

## KeyPlay Financial Services' 2018 Winter Newsletter

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**Hello** and welcome to the 2018 Winter edition of the KeyPlay Financial Services' Newsletter.

Well, Winter has arrived bringing with it the cold, rain and wind but that is all somewhat mellow compared to the ill winds that are blowing from the Royal Commission into the banking, superannuation and financial services industry.

The issues already identified in the Royal Commission have been well documented and to me (as someone who works in this industry) - I am really disappointed by some of what has been presented. Where there is clear evidence of misdoings I hope that those who deserve to be - are punished accordingly. And this includes the big companies themselves which I think will eventuate.

These big companies, whilst telling their staff and Advisers to ensure they do the right thing - seem to have been less than forthright themselves and have either turned a blind eye or encouraged poor practices to boost their bottom line performance.

I watched a number of the sessions live via webcast and without doubt the main Counsel Assisting the Royal Commissioner - Rowena Orr QC - did an excellent job and was most impressive. Her attention to detail and knowledge of her case matter was a major factor in the Commission achieving the results it has so far in my opinion. And all credit to her.

As impressed as I was with Rowena Orr, on the other hand I was underwhelmed by those who represented the big companies and who faced the questioning from Counsel. Their responses seemed to confirm the view in my mind that those in the higher echelons of the corporate world - do not have an understanding of what is happening outside in the "real world". And that is a problem not limited to the financial services industry.

Some of the stories of poor service were hard to believe and I commend those who had the courage to present their stories at the Royal Commission. However, some of those customers who presented to the Commission seemed to be

looking to blame others for mistakes that they had contributed to and were just "bank bashing" which appears a popular pastime currently.

It appeared to me that some of these people lacked personal responsibility for their actions that saw them end up in the position that they did. Blaming the Bank for giving you a loan that you had applied for but then for whatever reason ultimately could not pay back - seems to be a stretch of reality. Surely if you apply for a loan and thereby agree to pay the Bank for that loan - then you have to take responsibility for doing so?

It would appear that some of these people did not complete their own due diligence before applying for their loan. Nor did they take the loan documents away to get a second opinion before signing, instead just thinking "it'll be right".

Somewhere in all this - personal responsibility needs to be addressed. The Bank's should not be held to account if they take action against those who have defaulted on a loan. That is life in the real world. If you sign a mortgage you have to know that it may have ramifications for you if things "go south". You cannot just cry foul and blame others for the choices and decisions that you have made.

Overall, in my view the Response needs to be a rational one but given some of the findings I doubt that can now be the case. The recommendations will likely be strong and will lead to huge changes in the Financial Industry.

Initially, there will be inevitable increases in regulations and compliance which will increase the standards of service and education requirements for Advisers. Those that fail to meet those levels will be moved on.

However, these changes will come at a cost. Those in the industry that are doing the right thing and helping their clients (the majority) will have to deal with more regulations and compliance in the years ahead - and that will add extra "administration" time and cost to a business.

In addition, the education bar for a Financial Adviser will be dramatically lifted and by 2024 all Financial Advisers will need to hold a tertiary level degree in Financial Planning.

This seems a sound response for new Advisers to the industry but what about Advisers who have 20 or 30 or 40 years of industry experience? Due to their age, many of these Advisers will not take on increased education requirements and the expectation is that between 5,000 and 8,000 Advisers across the country, will leave the industry rather than pursue costly extra study. Their view is that a degree at this time of their life does not replace the years of experience gained from actually doing the job. But that argument will not win.

So naturally there is going to be, in terms of demand and supply, a lot less Advisers to service the needs of the population. And rather ironically, when there will be added comfort in terms of qualifications of Advisers by the public and possibly more people seeking advice – the supply of Advisers may well be at an all-time low. The potential loss of “grey haired” experienced Advisers will see a wealth of knowledge lost overnight and that will not be a good thing.

Further on a larger scale, the recommendations of the Royal Commission (into lending practices of the banks) may inadvertently prompt the banks to tighten their lending criteria and withdraw credit to the market. This may well occur at the same time the housing market is becoming vulnerable with falling house prices beginning to be evidenced across Melbourne and Sydney in recent months.

As a result, we could see a vicious circle of a weakening housing market, a weakening economy and then a weakening banking sector bought on by an over reaction to recommendations from the Royal Commission. And there would be no winners from that scenario.

The Royal Commission is not set to report until February 2019 at the earliest – so as usual – we will wait and see what transpires. I hope though for a common-sense result.

In the meantime, at KeyPlay - we will continue to do what we have always done - and that is to help people with their pre and post retirement, Aged Care and Centrelink matters - with the needs and priorities of our client as number one. There has never been nor will there ever be - another option.

