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# Submission - Quality of Advice Review

3 June 2022

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## Submission context

Thank you for the opportunity to make our submission to the Treasury's Quality of Advice Review (Review).

This submission is being made by four financial and behavioral money coaches (money coaches) as a collective submission.

Being experienced financial professionals, with specialist behavioral finance and money coaching qualifications, we offer a unique perspective.

We are optimistic this Review will support Australia's financial ecosystem to become more client centric, to value Australians' diverse needs and ensure that quality financial advice delivery can be a highly valued and sustainable profession into the future.

We look to demonstrate this below, through our understanding of:

- the value delivered by money coaching;
- how it is complementary to the delivery of quality financial advice; and
- the opportunity to broaden the lens and incorporate the benefits of money coaching within a framework of financial capability to improve the outcomes and preparedness by Australians to engage in quality financial advice.

We also want to acknowledge that we advocate for high standards of professionalism across money coaching and for Australian money coaches to:

- Always operate in a compliant manner with all current Australian financial regulations (or any future regulations).
- at a minimum, meet standards by having relevant financial services experience and holding a recognised money coaching qualification to ensure high quality coaching is delivered. Appropriately, many Australian money coaches have sought to complete dedicated money coaching modalities and qualifications to deliver coaching (two examples being the Certified Money Coach (CMC)<sup>®</sup> in the US or Certified Financial Coach (CeFC) in the UK)<sup>1</sup>.

In our experience, best practice money coaching is very mindful of the regulatory environment in our engagement and when necessary, a referral is made to a qualified financial adviser. No referral or any other fee is received.

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## Money Coaching - value delivered in an Australian context

Money coaching originated from a recognition that traditional financial advice and product-based solutions are largely unable to solve what essentially are emotional, behavioral and unconscious beliefs and habits around money for an individual's journey.

Money coaching, whilst relatively new in an Australian context, has been practiced within the US and the UK, for two decades<sup>2</sup>.

There are numerous definitions of money coaching, however we believe this definition to be the simplest and most appropriate:

As Deborah Price of The Money Coaching Institute says "*...a money coach serves as the bridge...by helping people to identify the origin of their unconscious patterns, and to provide on-going coaching and support in helping clients to move beyond their limiting money patterns, beliefs and behaviors*".<sup>3</sup>

In agreement with the assessment by Deborah Price, in our experience, money issues and challenges are also not rational or logical. In fact, they seldom have anything to do with just the "numbers".

The non-financial competencies a money coach employs, incorporates neuroscience, neuroeconomics, behavioral science and depending on the coach, other complementary coaching modalities such as Neuro Linguistic Programming. By exploring with the client their unconscious beliefs around money, we help to address the areas they wish to change around their money behaviors and beliefs, plus support positive change with practical cash flow management.

Therefore, by expecting to solve what are essentially emotional or behavioral dynamics through practical financial literacy or financial advice alone, potentially diminishes the impact that could be delivered, for an individual or couple, who has this broader need.

In our experience, we have found the value of money coaching also remains largely unknown in Australia and is often misunderstood. Especially by many who deliver financial advice, perceive money coaching to be less valuable or in competition, rather than a positive impact and complementary, to the successful delivery of high-quality financial advice.

The ability to meet different client preferences through a fee for service delivery, can also balance the value of a coaching engagement with affordability.

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For example:

- coaching programs for an individual client (typically over 3 months or may be longer if the client seeks ongoing support and accountability);
- small group coaching programs (again over 3 months or longer); or
- online courses or a combination of online and in person coaching to support more affordable options at scale.

These offers can be delivered:

- as a stand alone experience with a money coach; and/or
- within a dedicated 'pre-advice' experience, delivered separately to traditional financial advice delivery to avoid any conflict of interest if delivered within an advice license.

Overwhelmingly, money coaching can be particularly beneficial for women and couples.

In our experience, we hear comments that they:

- do not feel they valued or listened to when they have met with an adviser or in their dealings with financial institutions;
- have experienced being turned away from traditional financial advice services when they attempted to seek advice as they haven't met that model's 'ideal client' (eg. high income but not high assets);
- or similarly to why someone might seek out a fitness coach, they may have tried many things themselves but are unable to make a successful change stick.

