1923 Prospectus ran to four pages and provided a concise summary of key information.

In contrast, a Prospectus for a newly listed company today will usually run to over 100 pages and must often be accompanied by further disclosure documents from distributors and advisers. Which structure better protects the investor? The concise summary of material information capable of being read and understood by all investors, or reams of well-intentioned print



conceived to provide every possible protection – but far too copious to be read by any?

How Whitefield's investors have benefitted

While it is not possible to exactly quantify investment return all the way back to 1923, it is instructive to note that there are many Whitefield shareholders who have held shares directly, or through earlier generations of their families, through a large part of the company's 100 years operation.

These investors will have benefitted from steady investment in, and a broad exposure to the unique period of Australian industrialisation and economic development 1923-2000's, with returns delivered to them in a regular stream of dividends and growth in the underlying capital value of their shares.

Over the last 50 years records show that an investment of $10,000 in Whitefield ordinary shares in 1970 would at the start of the company's 100th year have been worth over $3,000,000 (assuming the reinvestment of dividends and after the payment of all expenses and company tax).

Looking at the 40-year period over which current indexes and equivalent company data are available, the company's investment portfolio generated a return of 12.5%pa (compared to the S&P/ASX200 Accumulation of 11.8%. If we include the benefit of franking (and measure after all costs) the company's return over the same 40-year period was 14.0%pa.

The company has also maintained or increased its dividend in every year since the introduction of the dividend imputation system in the late 1980s.

A closing note: the benefits of persistence in the light of economic and share market volatility

In October 1937, after the worst years of the Great Depression, the company's founder A.S.White gave his eldest daughter 1,000 £1 Ordinary Shares in Whitefield for her 21st birthday. With the stock market having collapsed the market value of the shares at that time was negligible.

His letter to her on her birthday states "You will at least be able to keep the [share] certificate as a souvenir ...even if the shares themselves are never worth more than the paper they are written on...However if matters continue to improve as they have done of late there is a possibility ... of dividends being paid...sometime before you die and they should then be worth a substantial sum if the not the full £1..."

For his daughter and the many other investors in Whitefield those £1 shares indeed proved to be a good investment, delivering a stream of dividend income and growth in capital value decade after decade for a further 85 years to today. Investors and the company's management now look forward to seeing the business continue to deliver solid outcomes for many years into the future as well.

Angus Gluskie is also Chief Investment Officer of insurer Employers Mutual Ltd and Chairman of the Listed Investment Companies & Trusts Association Ltd (LICAT), the association representing the listed investment company and trust industry and its over 850,000 underlying shareholders. More information can be found at www.whitefield.com.au and www.licat.com.au respectively.

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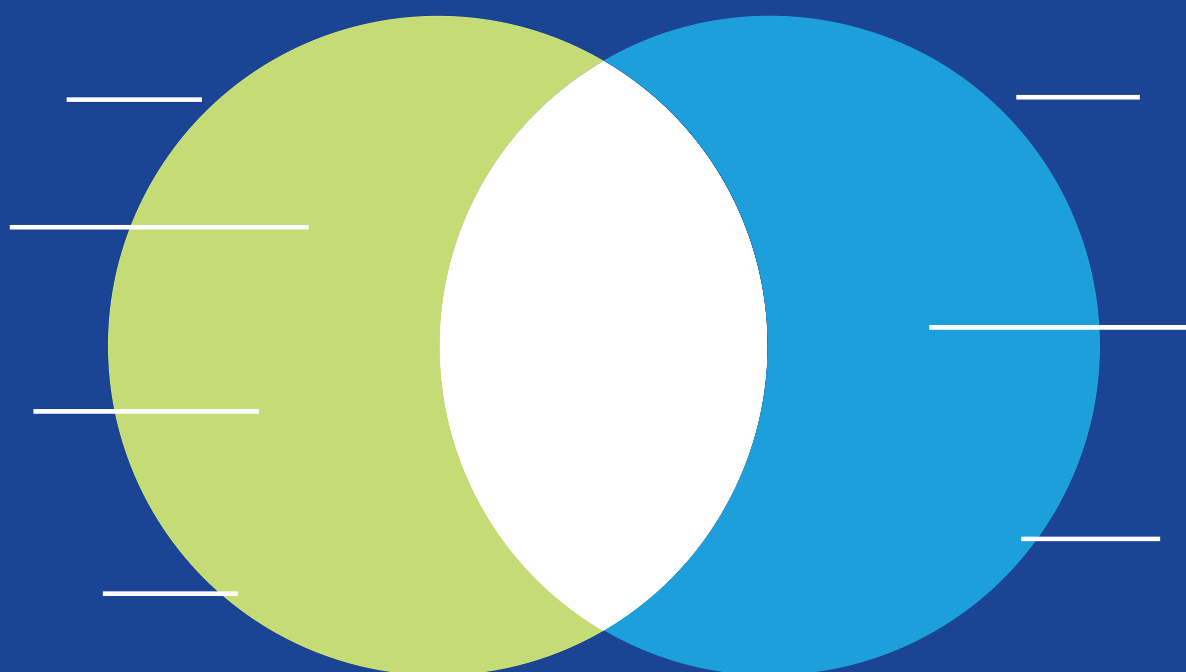

