WEALTH

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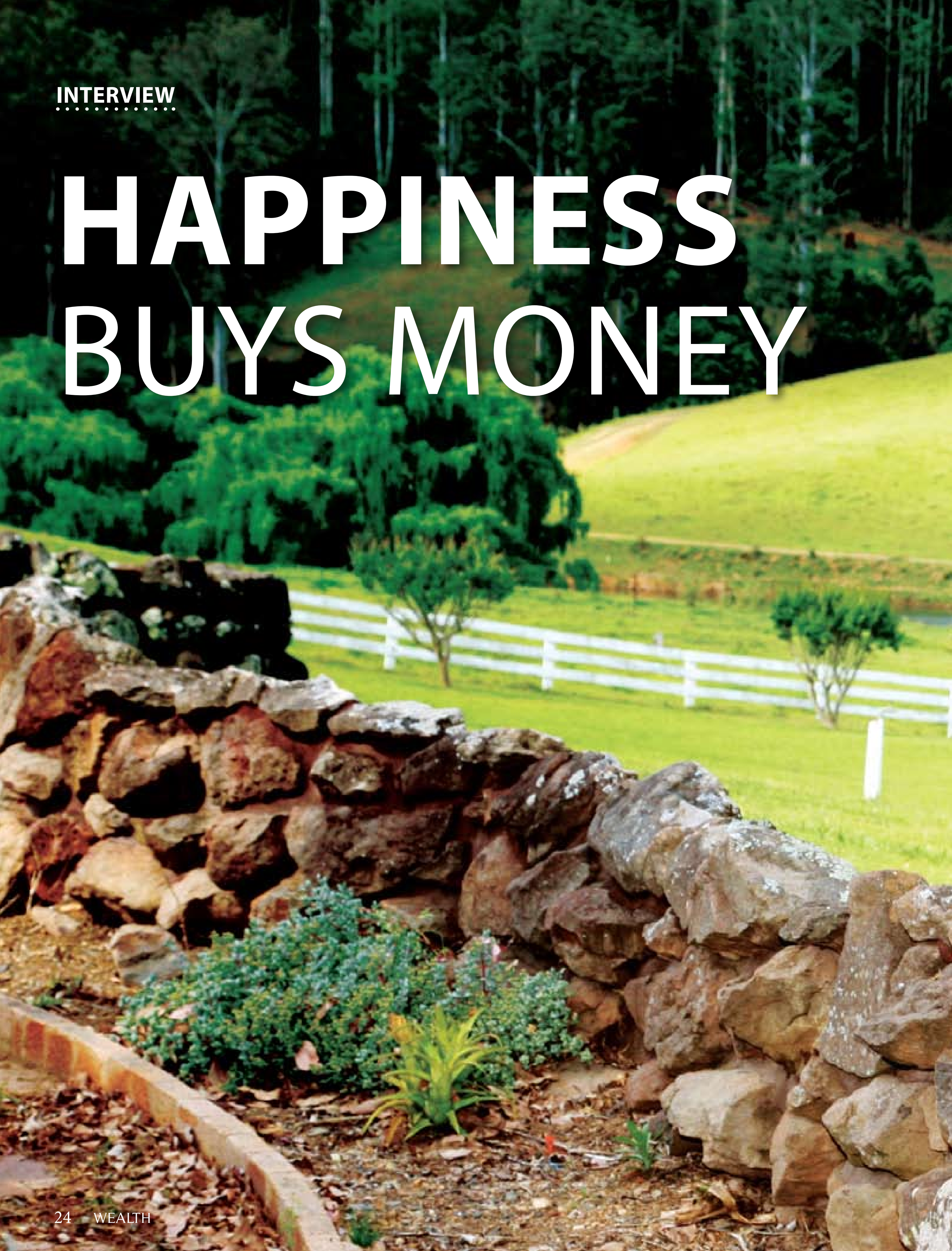


Arun Abey

Money may not be able to buy enduring happiness, but it can happen in the reverse: An inner certainty and well-being are the basis of consistently successful investing. Experienced investors have always known this, but perhaps no one other than Arun Abey, Executive Chairman of Sydney-based ipac, is close to formalising an investment-advice process based on this observation. The financial advice industry is about to take the next step up.

By BEE ONG in Sydney

Arun Abey was never an outstanding student in school and may not have been voted the most likely to become a visionary business success. But now, some 32 years after graduating from Killara High School, a government school serving Sydney's sylvan North Shore, he returns as a personality many Australians — and increasingly Singaporeans and Hong Kongers — know as an unusual kind of financial adviser who talks about not just investment strategy but also about something less well-defined: Happiness.

This summer afternoon he is returning to meet Killara's principal and his former schoolmate, Dr Mark Carter, with an urgent message that he'd like to impart to Killara's youngsters through a series of talks: True success in any area of life — investment, business, professional pursuits — is only possible if people live authentic lives. Enduring happiness does not result from amassing wealth for the sake of accumulating money or prestige. It comes from discovering and doing what gives you a sense of continuous and pleasurable absorption or 'flow', as psychologists call it.

So, ultimately, the search for success must start within, with self-enquiry.

Abey, the Executive Chairman of ipac Securities, Australia's largest independent financial advisory firm managing US$15 billion (A$17 billion) in client funds in Australia and $274 million in Singapore and Hong Kong, is at the brink of a breakthrough in financial advice.

He has now done sufficient research, backed by 25 years' experience advising clients worldwide, to conclude that successful investors are first happy people whose behaviour results from a sense of inner well-being. They have an unwavering, inner sense of who they are, what they are good at and what gives them lasting satisfaction, never mind what everyone else is doing.

This deep conviction negates the need to follow the crowd, which every seasoned investor knows can be calamitous.

In other words, poor financial decisions come from behaviour that is inconsistent with investment success, not from ignorance about the markets, financial instruments or investment methodology.

"The mental resources and foundation to be authentic are the same as are required for success in investment management. There are tons of technical knowledge out there, but people fail because of the mental stuff," Abey says.

"Paul Clitheroe (an ipac co-founder) and I have been running around exhorting people to invest more carefully and we've written millions of words for financial education and there is no indication that it works. Financial education alone does not change behaviour. The thinking on happiness does," reflects Abey.

The observation has urged Abey to research a vast variety of thinking in psychology, which he'd had a keen interest in since he was a teenager. (He first read the American psychologist Carl Rogers' work when he was 17. Rogers' central thinking is that every form of life has an innate drive to develop to its fullest potential or to self-actualise).

Abey eventually decided that the positive psychology movement, which is rooted in Abraham Maslow's discoveries, is the most useful. It is based on Maslow's seminal hierarchy of needs, which explains the basic workings of human beings: People first seek to fulfil basic needs such as food and shelter. After that, they look for a sense of love and belonging, and increasingly finer aspects of life. At the apex of human search is self-fulfilment.

Inside Out

Positive psychology takes Maslow's thinking further. It is a scientific study of elements that make individuals and institutions thrive. The discipline has three central areas of study: Positive emotions (contentment with the past, present happiness and hope for the future); positive traits in individuals (such as the capacity for courage, compassion, resilience, creativity, integrity, wisdom and so forth); and positive institutions (for example justice, responsibility, leadership, tolerance).