In turn, after engaging with a coaching experience, clients have told us:

- they feel more confident, capable and less fearful (as the coaching process has helped to redress behavioral, mindset and cash flow issues not serving them);
- they have developed a new perspective on the dynamics of money in relation to their lives and those of their family;
- they have addressed habits that didn't support them around spending and budgeting;
- they are more comfortable to use a cash flow system ongoing; and/or
- understand the value of taking up personal financial advice to protect and build wealth.

**Please refer to 'Appendices' for case study examples of real life client engagement and the benefits achieved through money coaching.**

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## Money Coaching - supporting an unmet need

It is well understood in an extensive body of research, that if you are confident and capable around money, it supports your wellbeing. Improving someone's financial capability is also shown to be closely linked to reducing the overall stress and overwhelm experienced, especially for women and young people<sup>4</sup>.

Numerous studies, such as by psychologist Adrian Furnham<sup>5</sup>, who studied the emotions people had associated with money over the prior 12 months, ranked the top 4 in order as being Anxiety, Depression, Anger and Helplessness showing a clear link between money and negative emotions.

We support a 'whole of financial ecosystem' approach to improve the financial health, wealth and wellbeing of all Australians.

In particular, the objective and subjective value that is delivered by money coaching on a client's behavioral and emotional decision making and confidence with managing money cannot be underestimated. It cannot be left off the table when considering the broader suitability, accessibility and delivery of quality of advice.

In fact, for quality advice delivery to be achieved, we believe a level of financial literacy needs to be evident, as the absence of this, along with any significant behavioral pattern, will impact the client's relationship to money and ability to fully participate in the advice process.

Therefore, rather than be viewed in any way as competition, we believe money coaching provides a very distinct, yet complementary 'pre-advice' service, in support of overall improved readiness and preparedness for seeking quality advice (whether that is then sought via a digital robo experience, via an intra fund experience or comprehensive advice delivery).

This has been borne out from interactions with our clients and from advisers to whom we have referred clients once they are ready to take the next step and seek personal advice.

**Please refer to 'Appendices' and the letter from The Hopkins Group as to their perspective of the benefits delivered for clients who have sought money coaching.**

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## An opportunity to broaden the 'advice' lens

We note that as part of the scope of the Review, an examination of the legislative framework for financial advice (item: 3.1.1) is to occur. This is very much welcomed.

We consider as part of this process, an opportunity exists to incorporate a broader lens around the meaning and purpose of what delivering 'quality financial advice' means, to one of 'quality financial capability'.

That is, in order to improve access to high quality, affordable and accessible financial advice, to consider how the needs are aligned to a financial capability core component. Being measured outcomes around: knowledge and understanding, skills, confidence and attitude and behaviors<sup>6</sup>.

We believe more awareness and quality money coaching is the missing link in how Australians can improve financial confidence and capability, whilst improving their experience and tailoring their journey as appropriate within Australia's financial ecosystem.

The benefit being to improve the streamlining of quality advice delivery and ongoing sustainability of the profession. Ensuring clients are better prepared, informed and only engage when ready, freeing up capacity to specialize and meet more clients who are 'advice' ready.

The following summary is helpful to identify the multiple needs, pathways and advice types that could support a more holistic approach. We believe the assumption or expectation, that all Australians need or require quality financial advice, could be reexamined on this basis. With ultimately a streamlined simplified legislative framework to support this delivery.

