Proud to be an Adviser – Part one – Jenny Brown

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Jenny Brown

I often get asked why I love being a financial adviser – well the answer is simple, I get to help our clients every day of the year. Along with my awesome team we are able to make such a difference in the lives of our clients whether it be when we get to help them retire, hold their hands when something goes wrong in their lives or be at the end of the phone when the markets get the wobbles.

Being an adviser comes with a huge amount of responsibility, that we often take for granted and it's not until we are able to sit back and reflect on all the good that we do that we often realise just how much of a difference we can and do make in our client's lives.

Take today, let me tell you about three clients, their stories and how it all unfolded, firstly let me introduce you John* and Sue*, they are both 70 and fairly typical retiree clients. They have combined investible assets of $850,000 and are receiving overseas pension income of $17,000. Their living expenses are around $60,000 including some low-cost holidays and they don't qualify for any Centrelink at this point.

Their worry is how long will their money last, can they keep taking annual holidays, travel more than once a year, or do they need to cut back, especially with the current volatility that we are experiencing in the market. Now this is not an uncommon question and whenever we catch up with our clients to discuss their strategies, this question if it's not asked, it's certainly on their minds.

By anticipating their needs through experience, we had already projected out what continuing to receive a total retirement income of $60,000 would do for their retirement plans. In addition, we had prepared 2 other projections at $70,000 and $80,000 to highlight just how long on conservative projections their funds would last. Now the portfolio that John and Sue have within their fund is nothing sexy, more a very stable mix of quality blue chip Australian Shares, some international and local ETF's, term deposits and some bank hybrids. Diversified enough that volatility is reduced and a portfolio that reflects their risk profile along with two to three years of cash plus dividends and income to fund pensions and ensure that in a downturn they wouldn't have to sell any of their growth assets.

Our reward was to then experience the delight that they wouldn't run out of money until they were hitting 100 years of age and that was on the projection for higher drawings. Turning a conversation around from how long will my money last, to what places we'd love to travel to and what would we love to tick off our bucket list just makes our day.

Our next client story is a little different, you see Mark* and Louise* came into see us 9 years ago. Mark had a defined benefit superannuation fund and Louise a very small industry superannuation fund. He was maxing contributions, they were paying down their home loan and generally looking after their budget and cash flow requirements quite well. At the time we felt that we really couldn't add a lot of value to their circumstances as they were ticking all the relevant boxes they needed to in order to reach their retirement goals. We provided them with a few suggestions on how they could potentially tweak their plan around the edges, they asked to receive our regular newsletters and keep in touch should they have any questions.

Fast forward 9 years, where they came into see us again as they were worried about their financial future. They had retired and at the time decided to look after their own financial planning with the help of a trusted friend, google and their accountant, oh and of course our weekly Monday Markets and fortnightly CPE newsletters, so they always knew where we were. In 2013 their accountant had set up a SMSF for them on their instructions, fortunately it had been set up with a corporate trustee and they had obtained a quality trust deed, they had started paying pensions and were enjoying their lifestyle in retirement traveling extensively having just fully retired in June and spent the last 3 months travelling in Europe.

On the surface it seems that they had ticked most the boxes that we had discussed when we first met them. However, as we delved in deeper we found that their fund had gone down 30% in the last 12 months, as they had a concentrated portfolio of 4 stocks and less than a thousand dollars in cash.

In the current climate a portfolio of over a million dollars, invested into four Australian shares paying high dividends with franking credits and minimal cash is not a good thing, especially when we are in the middle of a banking royal commission, talk around changes to the rules on franking credits and three of the four holdings are CBA, AMP and TLS.

Their strategy has been to withdraw all the dividends to meet their pension minimums and then some and have the cash outside of their SMSF for their use, so effectively building up a cash buffer in their personal names rather than within super to meet any costs or contingencies.

They were really worried about what to do and were struggling with the fact that they would have to start paying fees for good strategic advice. They had been doing OK until 12 months ago, the markets had been kind, their shares which they advised had changed over the years had done well as the dividends were exceeding their requirement for cash, but they knew things needed to change as they couldn't face another dramatic drop in the value of their portfolio as they had just experienced.

It's interesting on reflection to consider how we then discussed the strategies that they could consider, what we do for our other clients in terms of good diversification that matched their risk profile, that a well-rounded portfolio would gain most of the upside but be much more stable in the down markets. To have us explain that if they were a client 12 months ago and followed our advice and a similar portfolio make up of what is a typical JBS client, they would have 35% more in their super today and that would be after our fees and still withdrawing what they needed to live. They would also not be constantly worried about how long their money would last and could they continue to enjoy their planned retirement and tick off their bucket list items. Looking at their faces and body language when talking about money, was really very sad, we could tell they were very concerned, and it was a difficult thing for them to even get them to the position where they called me to ask for an appointment.

You see, fees are not always everything and if you focus on them you are really doing yourself a disservice. To show a potential client that to pay a fee of say $10,000 to be better off by almost $400,000 is a really good outcome and one that I wish we could have had the chance 12 months ago to do for Mark and Louise.

There's a lot of work to be done here with them and their portfolio, we would like to be able to add the value to them as clients, but only time will tell if they can get over the hurdle of having to pay for advice. The free version from the trusted friend and google served them well for a couple of years but is now failing them terribly.

Our final clients that I'd like to introduce you to are relatively new to JBS. We met Graham* and Mary* about 18 months ago when Graham needed some help with an insurance claim after he was diagnosed with a degenerative disease and was recommended to us by another client. We managed to get his claims paid for his two income protection policies and two total and permanent disability, in both cases one was an old retail policy that Graham had taken out on level premium with an insurer who no longer exists under that name, as their book of business was purchased many years ago and so has gone through a number of iterations over the years and the other was within an industry fund. Dealing with 1800 numbers, indemnity and any occupation policies, is never easy and so important to get right, it's where we can make such a difference for our clients.

Upon the payout of both the TPD policies into his superannuation and following the sale of his share in a business due to ill health, it was obvious to Graham that he needed advice around his retirement planning, that was suddenly brought on him.

Due to the insurance payouts we are now dealing with a sizable superannuation balance along with their investments outside of super and therefore need to consider the most suitable structure for both investments inside and outside of super. Things like fees, investment options, flexibility all need to come into play and of course, they haven't had the assistance of an adviser prior to the insurance claim process, so going through the value add that we provide is crucial to a client understanding why they would engage us to work with them.

Over the time that Graham and Mary have been clients, we have had numerous meetings, in person, via zoom (video) and over the phone, to explain investment strategies, help them understand why the various structures have been recommended, answer questions about market volatility and many other topics. Because we run a fee model that includes effectively "unlimited" client contact, we welcome and encourage clients to ask the questions so that they understand what and why we are recommending various investments or strategies. Yes, we track the amount of time we spend working with a client, but that is more from a compliance point of view and to review our fees on an annual basis. We never bill by the hour, it's simply inefficient for everyone, but to understand what we've done for a client and who in the business has done what, can really make a difference to the way we operate.

Dealing with clients as I've outlined above really makes my day, being able to add value as an adviser and business to our clients brings a smile to my face. A sense of achievement and satisfaction to be able to hold their hand and be there during the good times and not so good, see where they are traveling around Australia or the world from their Facebook posts or getting the emails from them when they have just ticked off something from their bucket list or hearing about their grandkids.

Being a part of something where we can make a difference in our client's lives is why I love what I do and am proud to be an adviser.

By Jenny Brown, CEO and Founder, JBS Financial Strategists

**The names of clients have been changed to protect their privacy.*