## Medical Powers Of Attorney In Victoria Have Changed:

As of 12 March 2018, the rules relating to Medical Powers of Attorney in Victoria have been overhauled. The old Enduring Power of Attorney (Medical Treatment) form will now be replaced by the Appointment of Medical Treatment Decision Maker.

Although the old Enduring Power of Attorney (Medical Treatment) (if signed prior to 12 March 2018) will remain in force, it is worth reviewing your present arrangements in relation to your medical treatment planning given that the new changes will allow you to:

- Place limitations or conditions on the exercise of any medical treatment decisions by your medical treatment decision maker.
- Appoint a support person to assist you to make, communicate and give effect to your medical treatment decisions.
- Even in the absence of an Appointment of Medical Treatment Decision Maker, you will be able to prepare an instructional Advanced Health Care Directive which sets out binding instructions to a health practitioner and/or medical treatment decision maker in relation to the consent or refusal of particular future medical treatment on your behalf.
- Prepare a values Advanced Health Care Directive which serves as a guide to your medical treatment decision maker or the government guardian in relation to your values and preferences for your medical treatment.

In the absence of an Advanced Health Care Directive or Appointment of Medical Treatment Decision Maker, if the medical procedure is routine, the health practitioner may make such decision without requiring anyone's consent.

However, if the medical procedure is significant, the health practitioner will require the consent of the Public Advocate of Victoria, the government guardian.

**My thought:** I recommend that everyone review and update their Power of Attorney arrangements in light of the new legislative changes to avoid unnecessary dramas down the track.

## Why walk when you can fly Private?

A US televangelist is asking his followers to donate money for a US\$54 million (AU\$71 million) jet that can “go anywhere in the world in one stop”. Jesse Duplantis, 68, a Christian minister based about 40km east of New Orleans, in Louisiana, says his ministry has previously paid cash for three private jets, reported Fox News. “You know I’ve owned three different jets in my life and used them and used them, just burning them up for the Lord,” Duplantis says in a video posted to his ministries’ website.



Duplantis is now seeking the funds for a Dassault Falcon 7X, worth US\$54 million. The problem with the previous jets, he says, is that they require multiple stops to refuel. But flying the Falcon 7X, he says, will allow him to save money and not pay “those exorbitant prices with jet fuel all over the world,” reported The Times-Picayune. “I really believe that if Jesus was physically on the earth today, he wouldn’t be riding a donkey,” Duplantis says in the video, “He’d be in an airplane preaching the gospel all over the world.”

Duplantis’ video comes after another televangelist, Kenneth Copeland in Texas, purchased a Gulfstream V jet for US\$36 million. Both televangelists defended their use of private jets during a joint appearance on Copeland’s program, saying that commercial airlines are filled with “a bunch of demons” which bog down their schedules with requests for prayers; and secondly, on a commercial airplane, Duplantis would not be able to unbuckle his seat belt to speak to God standing up!

**My thoughts** - If Jesus was here today, I don’t think that He would be buying a Falcon 7X! I think that the Rev Jesse might be enjoying the good things of life a little too much for a Jesus type person!

## ABC Melbourne radio host's identity theft nightmare could also happen to you:

Someone has been imitating ABC Melbourne radio host Hilary Harper — and certainly not in a flattering way. Harper’s purse was stolen earlier this year and she has since been locked in a battle with multiple agencies that think the thief’s bad behavior was actually her. After someone racked up \$700 in tap-and-go purchases, Harper reported the cards stolen and was able to get her money back. But that was only the beginning. “Six months later I started getting very weird letters [saying] here’s your new debit card, here’s your new bank account, here’s your new phone,” she said.

**How Common Is It?** Harper’s is not an unusual story, according to David Lacey, a professor of cyber security and managing director of IDCARE. Mr Lacey founded the not-for-profit support service and sees a new case every five minutes. “The criminals are making a good fist of it,” he said. “They know exactly what they’re doing.” About 3% of the cases IDCARE deals with each month are people who have had their wallets stolen.

Telephone scams are much more common, accounting for about one third of the case load. Mr Lacey said his agency had received no reports from people who’d had their credit cards scanned by someone walking past with a radio frequency identification (RFID) machine. “A lot of people are buying those RFID sleeves that help protect credit cards from being tapped,” he said. “If it makes you feel safer, great, but we’ve had no reports of somebody saying ‘my credit card has been compromised because someone’s waved a magic wand by my wallet’.”

