2019 09 Spring Edition

Your Personal Wealth

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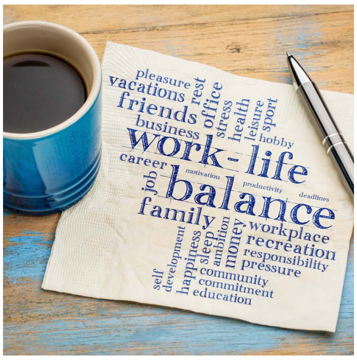
IN THIS EDITION

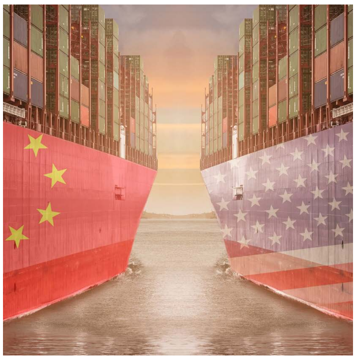
CLIENT EXPERIENCE

What Australians really think about financial advice



FINDING BALANCE

6 simple steps to a more balanced life



INVESTMENT MARKETS

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Lifespan winner of 3 awards in this years IFA Excellence Awards

CLIENT EXPERIENCE - *What Australians really think about financial advice*

With the Royal Commission into Banking and Financial Services taking (only) a negative view on some of the primary providers of advice, there have been recent attempts to garner the opinions of the average Australian consumer to determine what they think about financial advice in order to help bring a client-centric focus back to these examinations.

The *IFA* and *Momentum Intelligence* (a highly regarded industry publishing house) have recently carried out Client Experience Surveys and, along with the recent release of ASIC Report 627 Financial advice: *"What consumers really think",* each report seemingly espouses the value of advice and asserts a deep endorsement for the majority of the adviser community. The results have provided additional insights into Australians attitudes, perceptions and priorities in relation to financial advice.

ADVICE CLIENTS

The release of ASIC's 627 Report highlighted that among Australians who had received professional financial advice, 89% intended to get advice again in the future.
The report also highlighted that almost four times as many Australians who received advice in the past 12 months had a 'great deal of trust' in their advisers compared to those people who had not received advice. This was mirrored in the IFA Client Experience Survey where Ninety-four per cent of the 1,008 Australians who currently engage a financial adviser, said they were satisfied with their financial adviser.

The ASIC report also highlighted that advised consumers are more engaged with their financial affairs, have higher incomes and levels of education. If their interaction with advisers has improved their financial behaviour, then that is another reason to seek advice.

When it comes to fees, around 50 per cent of advice clients have gaps in clarity on what their fees are paying for. Half of all advice clients surveyed said they "always" know what their fees are paying for, while the remaining 50 per cent have various levels of knowledge gaps around what their adviser fees can be attributed to, with 35 per cent knowing "most of the time", 3 per cent "about half the time", 8 per cent "sometimes" and 3 per cent "never".

The royal commission has dented client perceptions of the industry but not so much on their adviser. Three-quarters of advice clients said their perception of the financial planning industry have been impacted by the Hayne royal commission. However, only 28 per cent of advice clients said their perceptions of their adviser have been impacted by the royal commission.

NON-ADVICE CLIENTS

The Client Experience survey also explored the attitudes, perceptions and priorities of 311 Australians who do not currently engage a financial adviser.

It was found that most non-advised clients don't completely understand the services advisers offer. Seventy-one per cent of non-advised clients had gaps in understanding what services advisers offer. Further, 56 per cent of non-advised clients agreed with the statement, "I am not sure how a financial adviser could help me".

The other very important piece of information that Australian consumers provided in the ASIC research was that the main reason individuals did not obtain advice was that advice was too expensive. And yet the industry is about to have a reform agenda thrust upon it that will greatly increase costs to the consumer.

The Survey found that Fifty-five per cent of non-advised clients who previously had an adviser quoted "cost" as the reason for ceasing the engagement. In addition, 44 per cent of non-advised clients agreed with the statement "I cannot afford the cost of a financial adviser". However, the survey noted that the statement is contextual and respondents were not provided a cost to evaluate, which means that they are applying their own experiences and are potentially uninformed in how much it costs to engage an adviser. Other reasons cited included the performance of investment/financial products (38 per cent), communication skills (18 per cent) and technical skills (18 per cent).

The ASIC report indicated that there was significant mistrust of financial advisers, but that it was mainly prevalent among people who had never received financial advice.

The only conclusion that can be reached from this is that those people who don't trust advisers have formed that opinion from statements by politicians and mainstream media coverage. It could not be from people who have received financial advice because the overwhelming majority of them were positive about their experiences with advisers.