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Step aside TINA, CINDY has returned

Wednesday 9 November
1.00 to 2.00pm AEDT

Investors, in their chase for yield, reallocated into higher yielding and more volatile sectors. For a while, TINA ('There is no alternative', to equities, or riskier debt categories) dominated. Times are now changing. The surge in inflation has seen interest rates rise. Step aside TINA. CINDY ('Credit is now delivering yield') has returned!

Professional Standards CPD:
1.0 Technical competence

ASIC RG146: 1.00 Generic knowledge

Kris Bernie

Dylan Bourke

Matthew Holberton

Equipping advisers to deliver superior client experiences

Wednesday 23 November
1.00 to 2.00pm AEDT

Join Judith Fox, CEO of SIAA, who will interview Damien Piper, Singapore based Head of Business Development Asia for InvestCloud. This interview will delve into a range of technology solutions including: customising research content to suit the client; streamlining the client onboarding experience; providing digitised client performance reports and more.

Professional Standards CPD:
1.0 Technical competence

ASIC RG146: 1.00 Generic knowledge

Judith Fox

Damien Piper

DDO one year on

Wednesday 14 December
1.00 to 2.00pm AEDtT

We are now one year on since the DDO regime was introduced. What has been the experience for the industry? What have been the ramifications? In addition, Corey McHattan will discuss the possible impacts of the quality of advice review on the DDO regime, including any impact on SIAA's TMD for exchange traded options. Join Corey for this final year end regulatory wrap.

Professional standards CPD:
0.5 Regulatory compliance and consumer protection
0.5 Professionalism and ethics

ASIC RG146: 1.0 Generic knowledge

Corey McHattan

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Does Australia need nuclear energy to reach net-zero by 2050?

By Mariana Wheatley and Pablo Berrutti, Altiorem

Nuclear power generates 70% of energy in France, 30% in Sweden and 19% in the US. Policies aiming to phase out nuclear power in Japan and South Korea have recently been reversed while 19 countries have nuclear reactors under construction.

In Australia, however, nuclear energy has been banned since 1998. The prohibition was due to heightened anti-nuclear sentiments stemming from concerns about health and environmental risks after disasters like Chernobyl and decades of French nuclear testing in the Pacific, along with the availability and low direct costs of coal.

However, some are arguing that the nuclear energy prohibition should be reversed. In September, nine Coalition senators backed a bill to remove the ban, they argue that nuclear energy emits low greenhouse gases, requires less land than wind and solar, and while costly to build, provides an affordable and reliable source of energy to communities.

According to the CSIRO, Australia is the world's 14th highest emitter of GHGs, and energy production is the largest contributor to Australia's carbon emissions. To stop climate change and achieve net-zero emissions by 2050 Australian energy needs to decarbonise. The current decarbonisation plan is to increase renewable energy, but is this enough? Do we need to rethink nuclear?

Renewable energy is steadily increasing and in 2021 accounted for 29% of Australia's total energy generation while fossil fuels contributed 71% (coal 51%, gas 18% and oil 2%). Earlier this year, the Australian Energy Market Operator (AEMO) published a 30-year roadmap forecasting Australia's energy requirements and investment priorities to transition from fossil fuels to renewables. An estimated $420 billion of new investment is needed by 2050 to secure Australia's energy supply while reducing emissions.