**What Exactly Are The Criminals Looking For?** The key information most criminals want is a driver’s licence number or passport information. “So, if one of those two credentials are compromised, the chance of misuse greatly escalates,” Mr Lacey said. He said some criminal groups paid people with drugs if they stole mail. “That quantity of drugs is escalated if they’re seizing driver’s licenses or other key credentials.

**What To Do If Your Identity Has Been Stolen?** Mr. Lacey said in cases of identity theft, the onus had been put on the victims to prove their innocence. He said victims spent on average about 27.5 non-consecutive hours responding to their identity theft. “It’s a ridiculous situation that

a victim of a crime ... has to carry the load, contact 20 different organisations, work out for themselves what they need to do and have the system in most cases just absolutely work against them.

**How To Avoid It Happening To You:** Mr. Lacey said the first rule of thumb was "good companies don't ring you and ask you for information about yourself".

The second thing to look out for is people calling to inform you your computer has a technical issue or a virus.

"They're quite smart in what they're doing. They realise you've got a computer, they realise most people in the community aren't confident about how computers work and it's easy to bluff people," he said.

**"If someone is calling you purporting to be from the likes of Telstra or the ATO (Tax Office) or whoever and they're asking you to prove who you are, end the call. (Hang up)! You can always call back the official number in the phone book to confirm whether or not they called you in the first place" – which will be unlikely.**

By doing this - you take control of the conversation engagement not the scammers, (who are only trying to scare you into action).

**Who Is The Most Vulnerable?** Mr. Lacey said most of the calls for help he'd received were from victims aged between 25 and 40. But they were just the people who were aware of the service and were utilising it.

He said he believed older people were the most vulnerable, particularly the elderly living alone. And I agree with this 100%.

With these unsolicited phone calls there is no bystander, or anyone else involved in the conversation that can say, 'this is a scam, hang up'. Mr. Lacey also said there was no relationship between victims of deception and intelligence. "The crooks are very good at what they're doing."

**My thoughts:** There are only two rules to remember with all unsolicited phone calls.

Rule number 1: HANG UP.

Rule Number 2: If in doubt refer Rule number 1.

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### **PortfolioCare Accounts:**

We have been advised that the PortfolioCare Accounts (which are specific Hillross investments) are being consolidated into the Wealth Personal Super (which is a bigger AMP specific investment vehicle) as at the 30th June 2018.

Importantly, from the investor's point of view, nothing will change and the PortfolioCare products will remain named PortfolioCare going forward.

It is hoped that the changeover will lead to future member benefits such as Hillross providing a more competitive and contemporary product offer - which is a positive for investors.

AMP has also confirmed that there is no change to the concessional Centrelink treatment of pre-1st January 2015 Account Based Pensions as a result of this change. (This is most important).

So long story short – there is no change immediately but hopefully in due course we will see benefits such as lower costs.

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### **Kate Langbroek's Scam Expose:**

Kate Langbroek is an Australian comedian who has a hugely successful radio show with Dave "Hughesy" Hughes across the country on the Hit Radio Network.

Kate believes the true cost of lonely Australians who fall victim to love rat scam artists is far greater than officially accepted statistics suggest.



She has been overwhelmed with listeners on and off air sharing their own sad experiences after she brought her scam-busting character, "Barb



Attwood”, back to life as part of a segment that played out on her “*Hughesy and Kate*” drive show recently.

She set up a profile for the character “Barb” on a dating site and within minutes had shonky international suitors reaching out with emails professing undying love ... and then asking for money.

It is the third time Langbroek has rolled out “Barb” and the stunt is done with the full knowledge of the Australian Competition and Consumer Commission (ACCC) and has been approved by her Southern Cross Austereo (SCA network) bosses.

May includes the ACCC’s Scam Awareness Week and in it - they estimated dating and romance scams cost Australians \$42 million last year.

“You always see on the news some old bird who has lost her house and I wanted to know what they (scammers) say to these women to get them to hand over their money,” Kate said.

“They (the victims) are not going on looks because in most cases they have never seen them (scammers), so it is the words they are using.” “We put a profile up and we had our first nibble within minutes.”

While the skit has been very funny radio it has a sadly serious side.

“I think anecdotally, the feedback we are getting from listeners is that so many people don’t come forward because they are humiliated and embarrassed, so I reckon you could double the number (of people scammed) easily,” she said.

**My thoughts:** I agree with Kate 100% and don’t doubt for a minute that the cost of these scams is well north of the \$42 million. I wouldn’t be surprised if it was in excess of \$100 million. I say good work Kate – and hopefully her action will help to broaden awareness in the community about these cruel scams.

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### **Cryptocurrencies falter in 2018:**

In 2016 and 2017 especially – the financial world was abuzz with the talk of Bitcoin and the extraordinary price that it was trading at.

