Despite concerns over a seismic slowdown in China, the Asian monolith remains a global economic powerhouse responsible for 34% of global economic growth in 2012, according to Commsec economist Craig James.

In his keynote address to the AFA Conference yesterday (Monday), James reminded delegates that even though China is a ‘sandbag’ to the global economy, and Australia’s largest trading partner, any (unlikely) hard landing would not – contrary to popular opinion, derail the local economy.

He reminded delegates that the collective contribution from financial and insurance; construction; and professional, scientific and technical services eclipses mining’s contribution to GDP by a ratio of three to one.

James also reminded delegates that despite the continuing diatribe of negative press over the state of the US and the Eurozone, that global economic growth - projected to 3.3% this year – is not far off normal.

With so much preoccupation on the tribulations of developed world economies, James said there’s a failure to recognise that emerging and developing markets will do much of the heavy economic lifting going forward. “The crossover point currently taking place within the global economy means that the US and EU are no longer the only global powerhouses,” James reminded delegates. “We’re entering a phase where China and India are eclipsing the EU and the US.”

While GDP growth in China and India - at 7.5% and 6% respectively, isn’t what it was James urged investors to take a decidedly longer term view on these markets.

What shouldn’t be overlooked, added James is the once in a life-time urbanisation story currently playing out within China and India’s combined 2.4 billion population, that will underscores exponential future growth. Despite a notional downturn in its population growth by the 2020s, he still expects China to become the world’s biggest economy.

“China has been punching below its weight for a long time and has a long way to go, we believe it is currently where Japan was in 1968,” James explains. “Beyond China, there will be a broader Asian focus over the next 10 to 15 years.”

While James admits that the EU remains a basket case, he said investors shouldn’t underestimate the notable green shoots now bearing fruit within the US economy. Adding to improving corporate health, and consequently the job market in the US, adds James are plans by the Federal Reserve (The Fed) to keep interest rates super low.

“Unemployment is coming down and will continue to improve due to an improving house market,” James advised. “The US housing market is growing again and the demand for new homes is now outpacing supply.”
A strong value proposition is the key to reducing the threat of online direct insurers that currently face advisers, as well as preventing customers from making bad choices, according to industry experts.

Participating in a life insurance panel discussion, Tim Ross, managing director at Ross Financial Group said that as online direct insurers are encroaching into the market, advisers must focus on fine tuning their value proposition in an effort to erase the competition.

Panel member, Chris Kirby, head of technical strategies at AMP agrees. He added that advisers need to ensure their value proposition is as clear as the direct insurers. According to consumer research, 60% of Australians go online or will go online look at insurance offerings.

Additionally, Kirby warned advisers that “if you see a value proposition that beats your own, you better change it right away.”

Ross said that if advisers chose to buy insurance direct, they will probably get it wrong. “This is because they lack the experience and only look at the cost, which is a bad place to start.”

**Quote**

“If you see a value proposition that beats your own, you better change it right away.”

**Good health**

Julie is a 35-year-old Sales Manager. She’s a non-smoker and leads an active lifestyle. Thanks to regular exercise and a sensible diet, her BMI is in the optimal range and she has no adverse medical history. This means she meets the criteria for AIA Australia’s Priority Protection Lifestyle Advantage benefit.

As she is married with two young children, Julie wants to ensure her family is looked after should something happen to her so she asked her financial adviser about Life and Total and Permanent Disablement cover. They complete her initial application for Life Cover with a sum insured of $500,000 and TPD with a sum insured of $250,000. Julie’s adviser suggests she also answer the additional health and wellbeing questions. She qualifies for the Lifestyle Advantage benefit and so receives a 10% discount on her premiums for the life of her policy.

**Reward:** With AIA Australia’s Priority Protection Lifestyle Advantage, your clients could obtain a 10% discount on their premiums for the life of their policy or until a claim is paid. Just submit an application online via AIA Australia’s new and improved eApp® Express and it will automatically identify eligible candidates for the discount, then your client, like Julie (case study above) will have plenty of reasons to thank you.

This example is for illustrative purposes only and is not intended to bear resemblance to any existing individual or circumstance. Any similarity to an existing person is purely coincidental. This testimonial is not an indication of typical results that individuals will generally receive, and should not be construed as a recommendation to purchase or dispose of a financial product. Please consult a financial adviser before making any decision in relation to any financial product.

**Dean Lombardo wins AFA Excellence in Education Award**

**Mark Story**

Dean Lombardo from Access Financial Management is the 2012 winner of the Association of Financial Advisers Excellence in Education Award.