Nuclear energy is not in AEMO's plan and leading climate and energy research organisations, the Climate Council and the Institute for Energy Economics and Financial Analysis, are adamant that Australia does not need nuclear power due to the viability of renewable technologies.

Renewables are the cheapest source of new electricity and from as early as 2025, there will be moments when the National Electricity Market (excludes WA and NT) has enough renewable energy to meet 100% of demand. While this is an extraordinary transformation, most renewables are intermittent and so

firming technologies that store energy are needed to ensure renewables can meet Australia's energy needs.

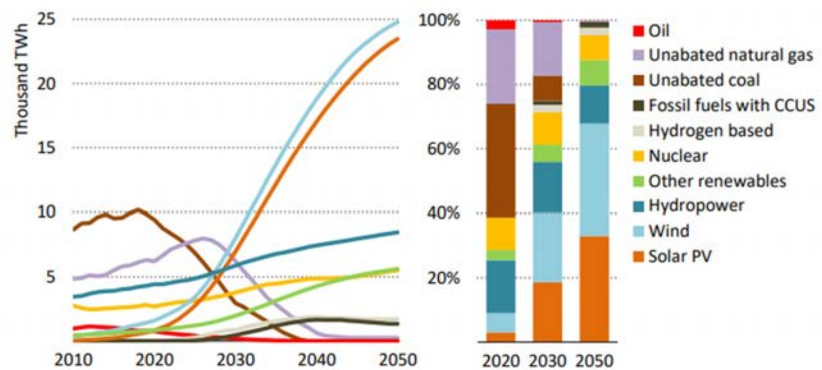
Nuclear plants are expensive to build and have long construction times of around 10-15 years, and so are unlikely to be online in timeframes needed to support the rapid transition away from fossil fuels which is already underway. As of mid-2022, 53 reactors are under construction globally, however according to the recent World Nuclear Industry Status Report nearly half are delayed.

Even if the current bill in parliament successfully reverses the moratorium, licencing and compliance with local state and territory laws will still be required and without extensive consultation are likely to result in lengthy delays from litigation and community opposition. While these challenges mean nuclear energy is unlikely to play a meaningful role in Australia's energy mix, it will continue to play a role for other countries.

One of the benefits of nuclear energy is that it is energy dense and can produce energy with a small amount of nuclear fuel and waste. Uranium contains two to three million times the energy equivalent of oil or coal. According to World Nuclear Association, the waste from a reactor supplying a person's electricity needs for a year is the size of a brick and only 5 grams of this is high-level waste. Nuclear energy production also does not result in air pollution, which is estimated to kill 4.5 million people a year.

Australia holds one-third of the world's uranium with exports earning $500 million this year and is expected to increase to $880 million by 2023–24. The 411 nuclear reactors in operation are expected to increase alongside global energy demand which is expected to grow 80% by 2050. The International Energy Agency predicts

Figure 1. Global electricity generation by source in a net-zero emissions scenario



Source: IEA, Net Zero by 2050 – A Roadmap for the Global Energy Sector

that global nuclear energy output will double by 2050, contributing below 10% of total supply, while wind and solar are expected to account for 68% of global energy.

While increased demand offers some opportunities for exporters, stakeholder consultation is vital. One important aspect is the need for free, prior and informed consent (FPIC) from impacted First Nations peoples. The 2019 House of Representatives inquiry into nuclear energy spoke to Dwayne Coulthard from the South Australian Conservation Council who said, "A lot of these uranium deposits and a lot of the stuff that you find in uranium are very much associated with sacred stories and sacred sites...So any discussion about creating a nuclear energy reactor, small or large—it would obviously happen on Aboriginal land".

In addition, while seemingly small, high-level nuclear waste is so toxic to life that it needs to be safely stored below ground and is estimated to remain toxic for up to 1 million years. Nuclear waste's inconceivable lifespan poses a challenge to nuclear energy's social licence to operate. A question remains over whether as an exporter of uranium Australia carries some responsibility to manage the waste.

If Australia were to build nuclear power or take some responsibility for storing wastes from exports, a permanent repository for high-level reactor waste would be needed, which also requires a commitment to monitor it and keep it secure from health and proliferation risks for 1,000s of generations.