Martin Seligman, who is one of positive pscyhology's most formidable voices, has influenced Abey the most. Seligman's thinking forms the premise of Abey's recently published book, *How Much Is Enough* (A&B Publishers, 2007), which attempts to draw people's attention to the central role that mental attitudes play in managing finances.

The link between happiness and investment success is certainly not novel. Astute and scrupulous financial planners have always observed the association. The American authors of *The True Cost of Happiness: The Real Story Behind Managing Your Money* (Wiley, 2007), Stacey Tisdale and Paula Boyer Kennedy, make the same observations.

However, no one has institutionalised a financial planning approach based on these observations, for the investing public.

The link between happiness and investment success is certainly not novel.

Some of the most sophisticated hedge funds and investment firms have methods to exploit opportunities resulting from the market's investment behaviour, but they are only accessible to high-networth individuals and institutions.

> **"Paul Clitheroe (an ipac co-founder) and I have been running around exhorting people to invest more carefully and we've written millions of words for financial education and there is no indication that it works. Financial education alone does not change behaviour. The thinking on happiness does."**

Institutionalised Happiness

Abey is currently refining his thinking, and it appears that ipac may institutionalise a client-advisory process centred on his thinking on happiness. It would be the next evolutionary stage for the firm and perhaps for the financial advisory industry.

It would take just a minor adjustment of the current process at ipac, which has been in place since 1983, when Abey, Clitheroe, Peeyush Gupta and Suvan De Soysa scraped together $100,000 to start the firm with a phone, a telephone directory, a serviced office in Sydney and little else aside from a conviction that people needed credible, research-based financial advice and were not getting it.

ipac's long-standing advisory process is the reverse of traditional models. In conventional approaches, the adviser first considers how much money is available to invest. Next, she assesses the client's risk via a questionnaire. The risk profile results in an asset allocation. The long-term returns determine the client's lifestyle.

"We say that's wrong," says Gupta, ipac's CEO based in Sydney. At ipac, the first step is to determine what lifestyle a client wishes to have. Second, the adviser works out how much money is needed to achieve the desired way of life. Third, an asset allocation that can possibly deliver suitable returns is determined. "Risk should be an output, not an input in the process," Gupta says.

When the plan is implemented, advisers guide their clients through the journey as the risks and rewards unfold in market movements. During the last few months' surge of volatility caused by sub-prime ripples, for example, the advice was mainly to persevere, remember the long-term perspective and stick to the investment plan.

In theory, this is how financial planning is ideally done.

But in reality, few advisers have the maturity and experience in both finance and life to steer clients through such a wide variety of life issues, of which finance is only one part. Abey, his co-founders and several stalwarts might excel at it, but younger advisers, in general, often lack depth. Some kinds of clients, too, lack the mental clarity and emotional fortitude to take this sort of journey. Nonetheless, it is a forward-looking approach that suits people with a relatively high level of emotional maturity.

Visionary

The firm has always been well ahead of its time. Abey foresaw the need for credible financial advice in the early 1980s when former Australian Prime Minister Paul Keating, who was Treasurer at that time, had plans to improve the Australian economy's competitiveness. It involved floating interest rates and the Aussie dollar, freeing the financial services sector from tight regulations, among other initiatives.

Abey figured that globalisation and deregulation would present immense investment opportunities to individuals who would need guidance through complexities that did not exist until then.

Indeed, large financial institutions in Australia began introducing the country's first equity trusts and other wealth management products. "For the first time, the retail market had an opportunity to access professional management and diversify across asset classes," recalls De Soysa.

Few people except the most informed economists knew what globalisation meant. Modern portfolio theory, which emphasises portfolio diversification to achieve an overall low risk-reward ratio and which won Harry Markowitz a Nobel Prize in 1990, was not common thinking yet.

These two developments were the foundation of ipac's *raison d'etre*: To translate rigorous academic theory into actions that can benefit the lives of individuals and families.

Nearly all financial advisers at that time charged commissions on transactions, but Abey would not hear of it. He said to the co-founders: "It's not how it should be or will be in the future."

To remain objective, ipac charged for advice but not on transactions. It is still the revenue model today, which has become common in Australia and other developed markets, but is a rarity in Singapore and many other parts of Asia.

"Arun was born wise. He can see beyond the immediate circumstances," Clitheroe says.

Today, the financial markets' complexity has multiplied manifold. Individuals' investment options are now nearly as diverse as any institution's: Commodity funds, interest rate futures, options on exchange-traded funds, currency swaps, bond-yield arbitrage, climate-change unit trusts….

Today, the financial markets' complexity has multiplied manifold. Individuals' investment options are now nearly as diverse as any institution's: Commodity funds, interest rate futures, options on exchange-traded funds, currency swaps, bond-yield arbitrage, climate-change unit trusts…. Yet, the financial advice industry has not kept pace.

"On Special Today"

Yet, the financial advice industry has not kept pace. The industry generally remains in the product-pushing phase so prevalent in the late 1990s and 1980s, when the industry first started in Singapore and Australia respectively.

In 2001 and 2002, during the industry's early days in Singapore, the editor of a personal finance magazine received calls from retirees lamenting that they'd lost most of their savings because they bought unit trusts that they did not understand.

The purchase was often predicated on the adviser's assurance that this is the best fund available, and it emerged that the 'best' fund changed weekly, monthly or what worked for the sales process.

Moreover, a common complaint was, the advisers were too young to understand the circumstances of clients in their 40s and 50s, who had the most money to invest and whose financial needs tended to be more complex.

There were also a number of insurance agents who rebranded themselves as financial advisers but sold primarily insurance schemes and had little understanding of the large array of other financial products.

Little has changed in Singapore, where financial advice is still largely remunerated based on transaction.

Abey recalls, laughing and shaking his head, a story from one of ipac's advisers in Singapore who previously worked at a large local bank, where she was coached to say, "International bonds are on special today."

As Leong Sze Hian, a veteran financial planner in Singapore and President of the Society of Financial Service Professionals, cautions: "I tell people not to buy anything during the end of the month, end of the quarter or end of the year. It's that time when salespeople have to report their sales numbers and if they don't meet their quotas, they will lose their jobs, so they tend to sell more aggressively at that time."

ipac's fee-based model removes

Abey has done sufficient research to know that most human behaviours are hard-wired for survival and have been that way for hundreds of thousands of years. The problem is, survival mode can cause problems in many modern-day situations.


Long-term planning is a new phenomenon arising from higher life expectancy

> **"To survive on the Savannah, humans only had to plan a year ahead at most. There was no benefit to planning 20, 30, 40 years ahead because people didn't live that long."**

suspicions of product peddling, and is considered a refreshing approach for clients who seek a comprehensive approach to planning their lives.

Radical

The next stage of ipac's evolution, if Abey's thinking on happiness becomes the central point, can be both revolutionary and challenging. It can be revolutionary because ipac has a potentially vast reach, as it has been 100% owned by the global insurance firm AXA Asia Pacific since 2002.

