



SMSF Ethics

It's not all about you

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- It's about you (partially)
- Are you biased?
- Biases in ethical decision making
- But it's not all about you
- Are biases good or bad?

It's about you (partially)



Ethics and you

- Financial Services Royal Commissions brought ethics and financial services industry under the microscope
- Ethics Code for financial advisers was already under development at time of FSRC
 - Originally a PJC recommendation from GFC
- Ethics is not a new concept for financial advisers
 - FAAA
 - SMSFA
 - Accounting bodies

Consider the following scenario, and what would you actually do?

- You and your heavily pregnant partner are camping, about 30 mins away from nearest town.
- Your partner suddenly screams and claims to have been bitten by a snake. You do notice some swelling on their arm, although cannot see a snake.
- Would you:
 - Call 000 and follow their instructions (they have said the wait for an ambulance is about 60 mins)?
 - Drive your partner to the nearest hospital (about 40 min drive in normal conditions)?
 - Drive your partner to the nearest hospital (getting there in about 20 mins if speed etc)?
 - Do whatever your partner says?

Ethics and you

- Frameworks and theories to guide decision making
 - Virtue ethics
 - Deontological
 - Teleological

Poll question

Which framework / theory guides your decision making process as a financial adviser?

- a) Virtue ethics?
- b) Deontological?
- c) Teleological?

Are you biased?



Biases are a natural part of life

- They may be conscious or unconscious
- They can frame who you are and how you act (or react)
- They are not necessarily bad and may not lead you to making incorrect decisions

Biases in ethical decision making



Biases in ethical decision making

- Partisanship
- Rationalisation
- Implicit or unconscious bias
- Ethical blindness
- Ethical fading



Consider the following questions

- Have you ever found yourself exhibiting one of these biases?
- Does exhibiting a bias mean that you have made the wrong decision when faced with an ethical dilemma?
- Does exhibiting a bias mean that you could have made a better decision when faced with an ethical dilemma?

Scenario 1

- You share an office with an accounting firm and have done so since your business began over 10 years ago.
- You have a lot of mutual clients and cross referrals (no referral fees).
- It has come to your attention that another accounting practice offers a very similar service for a cheaper price.

What ethical issues arise?

What would you do in this situation?

But it's not all about you



Client biases that can impact their choices

- Affinity biases
- Over-confidence
- Under-confidence
- Partisanship
- Halo effect (or horns effect)

Scenario 2

- Husband and wife have kept their finances separate, including having a separate SMSF each.
 - Her SMSF had her and him as individual trustees.
 - His SMSF had him and son from a previous marriage as individual trustees, and son has a nil balance.
- Husband has now died, with \$2M in the SMSF that under a valid nomination is to be paid to her in the form of a pension. She has stepped in as his LPR on his SMSF.
- You haven't ever advised his SMSF in the past. She now wants the death benefit pension rolled over to her SMSF. She doesn't want the son involved in any way.

What ethical issues arise?

What would you do in this situation?

Scenario 3

- Deceased made a non-binding nomination over their super to their children.
- Your client (the deceased's spouse) has since become the administrator of the estate.
- They have asked you if they could make a personal claim on the super death benefit now?

What ethical considerations arise?

What would you do?

Scenario 4

- You notice your client appears to be less joyful than usual
- After continued discussion with your client, you discover that your client is feeling unhappy due to their physical appearance and wants to undergo a range of surgical procedures, including dental procedures, rhinoplasty and gastric band surgery.
- Your client has heard that it may be possible to access their super for these procedures (from a friend who had similar surgery paid for from their super)

What advice would you give to this client about accessing their super?

Scenario 5

You have a client that has their own SMSF.

The administrator of the fund has brought to your attention that the client (who is below retirement age) appears to have received a \$10,000 payment from their SMSF.

When asked what the payment was for, your client states that they took the money out as they believed they were in a position of financial hardship, and they had heard that access to their super was available on these grounds.

As their adviser, you have concerns about whether this is the case or not.

What (if any) ethical considerations arise?

What would you do?