Nuclear disasters loom large on the public psyche, but its safety record has been relatively good, with only a fraction of the deaths in its history of those attributed to fossil fuels in a single year. In decades past when renewable technologies were too costly and unreliable, increased use of nuclear energy could have played a meaningful role in slowing climate change and reducing premature deaths, however, evidence from AEMO to the IEA suggests that time has passed.

Whether domestically or globally, the role of nuclear is likely to be modest in the decades ahead and the national discussion on the risks and benefits has many years to run. The investment opportunities which may come from nuclear energy or uranium exports are likely to be proportionate to that modest role, while Australia's vast potential for renewable energy and in the future green hydrogen exports and low carbon manufacturing offer historic opportunities. The sun may be setting on hopes for a nuclear energy era.

The International Energy Agency predicts that global nuclear energy output will double by 2050, contributing below 10% of total supply, while wind and solar are expected to account for 68% of global energy.

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THE ESSENTIAL EIGHT

– strategies to improve your cyber security

By Frances Russell, CEO & Managing Director, FooForce

Security is an everyday task. I don't mean its routine or low importance, but that it is crucial and needs attention everyday to keep your business, your people and your systems safe.

Security should not be about shutting the stable door after the horse has bolted. It should be proactive so that cyber-attacks don't work in the first place. That's why the Australian Cyber Security Centre (ACSC) has published The Essential Eight. It's not a standard or a framework, it's a list of practical actions you can take so your systems and your people and your data are safer.

This article explains why The Essential Eight strategies matter and how they should be applied in your business.

Why another set of guidelines?

There are already so many security guidelines, frameworks, standards, why add another one?

Whether you are a large business with demanding security requirements, or a business with very sensitive data, or a small business just starting out, The Essential Eight will help you meet your security requirements. With a clear path to progressive improvement through a maturity model, The Essential Eight can guide you to align at the level you need for your unique business circumstances. A key difference between The Essential Eight and other security guidance is that the strategies are all proactive and practical.

Cyber-crime is a real cost to Australian business. Here are some basic facts:

- If you don't take positive action on cyber security, you will be targeted and you will be impacted.
- The ACSC estimates the cost of cyber-crime to Australian business at more than $30 billion per year www.cyber.gov.au/acsc/view-all-content/reports-and-statistics/acsc-annual-cyber-threat-report-july-2020-june-2021
- If your business "pivoted" during COVID to a more mobile workforce with flexible arrangements for working from home, you are of course in good company, everyone else did it too. The pandemic ushered in the largest, fastest business transformation ever seen – with inadequate planning that was often at the expense of security standards. It

helped increase the opportunities for cyber-attack.
- Cyber crime has increased so much in the last few years, that even notoriously slow to react institutions are catching up: Government policy, ASIC, APRA, court judgements, insurers. The end result is that the focus has now shifted to holding business accountable for the security of their own systems and their clients' data.

Enter The Essential Eight

It's easy to follow the Essential Eight: it's a practical list of how to configure your systems so they are a lot tougher on cyber crooks by proactively guarding against many of the most common attacks. There are eight areas to configure:

- The first four are about PREVENTING attacks.
- The second four are about LIMITING what an attack can do. Chart 1 is a nice graphic.

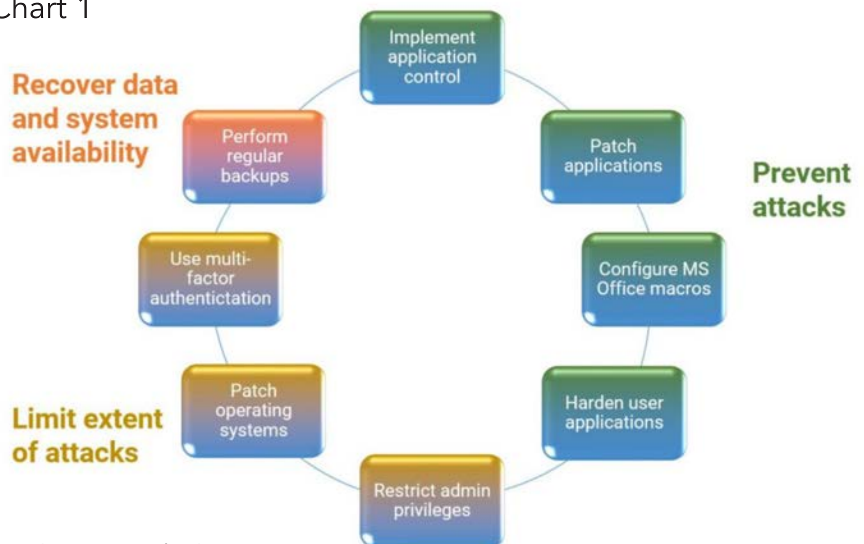
If you implement all of these – and really do them, not just write them in a policy – then your systems will be much safer from attack. Simple as that.

