

LBA

LIFE BROKERS
ASSOCIATION

“LBA March Newsletter”

Regulations

Australian’s, the Carolyn’s reported in the “Round the Table” members magazine (Jan/Feb 08) for Million Dollar Round Table that their gross income had almost doubled and their profit had not.

They are now spending 30% of time with clients and 70% on regulation management and overheads run at 60% - 70% of gross revenue. Their words of advice are.....

“Prepare, prepare, prepare.....

- **Run your practice as a business and not as a sales organisation.** To survive, you will need to be able to work on your business, not always *in* your business.
- **Be selective with your clients.** Regulation will bring with it the chance of client complaints and the costs of servicing those clients needs to be appropriate.
- **Build up recurring cash flow now** and get your financial house in order to absorb the coming changes.
- **Recruit and mentor a young advisor.** With the advent of the regulations, most of the newer advisors are not learning the art of our industry and need the basic training skills of selling.”



Making life easier

Conference May 2008

The Annual Conference to be held 21st – 23rd May 2008 is at the Rutherford Hotel in sunny Nelson.

We are looking forward to seeing you all there. Some of the exciting events include:

- **A choice of 9 holes of golf at a local Nelson golf course**
- **OR a mini winery tour**
- **OR a local arts and crafts tour**
- **Wednesday night enjoy a local band “Flashback” and boogie the night away**
- **After dinner speaker Thursday evening is the very funny David McPhail**
- **Opening speaker Friday morning is Todd Blackadder**

The theme is "Dawn of a New Day" - A Southern Experience.

Hope that you have sent in your registration form already.....if not, do this now!!

Corporate Club

In the last six months there has been two Corporate Club Meetings held at Okoroire. Both meetings had full capacity attendance from brokers wanting to grow their knowledge and consequently their businesses.

Both had a good mix of new and experienced brokers and the feedback from those brokers who attended was that they received good returns on their investment of time and money. The last two Corporate Clubs were organized by Owen Duncan and Mike Lloyd.

The next Corporate Club is scheduled for early September.

Membership - URGENT

At Waitangi at our last Annual Conference, I asked for help on increasing our membership to create a strong, vibrant and growing organisation.

In particular I asked the members in attendance and wrote to all other members who were unable to attend, asking if you could enroll just one member each!!

Unfortunately this hasn't happened!!!!

Or PI Cover alone is a good reason to belong to the LBA. It is a leader in value and cover in the market.

Please could you support your organisation by enrolling one new member and using that incentive to enroll yourself in our Annual Conference in sunny Nelson.

Professional Indemnity

There will be an interactive session at the Annual Conference in Nelson on Professional Indemnity.

Website Update

Increasingly the internet is being used as a first port of call for information about organisations. It is also a cost-effective way to keep members up to date with the latest reports and information which might directly affect them. Since our last newsletter there have been updates to the BDM contact details and the LBA Links pages. The latter includes links to the main education courses which we endorse, viz Adviserlink and the Massey University diploma. Remember that the cost of Adviserlink courses are reduced significantly if we can get a group of members enrolled for a particular course date.

As soon as the regulations are resolved concerning regulation of our industry we will create a separate page for that.

Latest information concerning the Annual Conference is available in the Events section of the website.

If there is any other material which you would like to see on our website, please let us know.

G4 Report

The Financial Advisers Bill is expected to have its first reading in Parliament next week.

PREPARING FOR REGULATION OF ADVISERS

As members are aware, the associations colloquially known as the G4 (IFA, LBA, PAA and SiFA) are meeting regularly with the aim of working towards the formation of an APB (Approved Professional Body) for the licensing of financial advisers.

At its November 2007 meeting, the group agreed to work together on a joint submission to the Select Committee on legislation introducing regulation for advisers. Two Bills were tabled in Parliament in December. The working party held a meeting on 30 January to discuss the two Bills.

There was agreement that the two Bills are broadly in line with what was expected, most of this is acceptable to G4 members and there were few surprises. As might be expected, there were a few aspects where we considered the bill could be improved and should be amended. These included the following:

There is a proposal that someone with \$500,000 or more of assets, an adviser does not have to be an approved member of an APB, nor subject to the requirement to act with integrity. The G4 group thought that this was illogical as it assumed that anyone with assets of over \$500,000 was knowledgeable and experienced so didn't need protection.

There are exclusions for accountants and lawyers. For accountants, the exclusion is the same as under the new disclosure regime – which restricts this to when the advice is incidental to professional accounting advice. For lawyers, there is total exclusion. As neither accountants nor lawyers automatically have competency in personal financial advice, the G4 considered this went too far and they should be subject to regulation and required to demonstrate competency.

The requirements for disclosure of remuneration require much more to be disclosed for the self employed than for advisers who are salaried staff members. The G4 view is that this favours larger adviser organisations that use salaried advisers with the fee/charges going to the employer. It was suggested that a balanced approach would ensure disclosure of what the employer receives as income from fees, charges and commission.

The current provisions that exempt disclosure of commissions on non-investment risk insurance products would be abolished under the Bill. The G4 view is that savings and investment are different from insurance and this change is not justified.

The Bill requires an APB to have audited financial statements as part of an annual report within 30 business days of the year end. This seems too tight and does not seem necessary for an APB which has mostly member subscriptions and administrative costs.

The maximum penalties for financial advisers are much higher than for Real Estate Agents: \$100,000 for an individual (or \$300,000 for a firm) for financial advisers, versus \$10-15,000 for an individual (or \$20-30,000 for a firm) for real estate agents. The two should be aligned.

The requirement for an independent Dispute Resolution service is potentially a costly requirement for financial advisers. The G4 preference is to have a single industry service, with the aim of keeping costs down.

The G4 working party will continue to share views on the submissions on the Bills. They will also meet every couple of months to continue working towards forming an APB. If YOU have any questions or comments please voice them NOW.