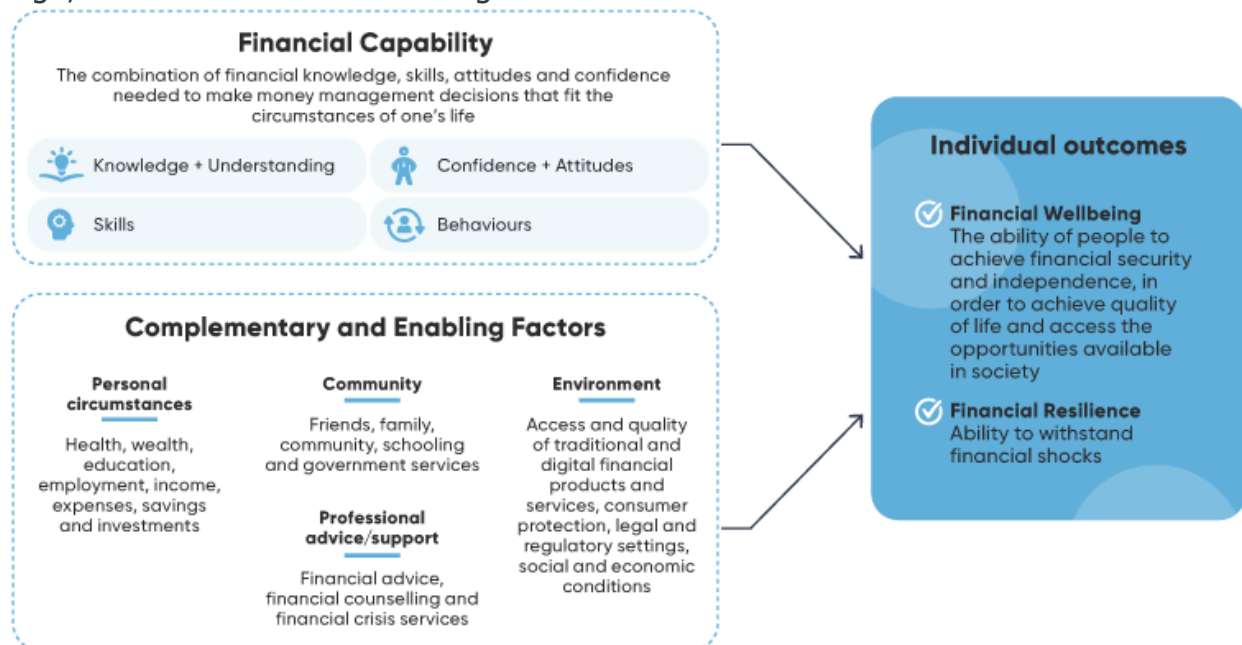
There could be a framework of needs to help clients identify how and why they might engage at different points in time, via different delivery methods. This is not meant to be exhaustive or prescriptive of the needs:

<b>Identified Need</b>	<b>Identified Delivery Method</b>	<b>Advice Type</b>
Financial Literacy Programs	Existing Government initiatives, MoneySmart Money Coaches Advisers	Could be a combination of exempt, factual information and General Advice
Financial Hardship / Crisis Support	Financial Counselors, Financial Crisis Support Services, Debt Helpline	Exempt
Behavioral finance and mindset	Money Coaches Suitably skilled Advisers	Non Product. Factual Information Only*

Cash flow management	Money Coaches, Budgeting / Cashflow Specialists Advisers	Non Product. Factual Information Only*
Education around financial concepts, products, classes of products	Money Coaches, Advisers, Superannuation Advisers	Factual Information, General Advice
Self Serve / Robo Advice - for example investments, super or basic transactional personal advice	Product or digital providers - for example  Super Fierce, SixPark, Money GPS, Stockpot	General or Personal Advice
Product Based Advice	Superannuation	Intrafund: General and Personal
Comprehensive Financial Adviser	Scaled or Full Advice	General and Personal advice

\*Unless licensed for general or personal advice.

We also note money coaching is currently silent in the National Financial Capability Strategy Professional advice / support framework below. All core attributes would align, with the most relevant being Confidence + Attitudes and Behavior:



Source: The Treasury, National Financial Capability Strategy  
Figure 1: Treasury 2022, Financial capability and its complementary and enabling factors



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## Recommendations:

1. Broaden the lens of 'quality financial advice' to 'quality financial capability' and apply a hierarchy of needs approach to support suitability, accessibility, affordability to meet Australians diverse needs.
2. Simplify and improve the legislative framework to streamline how people can engage more appropriately, especially to engage and deliver for women and young people.
3. Incorporate the value delivered by money coaching within the financial literacy and financial capability landscape to support further engagement and ensure that it is not left off the table, or its importance, underestimated.

One principle remains absolute from our perspective - we must listen to what Australians need and deliver this to meet the challenge of remaining relevant and suitable for the future viability and sustainability of the profession.

We must also do so if we are to attract and retain quality talented individuals who have the right skills and emotional intelligence across all disciplines to bridge the financial capability gap.

We are very much looking forward to the outcomes of this Review.

Thank you for your consideration.

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## Appendices

### Real Life Client Case Study Examples

#### Client 1

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Woman aged 53, employed, single no dependents

The client was prompted to seek out money coaching services after being notified she will receive a compensation payment in the next 2-3 months for damages from a childhood incident, the full nature of which she did not disclose to me. The client presented with anxiousness, lack of self-esteem and confidence and patterns of overspending and avoidance of all her financial affairs. She does however have a strong earning ability and financial knowledge including having invested in property in the past and salary sacrifices to her super.