How to implement The Essential Eight

The Essential Eight is designed for businesses to be able to follow a plan for implementing the strategies. The ACSC has provided a Maturity Model with three levels, using it any business can:

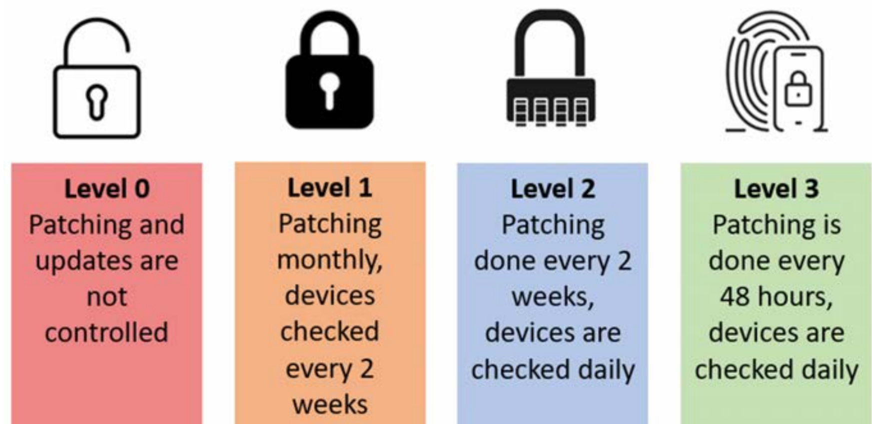
1. See where they are at currently across all eight strategies
2. Assess where their business needs to be to meet their particular requirements (based on their own risks and the sensitivity of the data they hold).
3. Identify what the gaps are – and therefore have on hand a practical to do list that will bring the business into alignment with the Maturity Level the business wants to meet.

Chart 1



Graphic courtesy of redgate.com

Chart 2



Level 0	Level 1	Level 2	Level 3
Patching and updates are not controlled	Patching monthly, devices checked every 2 weeks	Patching done every 2 weeks, devices are checked daily	Patching is done every 48 hours, devices are checked daily

Here is an example:

One of the Essential Eight is "Patch Applications". In summary, this strategy includes:

- Update applications with the latest security patches
- Remove any applications that are no longer supported
- Check devices regularly to confirm they are up to date

Chart 2 shows what that looks like across the different maturity levels (I have included Level 0):

Each of the strategies has easy to understand guidance for each maturity level. In this example, you can see if you are a company with sensitive data or high needs for uptime, you most likely need to align with Level 3.

> "
> It's easy to follow the Essential Eight: it's a practical list of how to configure your systems so they are a lot tougher on cyber crooks by proactively guarding against many of the most common attacks.

Not a do-it-yourself project

All the strategies require technical skills to implement and all of them require proper automation, monitoring and control to roll out and manage across your environment. They highlight the need for a good IT partner to support your business.

To implement the Essential Eight:

- Get a maturity level report
- Assess your risk and requirements (your business, your clients)
- Identify the gaps – by listing what you need to do to align with your identified Maturity Level
- Implement the list in easy steps

What will you get for your trouble?