Abey figures that currently, ipac serves 70,000-80,000 people in Australia, New Zealand, Singapore, Hong Kong, Taiwan, South Africa, the UK and Japan. As the advisory business takes a more significant role in AXA's worldwide model, the reach could be millions of people.

At AXA Asia Pacific, Abey is Head of Strategy and his thinking on happiness is beginning to influence the long-term orientation of the insurance firm.

AXA's leaders, notably the Asia Pacific Group CEO Andrew Penn and AXA Australia's CEO Warren Lee, recognised the need to place customers' requirements first, and worked with Abey on a new strategy.

It is radically different from the original. Traditionally, most firms' strategies are about vertical or horizontal product lines.

In the new strategy, there are no verticals and horizontals. Instead, the customer is at the centre of a circle. Financial products and services surround the customer. "The customer comes first; that has always been ipac's approach. Instead of coming up with fads, like fashionable funds, we are creating products that can be building blocks in long-term lifestyle solutions," Abey explains.

If Cats Would Dance

Abey's thinking on happiness can be challenging to implement because it deals with the complex, inner workings of human beings.

Abey has done sufficient research to know that most human behaviours are hard-wired for survival and have been that way for hundreds of thousands of years.

The problem is, survival mode can cause problems in many modern-day situations.

Saving for retirement, for example, goes against the wiring. "To survive on the Savannah, humans only had to plan a year ahead at most. There was no benefit to planning 20, 30, 40 years ahead because people didn't live that long," Abey says.

Long-term planning is a new phenomenon that arose with the recent rise in life expectancy.

Two generations ago, men and women were likely to die by age 55 or 60. Today, women in Singapore can expect to live until 82 and men, 78. Moreover, a Ministry of Health study also discovered that, on average, men and women in Singapore spend the last eight years of their lives in illness or disability.

But saving and investing for these eventualities is not yet a natural thing to do. It is still not wired into the human nervous system. It is like outfitting a cat in a tutu and making it dance on command.

The unnaturalness of long-term planning may explain the numerous studies revealing that most people in Singapore and elsewhere are inadequately prepared for latter years in life when they no longer earn a regular income but must endure frailty.

An AXA survey of 11,590 people in 16 countries including Singapore, Hong Kong, China, Japan and Australia, indicates that most people were anxious about financing their retirement. The survey, *AXA Retirement Scope 2007*, completed in September 2006, shows that 42% of respondents think their income will be 'insufficient' or 'completely insufficient' when they retired. Only 7% estimated they have 'completely sufficient' retirement income.

Bolger, a pharmacist and entrepreneur with two young children, has noticed a disturbing trend among well-educated women. After having children, women with substantial earning power leave their professions and settle back into an archaic mentality (my husband will take care of me). They relinquish their professional or business networks and if they get divorced or widowed, they may find themselves in dire positions.

Emotional Engagement

nWhile profound 'rewiring' (although not for financial purposes) is possible for mystics, ascetics and other spiritually advanced individuals, it is impossible for most people.

Abey has a solution: Make the future immediate. It is in keeping with the human tendency to seek instant gratification. "You have to make this stuff emotionally engaging," he says. He thinks that something can be learnt from insurance agents' sales techniques, which make the future immediate.

For instance, agents wouldn't explain investment theory, which scares many people without financial training anyway. Instead, they paint scenarios that help people to emotionally experience a possible outcome in the future: A classmate of your daughter's, named Rachel, had to drop out of school after her parents died in a car accident. They didn't have insurance and Rachel wasn't taken care of. Do you want that to happen to your daughter?

"If you can engage them emotionally, people can save and invest well," Abey says. To a certain extent, ipac's advisory process already does so when clients are asked to articulate the life they wish to live.

Now, the search for authenticity takes the process one step deeper, closer to the seat of behaviour.

Abey thinks it is important to start the searching process at a young age and to start with parents. Many parents, he says, unwittingly place expectations on their children that block their ability to live authentic lives. Some people think if they aren't doctors, lawyers or bankers, they're worth less. They never discover what Seligman calls 'signature strengths', which are the talents that give one a sense of 'flow'. For one person, it may be pottery, for another, generating mathematical models and for yet another, composing music and so forth.

It is why Abey wants to work with schoolchildren, starting with his former high school at Killara. By speaking to adolescents, he is also reaching their parents.

Parents of Killara High students recently received a letter of invitation from Carter, the principal, to attend Abey's first forum for Killara. The letter articulated the visionary principal's thoughts on what makes a truly potent education:

"If we think technology, possessions and the desire for material wealth seem to dominate the lives of young people now, the future could be even more concerning. Families and schools have very important roles in providing young people with an alternative perspective on what constitutes a successful and worthwhile life. Communities, schools and families working together, need to challenge the beliefs that money, financial accumulation and prestige are all important goals.

Bernie Bolger

"Unfortunately a brief scan of a number of university courses that are most sought after by students reveal where many of these young people's priorities lie. Promoting ethical approaches to life's challenges and dilemmas, strengthening a commitment to values of service and responsibility to others and in so doing, reinforcing a sense of wellbeing, need to be part of our schools' broader curriculum."

Abey is planning an adolescent version of his book *How Much Is Enough?* His friend and fellow member at the Young Presidents' Organisation, Bernie Bolger, will be his co-author.

Bolger figures that she can reach women through their children. "Women will read it for their kids and I hope we can change their mindset," she says.

Bolger, a pharmacist and entrepreneur with two young children, has noticed a disturbing trend among well-educated women. After having children, women with substantial earning power leave their professions and settle back into an archaic mentality (my husband will take care of me).

They relinquish their professional or business networks and if they get divorced or widowed, they may find themselves in dire positions. "Women who leave full-time work should find something to do outside of the home, even if it's just for two or three days a week, to maintain their link to the world," she suggests. The adolescent version of the book, she hopes, will prod women to begin looking beyond the boundaries of their immediate circumstances and think long term.

Abey can see what will happen if people will only allow themselves to be truly happy: They'd have more money to save and invest.

"A lot of money is wasted because people spend on substitutes for happiness, thinking it is happiness. If you buy a set of golf clubs, it can make you happy for a week, but not forever. Yes, buy the golf clubs but know that it's happiness for only a week, if you can afford it. People are not getting bang for their buck!" he exclaims.

"What really makes you happy is being authentic. Money can buy you an opportunity to be authentic," he says. Authenticity would not cost as much as compulsive acquisition yet will give you undiminished well-being, Abey observes.

Now, that is an arbitrage no hedge fund manager can possibly achieve.

FOUR MUSKETEERS

Can ideals and integrity be profitable? ipac's four founders give 25 years' worth of answers.

From Left: Suvan De Soysa, Paul Clitheroe, Arun Abey and Peeyush Gupta

"We do boring but sensible things. Our ideal clients are self-aware. They know when to delegate and when to do things themselves, but many business owners find it difficult to delegate."