Taking the client through the Core Money Coaching process she discovered the following:

- During her childhood there was a lot of financial deprivation, even though their family was financially comfortable;
- Growing up her financial and emotional needs were never met and she learned that 'she could never have what she wanted' but needed to conform with what her parents, and in particular, her mother instructed her to do. This led her into jobs and a career that she didn't enjoy, purchasing cars and property that were not her choice but that based on her parents approval through her twenties and thirties;
- Feelings of obligation, responsibility, conformity and 'settling for less than she wanted' played out repeatedly throughout her life, originating from her childhood environment.
- Her coping mechanism was overspending, purchasing clothes and fashion accessories to feel better about herself and her life, regularly causing her to go into significant credit card debt, leading to guilt and shame cycles during her late thirties into her mid forties

Recommended strategies:

- Adopt and integrate positive and supportive affirmations to unlearn what was learned as a child about her ability to make her own empowered financial and lifestyle choices
- Face emotional fears - exercises
- Practice polyvagal breathing when anxiety comes up
- Incorporate 'daily right actions' and small but significant steps, schedule in a weekly 'Financial Friday' where she diarizes and allocates time to working on her financial admin, banking and reviewing expenditure

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- Undertake a forgiveness and reconciliation process for herself and her family
  - Set a monthly allowance for guilt-free shopping
  - Lifestyle goal setting (short, medium and long-term)
  - Cut up credit card so can no longer be used for emotional purchases
  - We identified her spending triggers and subconsciously changed the strategy to healthy opposites, created a new environment and supportive emotional strategies
  - Emotional spending 7 step strategies

#### Client outcomes:

- Client has remained debt-free (the settlement was used to pay off all credit card debts and mortgage)
- Set and is sticking to her budgeting expenditure and working towards a savings goal aligned with her values and lifestyle goals which includes holidays to Bali and home renovation (in the past this would have just gone on credit to fund)
- She has worked through all her administration, streamlined and automated her banking structures in order to save more money and reduce emotional spending
- Client reports feeling calmer and more financially secure
- Better able to manage her anxiety when it arises
- Repaired relationship with her parents and sibling
- Asked for and received a pay increase at work
- Sold her excess clothes and fashion items and paid off small debts and no longer has the guilt associated with these past purchases

#### **Client 2**

Woman, self-employed, aged 47 in de-facto relationship with 2 dependent children from her previous marriage.

Client had engaged and worked with a financial adviser for the past two years who managed her mother's investment portfolio on her behalf. Client sought out money coaching services, post the death of her mother as she was wanting support around confidence to receive a large sum of money (in the form of property, cash and managed funds). Client admitted to being completely disconnected from money and a low-income earner, despite being highly talented and respected in her field of work. She reported having less income available than her cost of living, often finding herself with no financial reserves, living week to week.

Taking the client through the Money Coaching process, which involves 4 one hour sessions she discovered the following:

- Her challenging financial patterns and behaviors were unconsciously inherited from her mother; her father's death had a significant financial impact on her mother, which in turn deeply informed her own relationship and self-esteem with money;

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- Growing up, money was regularly used as a positive behavior reinforcement system by her mother which created a pattern of feeling unworthy of money and wealth.
  - She learned at the age of 6 "money is dangerous, caused worry and was stressful" after swallowing a coin. This flawed financial belief-system has stayed with her from age 6 to age 47. This belief was reinforced during her childhood, working from a young age in her parents' postal business, dealing with customers, handling money and being given more financial responsibility than a child at this age should be given, several events during this time taught her money was stressful and a source of worry.
  - By the age of 26 she had resigned herself to living in poverty and that fulfillment needed to be sought in other areas of life.

#### Recommended strategies:

- Adopting positive and supportive affirmations to unlearn what was learned as a child about her ability to deserve, earn and retain money
- Emotional visualisation strategies around money to change from stress to calm
- Values and vision exercise
- Developing a healthy relationship with money and finances using 6 key emotional and practical strategies
- Shifting her default responses from judgment to curiosity and compassion for her new awareness of the origins of her financial behaviors
- Setting personal boundaries for herself, business and clients
- Reallocating time and money to values and goals

#### Client outcomes:

- She feels calm and confident checking her income and expenses on a weekly basis
- Client has increased her hourly rate to charge clients and is looking at leveraging other skills and talents to generate a higher income
- Thinking of money is a source of joy rather than stress (and avoidance)
- Referred client to a female financial adviser who she is completely engaged with and understanding of the portfolio she now owns and how it will assist with her lifestyle goals and future.