The negative perception of financial advisers can also be attributed to lack of understanding. As the ASIC report acknowledged: "Even limited knowledge of recent reforms (e.g. the Future of Financial Advice (FOFA) reforms or the professional standards reforms for financial advisers) appeared to improve perceptions of the financial advice industry".

These surveys have provided helpful insights into how, in the aftermath of the royal commission, financial advisers are still held in high regard. The surveys also give vital understandings on how advisers could further enhance the advice process by better understanding advice clients, and highlighting the expectation gaps of fees and services in the advisers' offering.

The results of these examinations has had the effect of complimenting financial advisers, with the overwhelming majority of them seen to be acting in the best interests of their clients to improve their financial circumstances.

Source: Lifespan, ASIC, ifa & Momentum Media

FINDING BALANCE - *6 simple steps to a more balanced life*

It can be tempting to stay back in the office at night or pull out the laptop after dinner at the expense of family and social time. I've heard many stories from professionals about how much of their children's' formative years they missed because they were working so hard.

In your twilight years, will it be your professional success or your relationships and experiences with family and friends that you look back on fondly? If you say professional success, it may be time to re-think your priorities.

There are a few simple strategies that can make all the difference to your professional efficiency and work life balance while avoiding the guilt that you are letting business obligations and client service slip.

1. Work smarter, not harder

At the core of working smarter is time management – determining the three to five tasks of the day that are the highest priority and focusing your energies on those. This doesn't mean that you should just forget the other projects that are on the go; it's about minimising the number of balls that you are juggling at any one time so you can focus on the job at hand.

It is practically impossible to remain focused on a task while you are constantly responding to emails. Some strategies for managing emails include setting aside a few minutes every hour for email responses and turning off the automatic email alerts that pop up on your screen.

Delegation of responsibilities is also a critical part of working smarter, not harder but it is one that many practice principals struggle with. They've often spent years building up their business and developed a personal attachment, so find it difficult to allow other staff to assume some responsibility. But, by delegating certain management responsibilities to senior staff, you will find that they bring fresh ideas to the business and will be more motivated and engaged.

2. Do we really need a meeting for that?
Before scheduling a meeting, think about whether a simple phone call or email exchange could achieve the same objective. If a meeting is absolutely necessary, draw up a quick agenda ahead of time, particularly if a large number of people are involved.

3. Take that lunch break you are entitled to
It can be very tempting to eat lunch at your desk while you continue to work. But there are a number of health benefits from getting out of office at lunchtime and raising the heart rate. A recent study from Bristol University found that workers who exercised during their lunch break experienced a 41 per cent increase in motivation and 21 per cent increase in concentration in the afternoon, this will undoubtedly result in increased productivity which will more than compensate for the time spent. You'll also burn a few calories and decrease your susceptibility to diabetes and heart disease.

4. Don't be such a perfectionist
Many people let the pursuit of perfection get in the way of doing a good job. I'm certainly not suggesting that you should be content with mediocrity, however you need to prioritise. If you agonise over perfecting every single task, especially those you have delegated, you'll never be efficient. People who always aim for the absolute ideal outcome in everything they do can also experience 'perfection paralysis' – the inability to function efficiently due to the fear of not achieving perfection.

5. Take control of technology and put the phone down!
I would argue that nothing has done more to disrupt the work/life balance than the introduction of the smartphone. Of course, it is also responsible for enormous gains in productivity, but it is absolutely necessary to control its use and not let it
take control of your life.

A recent study by research firm, Reventure, found that 73 per cent of Australian workers feel they are constantly connected to work because of technology, up from 46 per cent in the previous year. So, what can be done to detach from technology without feeling that your dedication to clients is suffering? Getting into a habit of consciously switching off your phone after a certain time of the evening is a good start.

6. Take your private time seriously
This sounds obvious but many people don't do it. The 'quality time' you spend with family and friends is greatly diminished in value if you are checking emails or taking calls related to work. When you're with your family and friends, be there and nowhere else. Just like you are when you're at work.

Allow yourself to relax and completely switch off from work without guilt. Being 'in the moment' is the only way to truly appreciate it and show those around you that this time is important to you. Never switching off is also much more likely to result in professional burn-out.

Source: Lifespan

INVESTMENT MARKETS - *Trade Weighs on Markets*

US equities reached new highs in the second half of July but have subsequently pulled back a little. Australian equities also recorded a record high but are now trading around the levels we saw at the end of June 2019. Markets have been weighed down by the interest rate yield inversion in the US and geopolitical risks arising from the US-China trade conflict.