– Peeyush Gupta

In the mid 1990s until 2000, when investors were infatuated with technology, media and telecommunications (TMT) stocks, ipac was looking like a frigid wallflower. The firm had refused to launch any TMT-related funds despite repeated requests from clients whose friends were getting (mostly paper) rich on the TMT froth.

ipac's Chief Investment Officer at that time, Mark Dutton, who today remains on ipac's investment committee, had performed his customary due diligence. He decided it was not viable; some of these companies had business plans with no profit path and the more established companies like Microsoft were far too expensive.

ipac's management stood firm on their decision to avoid the TMT sector, even though some clients were displeased. Clients were asking, what's wrong with you, just like newspaper headlines were asking Warren Buffett, who also refused to be seduced by the TMT circus, what was wrong with him.

"If we had launched a technology fund, we would easily have raised US$174-$261 million (A$200-$300 million) plus ongoing fees. Our annual profit would have been $4-$5 million higher and I would have had at least half a million dollars more a year in my pocket. UBS Capital (which held a minority stake in ipac from 2001-2002) would have paid us $43.5 million more. That decision cost us $52-$61 million," estimates Arun Abey, ipac's Executive Chairman based in Sydney. The firm also lost a few clients as a result of the decision. "But it preserved our reputation for excellence in research," Abey says.

He admits that it can be difficult to stick to the principles that ipac's investment philosophy is founded upon: Quality, value, diversity and time.

"We need clients to have enough emotional fortitude. If an adviser they trust, whose technical capabilities they are comfortable with, says don't go into that, they understand," Abey explains. However, he concedes that there isn't a "huge number" of clients of that mould.

Peeyush Gupta, ipac's CEO and co-founder, observes, "We do boring but sensible things. Our ideal clients are self-aware. They know when to delegate and when to do things themselves, but many business owners find it difficult to delegate."

Defensible

Today, ipac is looking a little old-fashioned again. Clients' portfolios are implemented mainly through multi-manager funds that focus on mainstream marketable assets, while affluent investors are tending increasingly towards alternative assets.

A Barclays Wealth survey, completed in September 2007, asked 790 mass affluent, high-networth and ultra-high-networth individuals worldwide, including Singapore and Hong Kong, to name assets they had invested in over the last three years and will select in the future three years.

The resulting report, *Barclays Wealth Insights*, shows a trend favouring newer asset classes against traditional ones like tracker funds and equities.

While 64% of respondents invested in equities in the last three years, only 48% favoured equities for the next three years; 23% bought tracker funds but only 20% intend to participate in these funds in future; 20% chose investment trusts in the past but 19% preferred this instrument for the next three years; 11% invested in private equity previously and 15% were attracted to private equity for future investment; for hedge funds, it was 20% against 21%; and structured products, 8% against 9%.

At ipac, the exposure to alternatives is currently small. But Abey predicts that the firm's high-growth portfolios may eventually have 30%-40% alternative assets in five to 10 years' time.

"The key issue at the moment is that in the alternatives area, there are few institutional-quality offerings," Abey explains.

He points to some shortcomings: About 10% of hedge funds fail annually; some alternative funds' returns are similar to mainstream funds' performance but charge substantially higher fees; and, in worst cases, alternatives add risk at clients' expense, primarily via leverage. "The problems in the sub-prime market and the flow through into a variety of structured products is only the most recent example of this. We will be a leader in taking up quality options in this area," he asserts.

ipac has selected more than 30 investment managers worldwide who specialise in a variety of areas — such as global bonds, regional equities, international real estate to name a few — for a variety of portfolios. Each portfolio is structured for a specific aim (high growth or defensive growth, for example).

Each client's personal portfolio has varying degrees of exposure to some of the ipac portfolios, in addition to other structures such as tax and estate planning. It depends on the financial plan that was drawn up to maximise the chances of meeting the client's lifestyle objectives.

Idealists Make Money Too

When gauging performance, ipac prefers to measure the performance of each client's portfolio — is it meeting the client's lifestyle aims — rather than the conventional measure of fund performance. Indeed, consumers' real returns are seldom aligned with published fund performance numbers because each investor's returns depend on the entry and exit points.

"If one of our funds returns 18% and the client only gets 12%, then we've failed, never mind if the fund had beat its benchmark by a wide margin, so it's useless to look at fund performance," Abey says.

Abey and his co-founders have been called idealists, but they have proven that ideals can be the basis of a sustainable, profitable business.

In the early 1980s, Abey was a development economist at the Australian National University in Canberra, one of the country's most prestigious research institutions. Here, he was exposed to the early research on globalisation, technological changes, demographic shifts and other events that were redefining the world.

The demanding academic process built a permanent tendency towards rigorous research into the idealistic young man, who wanted to eradicate poverty through his academic work. He spent time on Indonesian and Australian farms on research projects and eventually wrote a thesis on technology and economic development in Indonesia.

But he soon discovered that economics, top-rate research and academics will not change big issues such as poverty. "They're policy issues that are up to politicians," he says. "I wanted to see results but there were none, so I left that world."

His interest in the stock market, research capability and uncommon understanding of the new world order — combined with the fact that Australia's soon-to-be-liberalised financial sector would both diversify and complicate investment opportunities — gave him a business idea: Investors will need help making sense of the cacophony of information they are about to get.

It was a time when the keenest minds in academia did not know how to read stock market data and stock brokers knew little about the research on structural economic change and were primarily salesmen.

Abey wanted to bridge these two worlds and start a culture where investment decisions were made on credible, rigorous research at all levels.

"Arun persuaded me to leave a well-paid job, put in $17,500 and earn nothing for three years. We were outcasts at that time because everyone charged commissions on transactions, while ipac charged an advisory fee." – Paul Clitheroe

Just 25 at the time, he assembled three others who had the same values and strong research skills, to start ipac in 1983 in Sydney.

Suvan De Soysa, one of the co-founders, had worked briefly at Deloitte and what was known as KPMG Peat Marwick in London in the late 1970s, where he audited investment banks. "What struck me was, clients who had significant pools of money in the region of $20-$30 million (£10-£15 million) got high-quality advice and services. But there was a big gulf between them and the rest of the market, in terms of advice," De Soysa says.

Paul Clitheroe was the national research head of a major financial institution earning $43,750 (A$50,000) a year. "Arun persuaded me to leave a well-paid job, put in $17,500 and earn nothing for three years. We were outcasts at that time because everyone charged commissions on transactions, while ipac charged an advisory fee," Clitheroe recalls.

A bit of naivete, De Soysa says, "was the thing that carried us through in the early phase. We knew we had a strong proposition and we believed it will make a difference. In every business situation, we can look for the positive."

It perhaps took an outsider, like Abey's mother who tried numerous times to talk her son out of the idea, to see how improbable success was. "We were 25-year-olds, Paul was 27, all with unkempt hair, going after these affluent, conservative 50-year-old Australians holding important positions. No wonder my mother was worried!" Abey exclaims, laughing.

