

Media Release

Financial services tectonic plates have shifted irreversibly – now is the time to act says Connect CEO Paul Tynan

Tuesday August 2, 2016. Connect Financial Service Brokers (Connect) CEO Paul Tynan has observed that although many within the financial services industry proclaim the world is changing and they are embracing the new era by adapting their respective corporate, dealership and advice models they are doing so reluctantly with the hand brake fully engaged whilst slightly pressing the accelerator. This is not a phenomena unique to financial services but many of the sectors and economic drivers of the Australian and international economies.

Commenting further Paul Tynan said that within the next decade there will be countless major issues for Australia to confront and it will be in an environment of massive upheaval with the conventions and norms of the past no longer recognisable or applicable. “The tectonic plates have already shifted irreversibly as seen in the first indications of this in the results of the recent federal election, the UK vote to leave the EU and the rise of Donald Trump in the US”.

“The 21st century is being driven by even faster advances in technology and ‘real time’ communications which are changing our way of life, jobs and disrupting cultures. In these times we require politicians, business/captains of industry and academic leaders of substance and character who can lead and show the way because turning back is not an option”.

“Financial services are at the forefront of these changes with the financial planning and accounting sectors required to adhere to even higher standards of legislated education, compliance and governance to safeguard the consumer whilst simultaneously incorporating new technologies and processes needed to operate practices efficiently and profitably”.

As a leading M&A specialist Paul Tynan has observed that currently many mature age principals of financial planning practices that should be implementing their exit succession strategy are clinging on in the vain hope that sale prices will return to pre GFC levels.

In contrast, accountants are being far more pragmatic and realistic forming alliances with/or selling their businesses to fellow local accounting practitioners or changing their operational models to specialise in business advice supported by alliances with financial planners, lawyers, etc.

The current monopoly enjoyed by the major banks and AMP will also be unsustainable. The rapidly escalating size of Australia’s \$2 trillion plus superannuation/wealth sector will inevitably attract the interest of much larger overseas institutions with resources that will dwarf those of the local businesses.

While time is on their side the local institutions would be well advised to review their business models and position themselves appropriately for the future. Trying to be both investment and risk product manufacturer/distributor and bank/fund manager will simply be unmanageable.

In addition, technology will be the tsunami driving choice and power firmly back into the hands of the consumer. So the time to act is now affirmed Paul Tynan.

Paul Tynan recently sent his clients an overview of his thoughts and observations for the coming decade which are –

- **Middle class welfare** is coming to an end. Australia will have no choice but to significantly limit spending in education, health, social security as revenue sources dry up.

The business sector will not be immune and must also give up its welfare entitlements.

- **The family home** can no longer be regarded as the Holy Grail with no capital gain and tax applicable. Negative gearing has created a housing market built on a pyramid with a major casualty being young first home buyers being locked out of the market in the major cities.
- **Baby Boomers** will be forced to adapt their retirement plans in a low interest, low growth and low inflation environment. To maintain living standards they will have to defer retirement, sell the family home or live part-time overseas in order to stretch their remaining superannuation and savings nest eggs and maintain a comfortable lifestyle.
- **Intergenerational wealth transfer** predictions are illusionary. Gen X and Y will not be inheriting the family home as their parents will need every cent to fund their extended life expectancy in retirement.
- **Employment and income levels** have been flat for a number of years and this is not going to change in the next decade. There will be a continual movement from paid employment to self-employment so don't look to big business and big government for employment.
- **Farmers** are at risk of becoming the new poor unless current broad acre farming techniques and structures don't change.
- **Australia's federation** is broken with three tiers of government for a population of 25 million. It is simply untenable with over spending governments delivering less and less effective value and services from each tax and borrowed dollar.
- **World trade** will be confronted by many roadblocks with governments being elected by individuals in disappearing uncompetitive industries unable to adapt to change demanding protection in the form of artificial barriers. Anti-trade isolationism fails to recognise that over the past decade open borders and international trade has been the catalyst for lifting millions of people across the globe out of poverty.
- **Displaced people** through local conflicts and major environmental calamities will increase over the decade and genuine humanitarian solutions will be required

Paul Tynan concluded, "Although the prospects of change and socio economic challenges of the coming decade may seem daunting the reality is it will be an era of great opportunity. The pace of change is being driven by technology and a new commercial and economic environment in which the old rules no longer apply and in doing so, opening up opportunities – especially in financial services".

"Accounting and financial planning services are about to morph into exciting new forms of advice that will be demanded by a more sophisticated and savvy consumer. To access this new market requires advisers and accountants to better educate and inform their clients and demonstrate the meaningful value of their services which must be done at much lower prices".

"The era of the entrepreneur adviser and accountant has arrived!"

ENDS

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