Of the top 15 most successful types of cyber attack, The Essential Eight covers 10. Here is a list of those top 15:

1. Malware (viruses on your computer)
2. SQL injection (exploit attacking a database server)
3. Zero-day exploit (brand new virus that nobody has heard of or seen before, so anti-virus programs don't know about it)
4. DNS Tunnelling (a way of attacking a computer to run malware on it)
5. Business Email Compromise (stealing access to your mailbox)
6. Cryptojacking (a hacker installs malware that allow them to secretly use your computer)
7. Drive-by Attack (infected websites that malicious code through your browser to your computer)
8. Cross-site scripting (XSS) attacks (malicious code on a website that can infect your computer when you use that website)
9. Password Attack (guessing or otherwise stealing your password)
10. AI-Powered Attacks (using artificial intelligence to massively speed up the ability to attack a lot of computers at once)
11. Phishing (persuading people to take unsafe actions)
12. Man-in-the-middle attack (a fake site interposed between you and the site you think you are accessing)
13. Distributed Denial-of-Service (DDoS) attack (a barrage of connections to a website done to overwhelm the site and make it inaccessible)
14. Eavesdropping attacks (a hacker sniffs network traffic to pick up private data)
15. IoT-Based Attacks (attack on unsecured non-computer devices such as printers to gain access to a network)

The first ten on the list can all be made safe by implementing The Essential Eight. The last five relate to websites, networks and people. You can fix these by:

- Doing regular cyber awareness training for your staff
- Protect your website and network
- Secure ANYTHING that can connect to the Internet

Your business needs to implement The Essential Eight – do it now!

A video recording of a webinar on this topic is available via the SIAA website www.stockbrokers.org.au/cpd-webinar-recordings-2022. FooForce can help you to do a Maturity Level assessment and assist with implementing The Essential Eight for your business. Frances Russell can be reached via email frances.russell@fooforce.com.

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Bridging the digital gap in the Australian wealth management industry

By Yaela Shamberg, Co-Founder and Chief Product Officer, InvestCloud

For wealth management to stay relevant, the industry needs to offer intuitive and meaningful experiences for all clients, while giving them the right amount of choice and freedom: optionality is key.

In parallel to what is happening within the wealth management community, the Australian Government has set a roadmap to become a world-leading digital economy and society by 2030. Its roadmap is driving all businesses to be digital, ensuring that all Australians have access to digital skills and technology, all data is integrated and technology is designed in ways that make life easier.

But the Australian wealth management industry seems to be way off of these aims as a general matter – and more particularly, far away from being able to deliver it as a client experience within a wealth management context.

In the US, the pandemic accelerated the need for digital adoption, and many industries, including wealth management, stepped up.

Yaela comments: "The need to be physically in front of the client was removed during the pandemic. Digital transformation moved from a conversation to a clear imperative, and specifically that digital needs to start with communication tools – strengthening the relationship between the client and adviser. We now see digital enhancing and enriching trust, transparency, brand entanglement and more. That is the starting point – client journey, communication, adviser experience. Digital is the tool that will enrich the client experience."

Shorter tech cycles mean that wealth managers need to be on the tech evolution train and with the right partnerships to support their unique digital journey.

"You cannot be all things to all people, so wealth managers need to get help to be on top of their game. They need to work with an innovation partner to problem solve, to get rid of technology debt, to break the bonds of old thinking and to think digital-first to leverage assets and see things through the lens of the client experience."

The Australian industry has some catching up to do. It has spent the past ten years looking at product features and functionality. Tech innovation has been around the middle and back office and moving key infrastructure to the Cloud. The market has been dominated by four retail banks, and wealth managers have had to compete within those banks for capital for their own projects.

But the opportunity is now to rethink and redesign processes that enable digital within an organisation, redesigning how things are done rather than just digitising an existing process. Using digital to make the best use of data is one immediate opportunity.

Investing in training and education is also vital to ensure that uptake is strong. Clients and advisers need to be confident in making the best use of technology and adopt the new processes and opportunities afforded by technology. It is an exciting time where the pull towards digital is stronger than ever," says Shamberg.

> It is not a 'one size fits all' for clients. Being design-led and understanding behavioural science means you can have something that appeals to different clients and advisers.

But what does best practice look like? What should the industry in Australia be aiming for?

"Bringing data to a single place, a digital warehouse with a deep and wide data model should be a focus. In the past, you would get data in different pockets everywhere, and that disparate data and tech made it hard to make the best use of it. Instead you need data that is not just pooled but also has rules around collection and aggregation that empower the digital transformation journey.

