

# One on one with... Rob Lavery

**KnowIT Group senior technical manager Rob Lavery was drawn to the SMSF sector through an affinity for problem solving. He shares with **Tharshini Ashokan** how recent developments such as the Financial Adviser Standards and Ethics Authority will affect the sector and his desire for trustees to be better educated.**

## **How did your involvement in the SMSF sector happen?**

It was a roundabout sort of route. I got a job helping to administrate corporate super funds for Watts and Wyatt straight out of university in the early 2000s and from role to role I wound up moving closer and closer to the SMSF sector. I've ended up at KnowIT Group where providing support to SMSFs, particularly advisers, has become a real core part of what we do.

## **What attracted you to the technical side of the industry?**

It's a bit of a mindset. I like the problem solving. You get asked a question, given a bit of legislation, or to interpret or analyse, and you have to seek out the answers as best you can. It's an appreciation for the research and the process. For whatever reason I find that fun.

## **What services does KnowIT Group offer?**

The core resource we offer to advisers is wealthdigital, which some people might be familiar with as Desk Caddie, which is more or less an unprecedented library of technical information, strategy information and interpretation. But it's bigger than that. There are legislative trackers, budget analyses and client marketing tools on there as well. There are also three newsletters we put out each week – a technical one, one commenting on industry issues and another one around business development. We've got a hub about all of FASEA's (Financial Adviser Standards and Ethics Authority) movements and we've also got a study hub for people

looking to undertake further education. We provide training as well, so it's a pretty broad supply of services for our clients.

## **What are some of the most common technical questions you are receiving at the moment?**

They're pretty broad. It would be no surprise to anyone that contribution issues are always a major part of what we do. There's interest in the downsizer contributions at the moment and there has been a lot of movement and activity around new concepts like total superannuation balance and transfer balance cap information.

## **Do you see the banking royal commission continuing to have an effect on the SMSF sector?**

Yes, very much. More than anything, it's around the services that can be provided by advisers and the services that are valued. The good thing about services around SMSFs is not all of them are entirely relying on product. It's the sort of advice which is sustainable in a changing regulatory environment, particularly one where retail superannuation may become less prominent in advice if default funds end up being chosen by a body appointed to do so. For advisers, SMSFs are the most flexible tool they have





for someone who wants to really use their superannuation savings to actively invest and be engaged with their investments. I think it enhances the importance of SMSFs as well as the importance of giving advice in that area in the client's best interests, in the most efficient way and appropriate way possible.

### **How significant for the sector will the FASEA requirements be?**

They're very big, particularly for limited licensing, which is not something that's been taken up in great volumes with great success. It's something that needs to be reviewed and is obviously being reviewed, with the accounting bodies offering different concepts as to what they think is the right way to do it. The barriers to entering financial planning have gone up remarkably, so you're going to wind up with a lot more people coming out of university courses moving towards financial planning, rather than seeing it as an alternate option for their careers later in their lives. It's not surprising that the barriers to entry have gone up, but losing people with that entrepreneurial spirit and that variance of background is going to hurt the industry in many different ways. You're going to have a lot more of the same voices in the room. It's hard to say whether it will improve or detract from the industry dramatically either way, but it will change the shape of it, no doubt.

### **Is this type of change hampering the effective role accountants can play?**

Absolutely, if the regulation doesn't change. It's going to be very hard to be a licensed accountant and a licensed financial planner, which is basically where the FASEA rules sit at the moment. It's requiring even people on limited licences to do the full suite of continuing professional development (CPD), a full suite of higher education and passing the exam. If you're coming in new, it means doing a professional year. So these are major imposts on accountants being able to look after or provide financial advice on SMSFs.

### **Are you envisaging a lot of exits from the industry?**

We wrote a white paper in March where we went very broad and tried to find more or

less everything that's been published around how many people are leaving the industry. We took the view that around 40 per cent of current advisers will not upgrade or will not move to the FASEA-approved arrangements, and they will slowly then be backfilled to a large degree by new entrants to the industry who go through the full degree qualification and do a professional year. So, at its peak, probably 40 per cent will exit, but it will rebuild again.

There's a lot of collateral that comes with making such a dramatic change to who can enter the industry and how they can enter, and who can stay in an industry as well. It's going to potentially leave a big hole in people seeking advice without being able to access someone who can give them that advice.

### **The government recently announced the latest review into the retirement system. What do you think this might achieve?**

It's a somewhat surprising approach as a lot of study and activity around this area was already performed in the last few years by the Productivity Commission. In the final report from the banking royal commission, there was a lot of commentary around the super system. To conduct another review, which basically seems like a fact-finding review, and from the terms of reference I can't actually see anything that suggests it is going to give recommendations. It's clearly looking to almost start afresh, which is interesting given that there is already a swathe of recommendations from bodies that have been commissioned to look into this previously that sit there to this point unaddressed. It seems to provide further delay to implementing reform that has already been recommended.

### **Have the super reforms introduced too much complexity to running SMSFs?**

SMSFs face a lot of complexity, probably more than can be reasonably expected to be navigated by trustees by themselves, and this has realistically been a problem for some time. Trustees are supposed to be liable or responsible for what their funds do, but to expect them to have full knowledge of all the laws that their funds have to operate within is remarkable. It's a full-time job in itself – it's my full-time job. Further complexity certainly

doesn't help a trustee navigate these waters clearly and it's why they need advice from financial advisers, from accountants, from professionals who actually help them stay between the flags that are moving about quite frequently.

### **What's the most significant change you've seen in the industry?**

I'd point to the massive changes that came with the Simpler Super reforms, which completely altered the framework of what you could put in super and what you could take out of super, and how it was taxed. That was a monumental change. I've been in this industry for 18 years and there has been such significant change continuously during that time.

### **If there's one thing you could change about the sector, what would it be?**

I would seek ways and means for trustees to be better educated. People have worked on this concept and people have tried to offer solutions to upgrade the education of trustees. But I think the safest thing if you've got people who are responsible for a fund is to have them as knowledgeable as possible. If I could, I would have some variety of training available to trustees to really equip them with the skills to manage their super fund in conjunction with their professionals. I think one of the largest problems is financial literacy is not prominent enough in schools, so people don't come out of their education equipped with the ability to deal with a lot of common financial situations, let alone the complexity of an SMSF.

### **What's the biggest challenge facing the sector in the coming 12 months?**

I think it's adjusting to the changes that have already been implemented and the ones that are coming. For advisers and professionals it's about knowing their own professional status. Some of the timelines seem to be moving around and some of the times advisers have in which to meet the new requirements are relatively short. You need to start acting soon and actually making sure that if you wish to stay in the industry, and if you wish to keep servicing your clients, you're going to need to get moving on education, the adviser exam and making sure your CPD program is in line with the requirements. ▼