By the end of 2017 it seemed like the sky was the limit for cryptocurrency, with prices ballooning to almost unfathomable new heights.

But over the course of this year, we have seen a relatively steady overall deflation of crypto coin prices and their market capitalisation.

According to ABC News as at mid-June 2018 - the combined market capitalisation of the top 50 largest cryptocurrencies has dropped over \$387 billion this year, a decline of over 53%. Today, 90% of these top coins are worth less than they were at the start of the year.

Some of the more well-known cryptocurrencies and their price changes since December 31 2017 have been as follows:

Bitcoin	-50.65%
Ripple	-75.09%
Ethereum	-30.72%
Bitcoin Cash	-65.37%
Cardano	-76.78%
Litecoin	-56.33%
Bitcoin Gold	-87.61%
BitConnect	-99.87%

Maybe this is how the crypto bubble ends: not with a burst, but with a whimper.

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### **Banks Push To End Elder Abuse:**

The Banks are worried about the misuse of Powers of Attorney on behalf of elderly parents in particular and have called for each state to have its own body to which elder financial abuse can be reported.

Federal, state and territory Attorneys-General have agreed to look at options to standardise Power of Attorney orders across the country.

It followed the call earlier this year by the banking industry to create a national online register of the orders and a designated body to which bank staff can report suspected abuse of Powers of Attorney to.

Australian Banking Association (ABA) CEO Anna Bligh said that while the online register was a welcome step forward there was still much work to be done to better equip local bank branch staff to detect and report elder financial abuse.

The ABA wants the issue resolved by the end of the year. The register will ensure Powers of Attorney are valid, in a bid to prevent adult children impatient to get their hands on their inheritance stealing from vulnerable parents. There is currently no way of checking whether Power of Attorney documents are valid. The Council of Attorneys-General gave the green light to work on a national plan to combat elder abuse. In addition, the Federal Government announced funding for an online register in this year's budget.

In Victoria – "Senior Rights Victoria" provides information, support, advice and education to help prevent elder abuse and safeguard the rights, dignity and independence of older people. They have a confidential Helpline – 1300 368 821 or website: [www.seniorsrights.org.au](http://www.seniorsrights.org.au)

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### **Seinfeld's Joke Corner:**

Jerry Seinfeld is an American stand-up comedian and the star of the American sitcom "Seinfeld". Three of his favourite jokes are below:

*"According to most studies, people's No.1 fear is public speaking. No.2 is death. Death is No.2. Does that sound right? This means, to the average person, if you go to a funeral, you're better off in the casket than doing the eulogy."*

*"I will never understand why they cook on TV. I can't smell it, can't eat it, can't taste it. The end of the show they hold it up to the camera, 'Well, here it is. You can't have any. Thanks for watching. Goodbye.'"*

*"I had glasses at 10, braces at 12. I said to my parents, 'Let's not stop now. How about a hearing aid? Orthopaedic shoes? I'm thinking about talking to a girl for the very first time in my life. I want as much corrective apparatus on my head as I can possibly get. I think that's what women like.'"*

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### **World Investment Markets Strong:**

At the moment, world investment markets aren't paying too much attention to issues such as potential US/China trade wars and US interest rate rises as they have done in the past.

Previously we have seen major market sell-offs based on just one of these events occurring but now the markets don't seem to be concerned. The US Dow Jones is currently back above 25,000 (back to February levels) and the Nasdaq is at all-time highs.

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### **FIFA WORLD CUP:**

Macquarie Wealth Management Research Department have turned their modelling efforts to the world game and attempted to forecast the outcome of this year's tournament. They are looking to build on the success of their 2014 model that correctly forecast Germany as the tournament winner.

Results: Spain and Brazil rank equal top under the Innovative Data style with Spain's squad age compensating for it being slightly less expensive on the transfer market. Brazil has a higher Sentiment score ranked better by both the bookies and Macquarie, while Spain has a slightly better squad with the most players in top-tier leagues and more caps.

Brazil also outranks Spain on both FIFA and the Elo ladders however the most successful World Cup team won't be adding to its tally this year. Spain's Ranking Momentum gives it the edge over the South American powerhouse and sees it crowned World Cup champions in Russia.

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### **Finally:**

As it was "Scam Week" in Australia last month, we have highlighted scams in this edition of the Newsletter to make sure you remain vigilant to the threats of the internet. I cannot emphasise enough – if you do not personally know the person on the end of the phone you are talking to – hang up. The downside risks of being scammed are too great no to do so.

**Until Next Time....Keep Safe.**

**Tony**

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