Abey, Clitheroe, Gupta and De Soysa managed to get enough clients — the first ones were family members of friends — but it was a struggle for many years. The partners paid themselves less than some of their senior staff and it was 10 years before their personal earnings were aligned with market rates.

They persevered because, as Abey explains, "None of us could work in a job we did not believe in, irrespective of the money on offer. Each of us was pursuing our calling. What we did fully engaged us and also had meaning because we were helping other people. We also perceived that we were investing for the future and had a chance to make a fair amount of money in the long term. But the more important thing is, even if a big financial payout didn't eventuate, we were all getting a lot out of the journey."

"A bit of naivete... was the thing that carried us through in the early phase. We knew we had a strong proposition and we believed it will make a difference. In every business situation, we can look for the positive."

–Suvan De Soysa

Breakthrough

ipac's first big break occurred when the Commonwealth Bank of Australia (CBA) foresaw the potential of independent advice and took a 50% stake in ipac's Australian business in 1997 (ipac had expanded to New Zealand by that time).

Across Generations

Wanda Forsyth, one of ipac's very first clients, recalls the day Abey visited her and her late husband about 25 years ago. It was the beginning of an association that would span three generations. Abey and the Forsyths' son-in-law were classmates at Killara High School, and the latter had vouched for his friend's character and abilities.

Forsyth's husband, Norman, who has ill at that time, was on the verge of retiring from a senior position at Caltex, and needed to figure out a post-retirement income.

Abey went to their house, sat on the floor of the couple's bedroom and presented his business plan.

"My husband was a good judge of character. He liked the fact that Arun came up to him and explained what he wanted to do," Forsyth says. The couple, their children and grandchildren have been ipac's clients ever since.

The Forsyths' portfolio began with a conservative approach, in keeping with the couple's outlook. In the early years, their assets were invested mainly into debentures and fixed-interest instruments. Over the decades, as various events unfolded within the family, Abey and his advisers proposed a variety of solutions. At one stage, for instance, the debentures yielded a substantial amount of cash and it was decided it would be expedient to 'loan' it to the Forsyths' daughters with an interest.

When Forsyth's eldest grandson, Daniel, turned 12, she had taken him to meet Abey. The boy had US$1,289 (A$1,500) to invest and one of ipac's advisers recommended a strategy and explained the investment process. The portfolio has since doubled in value and Daniel, now 17, is thrilled, Forsyth says. "He has learnt how to save and invest," she says.

Forsyth, who is 76, has watched ipac's development over a quarter of a century "with great interest. I think they've done extremely well. ipac may not deliver as high returns as some of the other companies, but I'm more comfortable with them. It's just a matter of trusting Arun. I have a nice little income and I live well," she says. "ipac will look after me for as long as I live, and I would never hesitate to go to Arun for his counsel when needed."

CBA's investment opened a new world for ipac. "For the first time, we had external, senior people on our board, so we were lifted. Our processes became more formal and structured; we weren't just four guys sitting at a table. It created a stable foundation for growth, and from that point, the growth of the company accelerated," Abey says.

One important lesson had been gained from the CBA deal: ipac should have orchestrated external funding much earlier. "We had let our financial resources, which were small, drive our business. Instead, we should have set our strategy, asked 'how do we get there' and then got the funding, either from loans or equity. If we had started the process earlier, we would probably be two or three times larger than we are today," Abey muses.

After about a year, CBA's vision diverged from ipac's and the co-founders repurchased the 50% stake. UBS Capital, the venture capital unit of the Swiss bank, was the next to take a minority stake in 2001, with a view of a public listing in five years' time. UBS' presence helped ipac to launch an acquisition programme and to raise debt for further growth.

A year later, Abey and Gupta met Les Owen, who was AXA Asia Pacific's Group CEO at that time, and Owen remarked that he liked ipac's business model and vision.

Owen, whose British insurance company Sun Life had been acquired by AXA, understood the distinction between advice and product distribution, Abey recalls. Sun Life, unlike many other insurance firms, was built on the strength of servicing independent financial advisers (IFAs) and not tied agents.

Owen told Abey that he had not encountered IFAs who had institutionalised their business, like ipac has. Indeed, most financial advisory firms were, and still are, two- or three-people firms managing fewer than $45 million each in a cottage industry.

It was a slow courtship as ipac's leaders were intent on the public listing planned with UBS Capital.

Eventually, Abey and Gupta went to AXA's headquarters in Paris to present their business model, principles and vision to AXA's top management. "They appeared to have a cultural understanding of what we do," Abey says. In due course, ipac decided to go with AXA.

By that time, in 2002, the co-founders' attitude towards control had evolved from the time of the CBA acquisition, when they insisted on holding on to 50% of the firm's equity. "We realised that control is not through owning shares. Control is through management and expertise and skills," Abey says. It was decided that 100% of ipac would be sold to AXA, for some $220 million.

The sale would, the co-founders reasoned, give ipac an opportunity to play on the world stage because AXA is a global company. "The next generation of senior managers has the opportunity to expand ipac anywhere in the world," Abey suggests.

When the deal was announced to ipac's employees, some were concerned about the future direction of the firm, which had built its reputation on independent financial advice. Insurance firms, after all, were notorious for being product pushers. A few asked, "So, how many people from AXA will be working in ipac?" But it has happened in the reverse.

Today, ipac's senior management continue to lead the firm and simultaneously hold influential positions in AXA Asia Pacific. (See main article, *Happiness Buys Money*).

Two significant developments will play a role in shaping ipac's fourth stage of development. One is transferring the founders' values and thinking to the next generation of leaders.

"Culture is very important. Many companies become great because they are committed to excellence. Then they lose it. We try to transfer our DNA to the rest of ipac," says Gupta.

Abey, for instance, foresees relinquishing his full-time executive role in the future to pursue the next stage of his life, which will largely revolve around philanthropy. "I'd like to ensure that the cultural and technical depth continues," he reflects.

One way to ensure that the founders' intent is executed, is to reward according to how well advisers follow the ipac way. About 30% of bonus, for example, is based on how results were produced, not the fact that there were results.

The next growth phase also involves some soul searching for ipac's top management. In the last few years, the firm's leaders observed that clients who achieved their financial goals did not necessarily achieve happiness too. As a lifestyle financial planning firm, ipac wants clients to attain both financial security and an inner sense of well-being.

What is missing here? Gupta figures

Four Partners, One Dream

The four co-founders of ipac have remained together since the day they started the business in 1983. It is something of a feat to have four people stay together for 25 years, through immense challenges and temptations.

Abey figures that two elements have kept the group intact: A singular vision and set of values but at the same time, diverse personalities and strengths that are complementary.

"We don't care about being millionaires and earning $100,000 more. We need to feel we're benefiting others," he reflects.

Indeed, people who have met all four co-founders have remarked that their views on the business are identical. Speaking to one is like speaking to the others. Even their approach to life is largely similar.

Clitheroe and Abey, for example, established private foundations within a week of each other. Clitheroe sees no need for a private jet and would rather use the money for more 'profitable' purposes, including philanthropy. Abey says he takes the train most of the time, except when he visits his sprawling cattle farm, which requires a three-hour drive in his Lexus.