### **Client 3**

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Woman aged 38 years old

Recently separated and anxious about managing money on her own as has been in a relationship for the past 12 years. Client was the primary breadwinner and knowledgeable of financial matters and is able to financially support herself and two children, yet presented with anxiety, fear and powerlessness around her situation both personally and financially.

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Client also disclosed that for the past 8 years she has suffered from what she has described as a compulsive shopper. She realises that in her new situation this will be detrimental to her financial situation and realises the need to change this behavior.

Taking the client through the Core Money Coaching process she discovered the following:

- Small but several incidents of being caught stealing under the age of 8 years old, which were highly shameful and not dealt with by parents in a supportive or healthy way, which has impacted her self-worth and belief of worthiness of wealth and happiness;
- Patterns of using money and gifts to buy friendship and attention were formed in early childhood and still play out today at age 38
- Parents' marriage separation deeply affected the client and her father remarrying and creating a new family with children, reaffirmed her belief of not being good enough or deserving of financial support, love or belonging.
- Financial deprivation throughout her schooling due to being raised by a single working mother and no financial support from her father, despite him living a lavish, materialistic lifestyle with his new family; deeply entrenched feelings of resentment, anger, unworthiness as well as independence and strength.

Recommended strategies:

- Adopting positive and supportive affirmations to unlearn what was learned as a child about her ability to deserve, earn and retain money
- Guided anger meditations
- Emotional spending 7 step strategies
- Undertake cashflow spending exercise (budget) and set allocation for guilt-free spending; adopt 50/30/20 model
- Daily journal of everything done 'right and well' to repair self-esteem
- Life inventory exercise
- Podcast recommendations for daily inspiration and financial knowledge building

Client outcomes:

- Has not made a retail purchase of clothing for over 6 months since working together (this is significant achievement)
- Focused, motivated and saving for a deposit on the purchase of her next family home
- Received financial advice/support from her employer-sponsored superannuation fund to arrange her personal insurances and wealth protection.
- Increased self-belief, confidence and knowledge

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## **An Australian Financial Services Licensee perspective**

Level 23  
500 Collins Street  
Melbourne 3000  
VIC Australia

GPO Box 4347  
Melbourne VIC 3001

25 May 2022

Dear Ms Levy,

### **RE: How financial literacy and money coaching directly impacts “quality of advice” when integrated in a traditional financial planning model**

My name is Michael Williams and I am the Managing Director of “The Hopkins Group” [www.thehopkinsgroup.com.au](http://www.thehopkinsgroup.com.au) a Multi-disciplinary professional services firm specialising in holistic advice with financial planning at the core of this model.

I have worked as a licensed financial planner for more than 20 years after starting a career as a commercial and property lawyer. Our firm's core clientele is 40-55 year old wealth builders and those that have transitioned to retirement.

During my 20-year career as a financial planner I have been concerned about the quality of advice in the marketplace, (the cost of delivering advice has also increased significantly.) This increase in cost has not been met however by either a reduction in the need for advice for the general public or an increase in the financial literacy of clients.

The industry is trying to respond to these changes in cost delivery and financial literacy by looking at options from Robo-advice, scaled advice, specialisation in skills and the transformation of financial planning practices from cottage industries to more a professional firm business with different roles completed by staff at an appropriate charge out rate or skill level.

In looking at strategic options to improve the quality of advice our firm could provide and increase the accessibility to those that need financial planning services the most yet are priced out of the market, we commenced working with a Money Coach & financial literacy educator as part of the Pre advice stage some years ago.

This approach has resulted in consistent outcomes as follows, clients having a greater level of financial literacy and understanding of the areas they need to address in their

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financial life, specifically they understand they need to address multiple areas such as risk protection, investing and Estate planning. This is important because it provides a capability for them to fully participate in the financial planning process rather than just be told what they should do.