Scenario 6

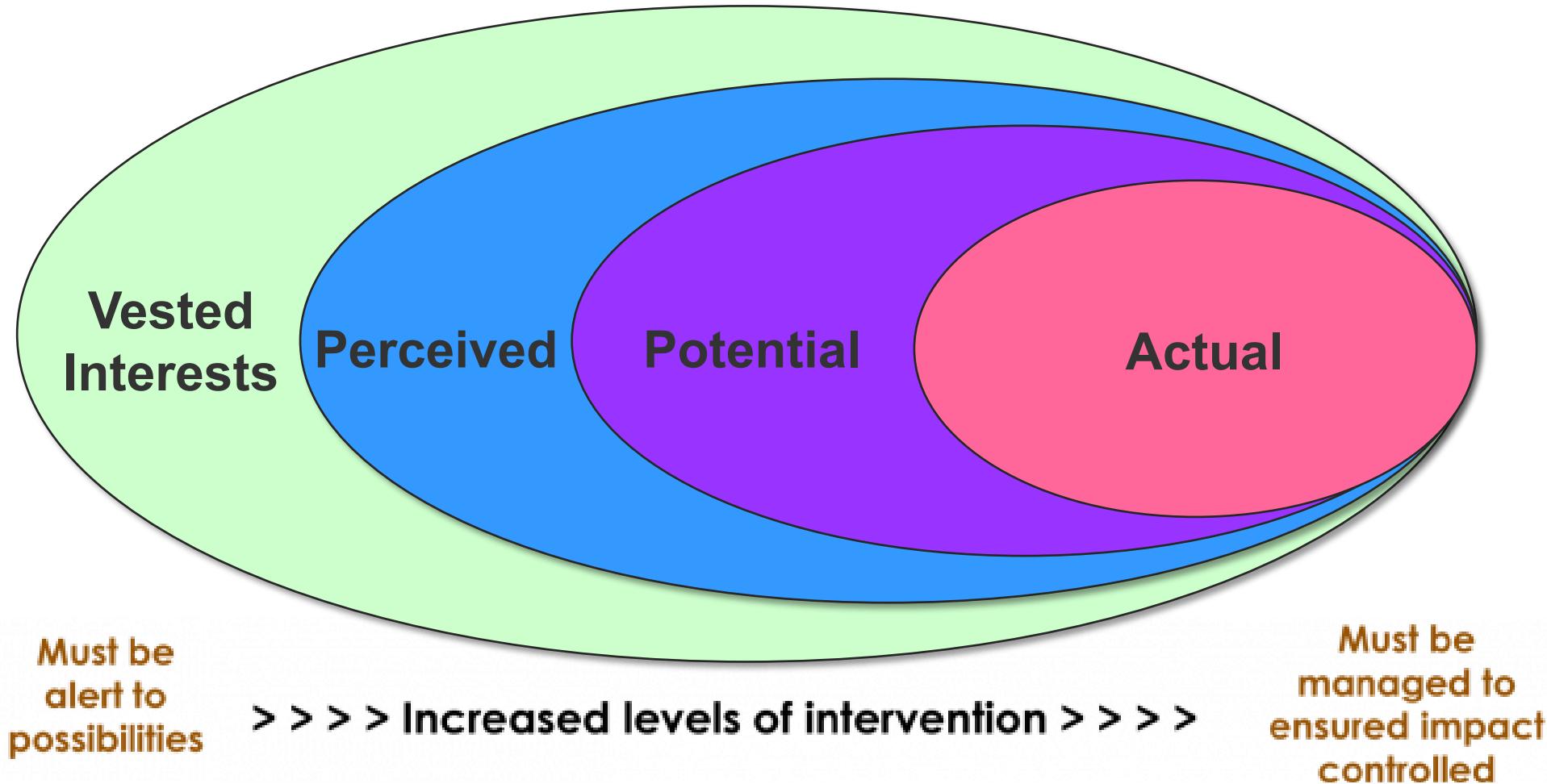
- Your client Alice (age 66) has recently sold a property that satisfies all the downsizer eligibility criteria and receives proceeds of \$5,000,000
- You recommend Alice make a downsizer contribution, however she questions whether this is the right thing to do. She is not actually 'downsizing' as she intends to cruise around the world indefinitely

What ethical issues (if any) arise?

What advice would you give?

Does the intent of the legislation have any bearing on your decision?

Which conflicts matter?



Are biases good or bad?

It depends ...



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