Their personalities and strengths differ, however. Gupta, who has a casual manner that can quickly intensify into a commanding presence, is strong in operations and plays the role of CEO. Abey, described by friends as a deep thinker, is the ideas and strategies man and takes the role of Executive Chairman.

Clitheroe, the liveliest and loudest of the four and a renowned financial commentator in the Australian media, is Executive Director and is often the public face of ipac. De Soysa, who has an assuring gentility and thoughtfulness, is the National Head for Business Partnering, in charge of expanding the business via acquisitions and partnerships in Australia.

Kleenex for tissues; ipac for financial planning?

that the financial planners will have to play more of a role of coach. Abey observes, "Clients know themselves best. Our role is to give them time, space and knowledge for self-discovery. The key is asking the right questions."

However, the intent is still evolving and a refined model has yet to emerge, partly because it will be based on Abey's thinking on applying happiness research to financial planning. The model is still developing.

One possibility is to go the way of family offices, which serve the full suite of needs of wealthy families. Family offices often coordinate a vast variety of services, from selecting psychologists and life coaches to investing family wealth and organising philanthropic programmes. "We're not sure we want to go that way," Gupta muses.

Nonetheless, Abey and his co-founders' future vision is clear: They'd like to help clients achieve meaning and significance in their lives. Success — by conventional measures of financial, business and professional achievements — is no longer enough for clients who have come a long way.

Abey himself is undergoing the same evolution from success to significance. It is why he has established a family foundation.

However, finding the right kind of advisers who can lead the process of evolution from success to significance might be an arduous task. Logically, they should have gone through a certain evolutionary process themselves. They are relatively rare.

Gupta observes that many advisers eventually become experts in one area of advice — tax, investment or softer skills like lifestyle planning — and remain stuck there, just as most clients remain entrenched in success and don't proceed to attain significance. A more highly evolved adviser is like a wise teacher, who knows what questions to ask so that the client's responses will lead to greater self-understanding and hence, to meaning.

Another challenge is building a national Australian — as well as international — brand of advice for consumers. Currently, the financial advice market is fragmented and dominated by banks on the one hand, and small firms with three to five independent financial advisers on the other.

There is no single brand dominating the industry and that offers a consistent service in every branch, much like McDonald's is synonymous with fast food and has standard procedures and offerings in every outlet. Customers know what to expect if they walk into a McDonald's in Beijing this week and New York next week. It is something ipac appears to be building towards.

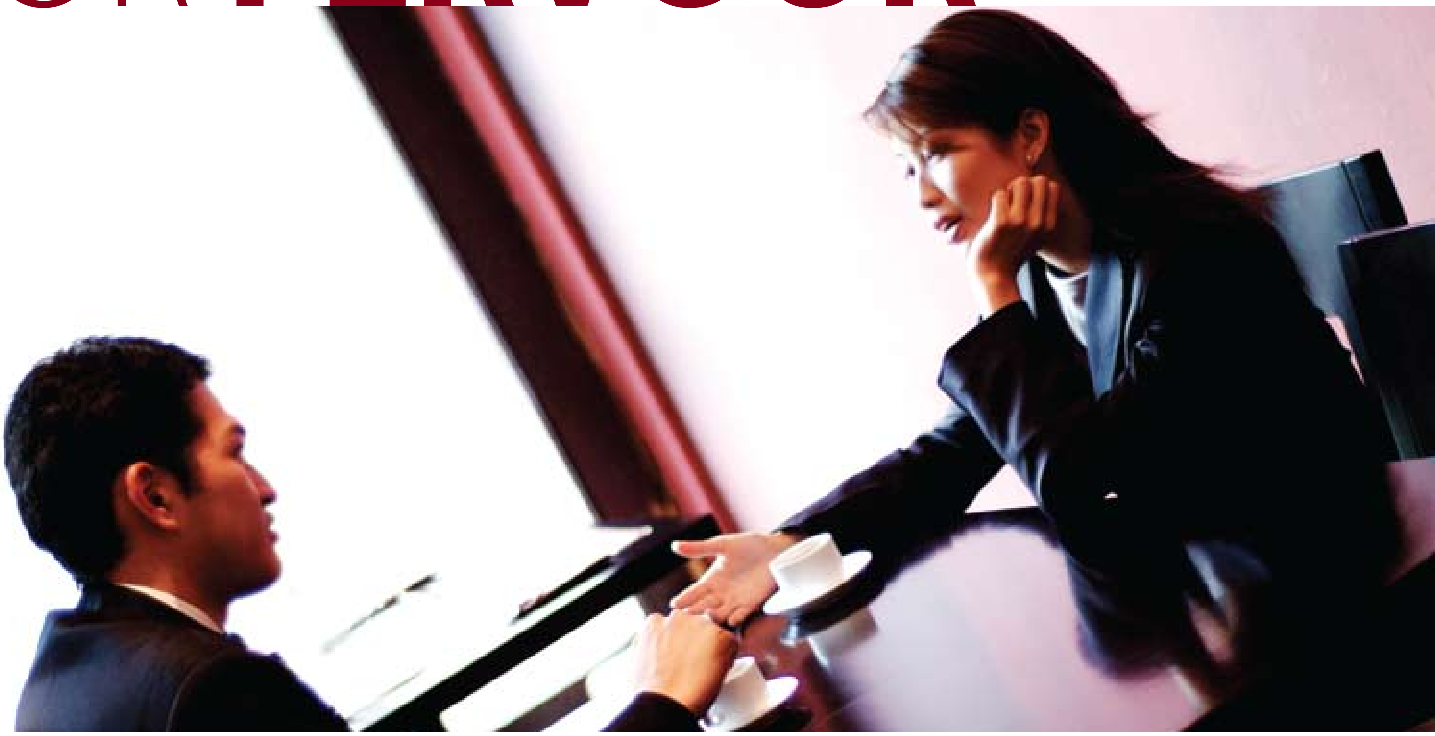
De Soysa, who oversees inorganic growth via acquisitions and partnerships, plays an important role in the next stage of ipac's growth, as he evaluates the suitability of potential businesses that may one day operate under the ipac name. Some of the earlier acquisitions already do, after years of immersion into the ipac culture.

What does he look for? "There is no substitute for the calibre of people and commonality of values. People who have a passion for client welfare see things others don't. They want to be at the cutting edge," De Soysa asserts.

Over the last eight years, ipac has made about two dozen acquisitions and long-term partnerships in Australia. "This allows us access to a larger network of experienced advisers because there is a shortage," De Soysa explains.

At this stage, a few questions remain unanswered: Should ipac expand into areas that are adjacent to its core competencies, which are pre- and post-retirement planning? For instance, the younger generations, X and Y, present a compelling but relatively under-served market. Will they be attracted to the firm's "sensible but boring" approach to investing?

WITHOUT **FEAR** OR **FERVOUR**



The financial planning industry is, like all things young, searching for its place in the world.

Gary Harvey, CEO of ipac in Asia, sat next to the head of an investment bank during a recent flight. The conversation turned naturally to retirement planning, which is at the heart of ipac's business.

