

Media Release

Year in Review 2013 and Year to Come 2014

Tuesday December 10, 2013. Reflecting on 2013 Connect Financial Service Brokers (Connect) CEO Paul Tynan has described the marketplace as one that has been filled with shifting dynamics that will be the source of countless conversations during the Festive Season about FoFA; the new Federal government; the spectacular comebacks and flameouts; the unexpected dismissals and the 'Lazarus' like re emergence of old faces; business closures, mergers and buy outs; and so on ad infinitum.

As he does each year, Paul Tynan creates a subjective round up for Connect's clients that summarises the key events that both characterised and had the greatest impact on the financial services sector over the past 12 months and his personal insight into the year ahead.

"There's no doubt that 2013 will go down in history as 'the change year' – but on reflection, has the world really changed", asks Paul Tynan.

"The global marketplace is constantly shifting with economies facing uncertainty on many fiscal, political and social fronts. The Australian financial services sector is not immune from these challenges and all participants must confront these trials at a pace never been experienced in past history".

Together with new FoFA legislation and Federal Government in Canberra, Paul Tynan documented the following Australian changes –

- The latest version of the FoFA legislation has resulted in a halt to the sale of Financial Planning businesses as the interpretations of the new regulations put doubt on the transfer of grandfather revenue.
- The institutions have more orphan clients on their books than 'real clients'.
- 'Son of Wallis' is coming as a result of the Federal government commission of audit.
- Financial Planners are struggling to implement Financial Disclosure Statements.
- Consumers continue to be conservative in their investment focus and still prefer to save.
- ASIC is going to monitor vertical integration and the SMSF market will be the next focus of Government review as property 'opportunists' enter the superannuation 'honey pot'.
- The pressure on technology providers is relentless as the demand grows for IT solutions needed to underpin service / advice delivery for Financial Planners and dealer groups.
- There have been many changes within the financial services and mainstream media with changes of personnel, ownership and new entrants. Traditional newspapers continue to lose circulation.
- The promised pre Christmas amendments of Assistant Treasurer Arthur Sinodinos have still not eventuated.

Irrespective of Australia's geographical position, many international factors continue to have an impact on the Australian economy and financial service sector. Paul Tynan listed the following as the most important –

- We are living in the Asian century and China maintains its position of global economic prominence as the world's leading economic powerhouse.
- Europe is a continent of two distinct halves with northern countries benefiting from economic boom and Southern European countries struggling with the burden of debt.
- The USA's dysfunctional political system is the source of the country's escalating nightmare as the gap between the Democrats and Republicans is becoming a chasm due to their inability to agree on a real budget and major economic decisions about job creation.
- The US Federal Reserve persists in buying bonds in an effort to stimulate the local stock market – but how long can his last?
- The quantitative easing (QE) or more appropriately 'the money-printing policies' of central banks have been the big driver of world economic markets over the past 12 months.

Companies have enjoyed the low interest rates and this has been mirrored in increased strong profits.

- The incoming US Federal Reserve Chairperson Ms Janet Yellen has been a big supporter of the QE policy. The question for the future is when will she turn off the tap?
- The climate change debate goes on between the sceptics and supporters of the science resulting in political impasse.

As he reflected on the year that was and then looked to the future, Paul Tynan identified two key factors that will have the most profound impact on the industry over the coming decade in particular.

The first key factor is the single greatest issue confronting not only the Australian economy – but the economies of most mature developed countries will be the exit of the Baby Boomers into retirement.

In Australia, this is going to place tremendous pressure on the tax system, infrastructure and families in an environment where retirement and wealth transfer has never been more complex or important.

“The need for the services of Financial Planning and Accounting practitioners will be immense as Baby Boomers turn to these professionals for assistance and guidance as they seek to transfer a lifetime of savings, investments and value of businesses into funds required to fulfil retirement aspirations and lifestyles”.

“The need for Financial Planners and Accountants to work collaboratively will be a paramount imperative”.

The second key factor will be the almost certain move away from the institutions by Financial Planners and into the self-licensed environment. In doing so, Planners will take back the ownership of clients from platforms by utilizing new and innovative investments instruments that will be developed to address this demand.

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