By the time clients are referred to us, they have an established budget and understanding of their personal cash flow at an in-depth level, they have clarity about the lifestyle outcomes they want which expedites the goal setting when it comes to their financial objectives. They have worked through and resolved behavioral patterns that have led them to have negative patterns and for some detrimental outcomes when it comes to their financial life. Clients who come to us via a financial literacy and money coaching model have often been in avoidance or had serious lifelong behavioral issues with money such as excessive spending and the accumulation of debt, gambling, or an inability to even manage their own financial affairs even in cases where they are high income earners.

This work is important because in order to give client's advice and recommend products, we as advisors need to establish 1) that they have the capability to fully participate in the process 2) That any advice or product we apply will lead clients to better outcomes, that are not thwarted by unresolved behavioral issues and 3) that they are playing an active role in their own financial journey by responsibly managing their cash flow and making choices that are congruent with the benefits of the financial plan they are seeking.

In short, a client who has undergone financial education and money coaching is better prepared and more capable of ensuring they receive the "quality of advice they rightfully deserve"

It is not viable nor cost effective for us as licensed financial planners nor do we have the training or skill set required to ensure clients are advice ready. In my personal experience, to skip such a process in many cases will inhibit the quality of advice that can practically be given, because in some cases financial products will not provide a solution to the outcomes that Money coaching and financial literacy can and do.

Please do not hesitate to contact me if I can be of further assistance to you.

Yours Sincerely,

**Michael Williams**  
**Managing Director & Authorised Representative**

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Corporate Authorised Representative of Sentry Advice Pty Ltd

Australian Financial Services Licensee, License number 227748

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## About the Authors:

### **Suzanne Alexander**

Formerly a financial adviser for 8 years, Suzanne has been involved in the financial industry for over 15 years with experience in both large corporate international organizations and boutique advisory services. She is a Certified Financial Coach, has a Masters of Financial Planning and has successfully completed the FASEA exam.

In 2021, Suzanne established Mindful Finances and works predominantly with Women in Service Based Businesses to overcome their challenging money beliefs and money blocks so they can establish healthy and sustainable financial foundations, build confidence in managing their money and learn to value their offering.

Suzanne is passionate in helping individuals transform their relationship with money, with a particular focus on mindset. In her role as a financial coach, she works alongside financial advisers to support their clients achieve financial wellbeing.

### **Megan Cottrell**

Megan is a Certified Money Coach (CMC)<sup>®</sup> and Certified Financial Coach (CeFC) and is presently establishing her own business to align her passion of improving the financial equality outcomes for women with behavioral money coaching.

Megan is also a FAESA compliant Certified Financial Planner (CFP)<sup>®</sup> (currently non practicing) with the Financial Planning Association of Australia and previously a General Manager within member engagement for a national profit to member superannuation fund.

Megan has also personally delivered personal financial advice, both within an intrafund model within superannuation and prior to that, full advice, fee for service, boutique models.

Megan has designed and regularly delivered financial literacy programs both in person and online and volunteered on financial literacy initiatives such as the Glass Breaker Financial Literacy program (delivered by Wake by Reach and funded by the Ecstra Foundation) to support young women.



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## **Karen Eley**

Former financial adviser for 14 years and has worked in the investment advisory industry for over 20 years. Prior to becoming a financial adviser Karen held the role of Risk & Compliance Officer for a national ASFL for two years, where she was responsible for auditing and educating financial advisers on regulatory obligations.

In 2018, Karen sold her interest in a financial advisory practice and then founded her current money coaching business, Women Talking Finance in 2019. She is FAESA compliant and an Authorised Representative of an AFSL, with a General Advice authority and a member of the Financial Planning Association of Australia.

Karen is passionate about the role Money Coaching can play to compliment financial advice and is a Master Coach and instructor at The Money Coaching Institute, based in the US.

## **Marion Mays**

Has a career in the financial services space spanning over three decades with employment in both the private sector, housing and industry based co-operatives and a publicly listed corporation. Her breadth of experience includes both consumer and mortgage lending including government housing initiatives, credit assessment, credit control and asset recovery. She has worked in financial education and for the past 7 years financial coaching. She holds an advanced Diploma of financial planning, has formally studied coaching and is currently undertaking the Certified Money Coach certification via The Money Coaching Institute in the U.S .

In her current Money Coaching business, virtually all clients are referred to licensed Financial planning experts.

As a former ambassador for White Ribbon and current ambassador for St Vincent de Paul society, Marion is passionate about the prevention of homelessness of women and the financial education of everyday Australians.

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## References

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