To the investment banker who had a hand in some of the world's most complex derivative, capital market and mergers-and-acquisitions deals, retirement planning looked relatively unsophisticated and was perhaps unnecessary for him; it was something to be resorted to by the rest of the 99.99% of the population who are not global investment bankers with an annual US$3 million bonus.

But the banker eventually had a consultation session with ipac's advisers and the diagnosis was rather shocking.

He planned to retire within a few years' time and wanted to continue living the luxurious lifestyle he and his wife currently lead. The advisers examined his assets and concluded that they would be depleted within a few years into retirement under the current way of life. A plan was eventually drawn up for him to "sort him out", as financial planners say.

At ipac, this situation is not uncommon. The firm says most clients, regardless of income level, will run out of money by their early 70s because of their lifestyle and lack of savings.

It is a conundrum more and more individuals and governments face in the new socio-economic order worldwide. Indeed, a confluence of events is placing unprecedented strain on individuals to take fuller responsibility for their old age.

First, there is a trend of governments

reducing retirement benefits. In Singapore, total contributions to the Central Provident Fund (CPF) for workers aged 50-55 have been reduced from 33% of their salary in 2003 to 30% in 2005 and 27% in 2006, according to CPF Board.

Second, people are living longer. A worldwide study by AXA, the insurance firm that owns ipac, indicates that in 1970, men lived on for only 10 years after retirement in the 30 OECD countries. Today, they are more likely to survive for 16 years post retirement and women, 19 years. (See *The Retirement Conundrum*)

Third, people are expecting to live richer, more active and costlier lifestyles than the previous generations. This situation has created a new industry called retirement planning or financial planning (which in most cases revolves around retirement planning).

Remuneration Model

In Singapore, the industry officially began in the late 1990s, when the first series of financial planning articles appeared in *The Sunday Times*. The first advertisement from a foreign bank urging the population into retirement planning appeared around that time too.

"The advertisement projected that invested assets can grow at 12-15% but it scared people because it showed that you need to spend all this money to buy all these products," recalls Leong Sze Hian, who has been in the financial planning business for 28 years. He is also the President of the Society of Financial Service Professionals in Singapore.

Indeed, 'financial planning' has sometimes been used more as a guise to sell products than to make an earnest attempt at reaching clearly stated financial and lifestyle targets. Since the beginning of the industry, ethical standards have improved somewhat, but not sufficiently, Leong says. "To a lesser extent, it's still an excuse to sell unit trusts and insurance," he reflects.

Harvey, who is based in Singapore, says, "Unfortunately in our industry, products tend not to be bought. They are sold."

The problem is rooted in the remuneration scheme used in the majority of financial institutions in Asia.

"Financial planners should have a checklist of risks. We teach it, but in reality, people don't do it because of compliance issues. If they forget to check off one item, they open themselves to liability, so they think, 'might as well not do it at all'. There is too much focus on documentation. We need to focus on the outcome instead."

Advisers are rewarded a commission or bonus for transactions and not for insight and guidance that lead to desired results.

ipac's revenue and remuneration model is designed to circumvent this situation (See *Four Musketeers*). Clients pay a fee for consultation, another fee for implementing a financial plan and an annual fee based on funds under management. Transactions do not have a cost to the client and do not result in a financial reward for the adviser, who is salaried. Hence, there is no incentive for advisers to recommend unnecessary changes to clients' portfolios.

The firm believes that this approach encourages clients to stay invested over the long term. At ipac, the average withdrawal rate on funds recommended is below 10%, which is below industry rates.

For some clients, especially those who prefer to transact frequently, this may be more cost-efficient (although ipac invariably advises a long-term view that discourages frequent transactions). For others, particularly those with substantial funds and do not make recurrent transactions, it may be more costly.

For the rest of the industry that has not adopted a fee structure, the product-pushing problem may be addressed to some extent by the adoption of a new international standard for financial planning.

In December 2006, nine associations and organisations in the financial services industry in Singapore signed a memorandum of understanding to espouse the International Standard for Personal Financial Planning (ISO 22222). The standard was published in 2005 to address common issues: Deficient service delivery, incomplete disclosure and unprofessional practices in financial planning. ISO 22222 specifies a process, ethical behaviour, competencies and experience that financial advisers must possess.

But for as long as the commission scheme is in place, standards and principles stand weak against the prospect of earning more money from encouraging a client to buy another fund, another insurance policy, another 10,000 lots of stock….

The lack of regulation may be another reason for sometimes ungainly behaviour.

In Singapore, financial planners are not regulated for their financial planning activity. Rather, they are regulated for the transactions they make, and are considered investment advisers when they transact securities, for example. Hence, nearly anyone can call herself a 'financial planner'.

Dichotomous World

The Financial Planning Association of Singapore says a legitimate financial planner is someone who follows the six steps specified in ISO 22222: Establishing and defining the client-planner relationship; gathering data from the client, including life goals; analysing and evaluating the client's financial status; developing and presenting financial planning recommendations and alternatives; implementing the financial planning recommendations; and monitoring the recommendations.

But how many consumers, especially older, non-financially-literate folks can tell the difference between point three and point six?

Theory and operational realities are also dichotomous worlds that sometimes can't be reconciled. Leong gives an example: "Financial planners should have a checklist of risks. We teach it, but in reality, people don't do it because of compliance issues. If they forget to check off one item, they open themselves to

"Some people have hard-wired behaviours rooted in fear and greed and we don't want to exploit them."

liability, so they think, 'might as well not do it at all'. There is too much focus on documentation. We need to focus on the outcome instead."

However, less documentation in a commission-driven marketplace fans the temptation to over-sell.

Professionals Rising

Harvey, who worked in the AXA insurance group for about 20 years and was previously a financial adviser in the UK, is aware of the industry's shortcomings.

It was why he was attracted to ipac's way, which presents greater transparency in the fee structure (even sophisticated investors find it difficult to slice through the layers of fees in some kinds of funds, particularly feeder funds and structured products) and greater incentive to provide objective advice than most other approaches.

He had said to Arun Abey, ipac's Executive Chairman: "If I had seen the ipac model in the 1990s, I wonder if I would have moved into the corporate side of the business. Where I was before, there was little focus on the client, so I moved into management to try to change the way products were marketed."

From 2000-2001, AXA surveyed the market in Asia and discerned an unmet need for well-researched, independent financial advice. "It started us thinking, what should we change about our model," Harvey says. He was CEO of the AXA Life business in Singapore at that time.

AXA Asia Pacific eventually acquired ipac in 2002 to add an advisory element to the business.

The global insurance firm, headquartered in Paris, had noticed that clients required both technical expertise (what to invest in, how to hedge various risks, for example) and behavioural or emotional support (is the client's lifestyle aspirations realistic, how to handle market volatility, for instance).

"These two need to be dealt with together, and the interest to acquire ipac stems from that because both Arun and I share the same passion for quality financial advice," says Andrew Penn, AXA's Group CEO for the Asia Pacific, who has worked in the AXA group for more than 17 years.