Interest rates have continued their dramatic fall both here and overseas. The Reserve bank of Australia (RBA) cut the Cash rate twice to 1.0% which is a historic low. The Australia 10-year government bond is currently yielding 1.0% which is very close to a historic low. The US Federal Reserve (Fed) cut short term interest rates (the first time in 10 years) by 0.25% to a range of 2.00% to 2.25% and the US 10-year bond is currently yielding 1.5%, well below the US Fed Funds rate. The implication is that markets expect that there will be even more rate cuts in the US. Currently over $15 trillion of global government bonds are trading on a negative yield with the German 10-year yield at -0.7%.

The Australian equity market has been one of the better performers over the last 12 months returning 13.3% versus 11.8% for Global equities. For the 3 months to the end of July 2019, Australian large cap equities returned 2.9% while Australian Small Cap Equities did somewhat better, returning 4.5%. Emerging Market equities were the laggard returning 0.65%. The Australian fixed interest benchmark had another great 3 months returning 3.6% while Cash returned 0.40% for the same period. Australian listed property also had a great 3 months returning 5.3% as a consequence of falling bond yields.

Global equity markets are treading water right now as very low interest rates are being offset by concerns over trade and a global slowdown. The dramatic fall in interest rates in Australia (which were high relative to other countries) is likely the major reason our equity market has outperformed most other markets recently. The chase for any 10-year bond yield has resulted in higher Australian equity prices despite lacklustre earnings growth of just over 1% in fiscal 2019. Essentially, we have had rising valuations or a multiple re-rating in 2019. According to JP Morgan the ASX 200 was on a PE of 16.7x at the end of July (historical average is low 14x), in addition, 6 of the 11 sectors were trading on multiples greater than 20x forward earnings. Equities have only pulled back a little since then.

The RBA has not achieved its inflation target of 2% to 3% for 3 1/2 years and now believes the rate of unemployment can fall to 4.5% (previously 5%) before there would be a meaningful pick-up in inflation. The RBA indicated after its August meeting it would ease monetary policy further if needed to support sustainable growth in the economy. It has also made statements saying interest rates will be "lower for longer." This statement could be considered to be "forward guidance" and means the RBA has now joined other central banks in using that tool. The bottom line is the market now expects the Australian Cash rate to fall to 0.5%. The impression is that if further stimulus is needed past that point it would be provided through unconventional means such as QE (discussed in a recent parliamentary committee).

The on/off again yield inversion in the US has been closely watched (2-year yield above the 10-year yield) as a predictor of a recession. We should point out that the inversion has been only 2 or 3 basis points and recessions usually occur more than a year after an inversion, during which time equities generally rise. Many commentators would say that this signal is less relevant in a world where rates are manipulated (QE). What we can say is that markets expect several interest cuts in the US and the ECB and this is generally supportive of equities

Markets right now are captive to the outcome of the US / China trade negotiations which do not appear close to a resolution. There is a significant risk this could drag on and weigh on markets for a long while yet.

There appears to be a slowdown in the US, particularly in manufacturing. A favourable deal would be very positive for equity markets and would likely help to extend the economic cycle. It would also tend to strengthen the Australian dollar but would be negative for bonds as it should put some upward pressure on interest rates.

A world in which even longer-term bond yields are trading below inflation favours risk assets such as equities. Fixed interest has been an amazing performer as yields have fallen. However eventually you get to the point where you run out of capital gains and receive just the coupons (or worse). Equities are not without their risks though. The Australian market as whole looks stretched relative to many global markets. Valuation in the US (S&P 500) looks reasonable at 17.8x calendar 2019 estimates and 16.6x forward earnings. We would just restate what we said last time, that we would be cautious right now and we would rather accumulate on pullbacks from these levels.

Source: Lifespan

Investment Returns to 31 July 2019 (% p.a.)

Asset Class	1 Mth	3 Mth	1 Yr	3 Yrs	5 Yrs
Australian Shares	2.94	8.58	13.26	11.68	8.55
Global Shares	2.32	3.07	11.76	14.07	13.65
Listed Property	2.57	9.54	21.22	7.15	13.1
Fixed Interest	0.85	3.63	10.33	4.27	5.18

Source: Mercer

THREE FOR THE WIN - *Lifespan winner of 3 awards in this years IFA Excellence Awards*

Since 2014, the IFA *Excellence Awards* have celebrated and recognised the outstanding success of Australia's independent and non-aligned advice community, including advisers, licensees, support staff and practices.

This year has seen a record number of Lifespan advisers nominated as finalists for awards and we are very pleased and proud to announce that Lifespan Financial Planning has three winners at this years awards.

A well deserved congratulations go to Prashant Nagarajan from Finnacle, one of our Victorian based advisers, winning the Innovator of the Year Award, whilst our National Practice Manager, Michael Gershkov, received the Practice Management Consultant of the Year Award.

Our own CEO, Eugene Ardino was honoured to win the Dealer Group Executive of the Year Award.

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