She cites design-first as another key concept: "It is not about just building; it is about designing it so that it looks and feels attractive and is intuitive to use. Design is about engagement."

These elements, she explains, add up to digital empathy. "It is not a 'one size fits all' for clients. Being design-led and understanding behavioural science means you can have something that appeals to different clients and advisers. If they can use something on their level, then you create brand entanglement – where people want to come back for more, specifically to your brand."

Optionality is the third element: "You do not have to deliver everything all at once, but if you can respond to a demand, such as for self-directed trading, then the client stays with you – as opposed to going elsewhere for self-directed trading and then moving other things over, too. This makes for better engagement and again, leads to more entanglement," says Shamberg.

If data, design and optionality are the first steps – can the Australian industry work to catch up to the US and UK?

Shamberg comments: "Being current and understanding your client will be key to being client-centric and offering your clients what they need. Capturing and supporting your clients' lifestyle management, across all phases of their lives, means continually capturing relevant and important information and using it to meet the clients' needs and add value."

Leveraging AI to inform optionality and to offer client-centricity that is personal to the client, as opposed to crude segmentation solely along the lines of age or AUM, will also make a difference. Client choice will be key to this centricity, so being able to offer options for personalisation will determine success.

Over the last 10 years, Yaela Shamberg has helped elevate the company into a leading global financial technology platform. She plays a critical role in the company's path of innovation and commitment to building beautifully designed apps. For more information go to investcloud.com.

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SUPER SNIPPETS

Work test change has its cons

By Darin Tyson-Chan, Editor, selfmanagedsuper

The superannuation industry was overjoyed when it was announced in the 2021 federal budget that the work test would be scrapped for people aged 67 to 74 who intended to make non-concessional contributions.

The change was included in the Treasury Laws Amendment (Enhancing Superannuation Outcomes for Australian Business Invest) Bill 2021, which received royal assent in February, bringing in the rule change from 1 July 2022.

Until that time, individuals over the age of 67 had to ensure and prove they had been gainfully employed for at least 40 hours during a consecutive 30-day period in the financial year in which they intended to make the superannuation contribution.

But while there is no need to satisfy this test if a person wants to make non-concessional contributions to their super fund, the requirement still exists for individuals wanting to make a personal contribution for which they want to claim a tax deduction.

To be fair, the rules covering these situations have also been relaxed, but superannuants need to be mindful of the pitfalls associated with them. The slight tweak applies to the process involved with claiming a tax deduction for a personal contribution.

These rules dictate that if an individual wants to make a personal deductible contribution, they must first provide the trustees of the super fund with a notice of intent to do so. Before 1 July 2022, the person intending to claim the deduction could not lodge their notice of intent until after they could prove the work test had in fact been satisfied. After this date though this is no longer the case and people can now submit their notice of intent to claim a deduction from a personal contribution before they have satisfied the required work test.

This of course opens up a bit of a proverbial can of worms because it presents the possibility where someone has lodged a notice of intent to claim the deduction who subsequently fails to satisfy the work test in that financial year.

You may be wondering how this could happen and whether it's just evidence the individual has been derelict of their obligation to meet the work test. But sometimes it's not that simple. Consider a set of circumstances where someone had every intention of meeting the work test, but fell ill and was physically unable to meet the requirement.

So what happens then?

In these situations the member has to then submit a notice of intent to vary a deduction for personal contributions to the super fund trustees – more red tape for everyone to process.

And the fun doesn't end there.

Prior to the beginning of the 2023 financial year, individuals needed only communicate to super fund trustees they had satisfied the work test in the year the contribution was made. Now, however, individuals must declare they have met the work test allowing them to claim a deduction for a personal super contribution on their personal tax return.

It basically means the Australian Taxation Office (ATO) will have all the information it needs at hand to police the accurate claiming of these deductions.

For example, it will know straightaway if an individual has claimed a deduction for a personal contribution and can then fairly easily check to see if the work test has actually been satisfied by that person. To this end, all it would take is for the ATO to establish if the super fund member had a group certificate from an employer or had any income declared under self-employment.

So while there has been a relaxing of the work test rules, superannuants should note the changes are not all beer and skittles as they say in the classics. Perhaps the take-away message should be to continue to satisfy the work test before making a personal deductible contribution regardless of how the legislation now operates.

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