Now in its fifth year, the award, recognises the best and brightest financial advice professionals entering the industry. AFA CEO Richard Klipin said the award demonstrated the AFA’s ongoing commitment to education.

“The AFA believes that education is a journey, our members are always on the road to further education and this award is about recognising those (advisers) who have shown outstanding commitment to their studies, and to continuing their ongoing education,” said Klipin.

This year’s finalists were Paul Gilbey, Adam Kennedy, Luke Oaks and Brian Lucas.
Prepare now for MySuper revenue siege: MLC

Mark Story

Given that MySuper is a major game-changer in the way corporate super advisers earn a living, Neale Doust, head of sales and relationship management at MLC Business Super suggests they invest sufficient time working how they’ll survive once the brave new regulatory world arrives.

While two key fees will still apply to MySuper – admin and investment, Doust says the removal of adviser commissions on all super contributions is something that advisers need to work vigorously to replace, especially before the grandfathering period ends in 2017.

That’s why it’s critical, Doust advised delegates attending his AFA presentation that they capitalise on the grandfathering period to drive as much business into their back-book before the new regulatory regime finally kicks in.

Included among other strategies recommended by Doust for capitalising on this window of opportunity were: Partnering with a manufacturer who will pay advisers for work undertaken; charging the corporation for the work undertaken; using your membership base to generate revenue; moving towards personal advice, and finally becoming a specialist in the MySuper space.

“The goal is to replace the revenue stream which MySuper will take away, but that means having to act and execute differently to make money.”

Doust reminded delegates that the role of the corporate super specialist will still be very valuable once the move to MySuper is completed. “It doesn’t mean that all the skills you have will be suddenly obsolete,” warns Doust. “Corporations will still need people to design super funds, so make sure you have a strong corporate services model – as the introduction of MySuper will see all the accidental tourists exit the market.”

Bank dividends under threat

The size of the dividends shareholders have become used to from Australia’s big-four banks may face further pressure amid a weaker economy and further exposure to bad debt, according to Five Oceans Asset Management’s Chris Selth.

Selth, former head of international equities at BT Funds Management, warned delegates at the AFA National Conference, that dividends could fall foul of headwinds.

“Banks can’t be ignored because they represent a quarter of the index and have been paying attractive fully franked dividends,” he said. “But we can’t rule out the bad debt cycle hitting again which would be a major risk to stock market performance.”

ASIC calls on more adviser feedback on FOFA code of conduct

Linda Hausken

Following on from ASIC’s recent release on the approval of the Future of Financial Advice code of conduct consultation paper, the regulator is calling on further adviser feedback after flagging concerns around three key issues.

Australia’s corporate regulator’s Future of Financial Advice: Approval of codes of conduct for exemption from opt-in requirement consultation paper 191, which was released last week, is relevant to advisers who are considering submitting either a new or existing code for approval.

Peter Kell, commissioner at ASIC said that there are some fundamental issues the regulator genuinely needs further substantial feedback on from the sector.

“Firstly, what would be the content of the code that obviates the need for opt-in,” he asked.

“We expect approved FOFA codes to contain provisions that will achieve the same outcomes that the opt in requirements are intended to achieve, which is to engage clients who are receiving valued services for the ongoing fees that they are paying.”

Secondly, Kell added that it needs help to answer whether codes should be content limited.

AFA taps GenXt talent for new board of directors

The AFA yesterday announced its new 2012-2014 Board of Directors, with former GenXt QLD chair Michael Nowak succeeding Brad Fox as national president.

The new board is made up of Nowak at the helm, Marc Bineham as vice president, Fox as treasurer, Phil Anderson as COO and Richard Klipin as chief executive.

The state directors are Mark Hoskin (NSW), Esther Althaus (VIC), Susie Paterson (QLD), Dave Slovenic (SA), Kenn Williams (WA) and Kevin Richardson (TAS).

Fraser Jack is named the national GenXt chair.

Many members of the new board participated in the AFA’s GenXt program.

“It is exciting to see these people stepping up their involvement,” said Klipin.

Nowak, who runs the Joe Nowak Financial Services Group (licensed through Millennium 3), is an AFA Rising Star finalist, a former GenXt QLD chair and a new father. His father is legendary adviser Joe Nowak and his brother, Joseph, is also an adviser.

Klipin thanked the outgoing board members and acknowledged Fox’s contributions as president. “The previous board helped steer the AFA through mammoth changes,” he said.
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