AXA Asia Pacific, which has $85.5 billion (A$97.65 billion) under management, is traditionally an insurance-product manufacturer.

But the presence of a financial advisory unit, ipac, is transforming AXA's thinking, Penn reflects.

"Advice plays a strategic role for us. It takes us closer to understanding what works for both clients and financial advisers. Our industry tends to manufacture products just because we can and because it's technically clever, but it might not necessarily be what clients and advisers need. Now, through the advisory business, we are getting a clearer understanding of needs and it informs our product manufacturing process," Penn says.

This new thinking resulted in a range of superannuation investment products for the Australian market called North, which was introduced in November 2007. It has 21 different guarantee variations because every individual has a different set of financial and life circumstances — and a different emotional response to investment vagaries.

Penn foresees that the advice business — which currently contributes 20% of AXA's revenues in Australia — will continue to play a significant role in AXA in the future. "It contributes to the overall value of the business and is strategic," he explains.

In fact, Abey has recently helped to restructure AXA's strategy to place the customer at the centre. (See *Happiness Buys Money*).

Consistency

ipac's advisory process, fee structure and philosophy are replicated with slight adjustments for regulatory procedures in Singapore, Hong Kong and Taiwan, which Harvey oversees. The firm also has a presence in New Zealand, the UK, Japan and South Africa.

The firm manages almost $280 million in Singapore and Hong Kong, $15 billion in Australia and $13 billion worldwide on behalf of about 70,000 individuals

Many in Asia treat the stock market like a gambler's den

and institutions, including pension funds and charities.

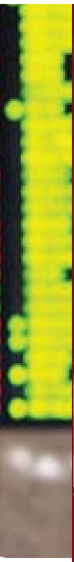
In the past few months, Harvey and his team of 25 advisers in Asia have been busy reassuring clients.

Unsettled by the sub-prime upheaval, markets worldwide have been highly volatile, and some clients became nervous. But the ipac advisers' job has involved more emotional grounding than portfolio readjustment because clients are encouraged to stay invested unless there are compelling reasons to re-align the portfolio, such as a change in life circumstances (an unexpected child, financial loss in business for example).

To stampede with the herd is never the done thing at ipac (see *Happiness Buys Money*). In some Asian cultures, where financial professionals say, with a sigh, that many people treat the stock market like a gambler's den, this can be a challenging achievement.

"Some people have hard-wired behaviours rooted in fear and greed and we don't want to exploit them," Harvey reflects.

He foresees a day when the financial planning industry is equal in professionalism with the medical industry. After all, charlatans existed in medicine at the turn of the century. Now, medicine runs on a strict and trusted code of ethics and procedures. Harvey thinks his profession will go that way too. "But maybe not in my lifetime," he says, with a knowing smile.



The Retirement Conundrum

The survey AXA Retirement Scope questioned 11,590 people in 16 countries, including Singapore, Hong Kong, China, the UK, US, Japan and Australia. Some main findings are as follows:

➤ Up to 79% said the ideal age for retirement is 64 or younger. Indeed, of the 5,000 retired people in the survey, 85% retired before age 65. However, only half the respondents who are still working expected to retire by age 65.

➤ On average, 31% of those already retired reported an improved quality of life after leaving the workforce; 41% said it remained stable; and 25% said it declined. There are national differences, however. In Singapore a greater proportion than average (50%) reported a stable quality of life while 23% thought it improved and 27% said it deteriorated. Hong Kong was quite the reverse: 43% experienced a lower quality of life, 40% reported a status quo and 17% said it improved.

➤ More retired women (50%) reported 'insufficient' or 'completely insufficient' income than retired men (41%) in the survey. However, there are differences in various jurisdictions. In eight countries, 55% or more of retired women said their income was 'sufficient' or 'completely sufficient'. The proportion of such women was highest in New Zealand (61%) and China (60%).

➤ Among working women, 48% of Singaporeans and Hong Kongers thought they will have 'sufficient' or 'completely sufficient' retirement income. At the lowest end of the scale, only 10% of Japanese working women thought so. At the highest end, 74% of working women in the Netherlands thought they will have sufficient retirement income.

➤ Overall, fewer than half of all the working people surveyed — both men and women — expected sufficient retirement income.

➤ Sufficient retirement income and happiness during retirement appear to be correlated. In every country, retirees who reported 'insufficient' or 'completely insufficient' income usually also said they were 'not very happy' or 'not happy at all'. But in some cultures, the size of retirement income does not correlate with quality of life. In Spain, only 35% of retirees said they had sufficient retirement income, but 72% reported an improved or stable quality of life.

➤ The baby-boomer generation is largely anxious about their retirement finances. Of those surveyed, 42% anticipated 'insufficient' or 'completely insufficient' retirement income. Only 7% expected to receive 'completely sufficient' funds. About 56% admitted they did not know what their financial resources would be after retirement.

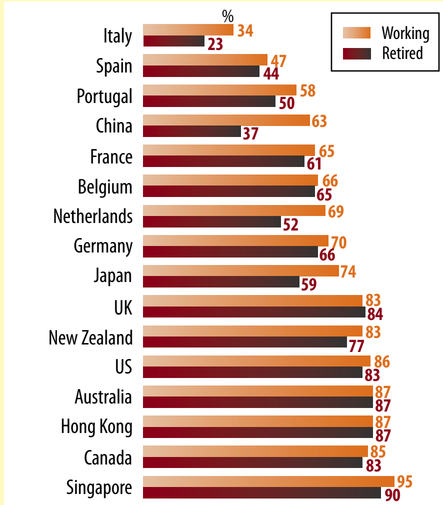
➤ Among working people, 55% had started saving for retirement. Among baby boomers, however, a larger proportion (63%) had started planning. The world's populations are beginning retirement planning earlier than previous generations. Among working people aged 25-44, 80% started before age 35. Of those aged 45 and older, only 13% began before age 25, while 32% started between the ages of 35-44, and a quarter started between 45-54.

➤ A large proportion of both working and retired people are still hoping the government will finance retirement. In Singapore, 75% of working people and 73% of retired folks preferred the state to take responsibility. Even in the US, where self-reliance is almost a religion, 55% of working people and 48% retired people felt the same way. The proportion was highest in Portugal (87% working and 95% retired) and Spain (95% working and 93% retired).

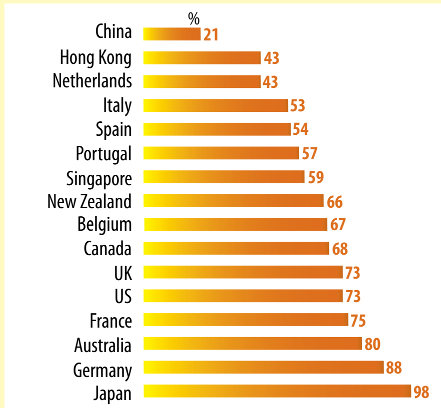
➤ Nevertheless, the people surveyed were also increasingly aware of the individual's role in financing retirement. Singapore had the highest proportion of people (95% of working people and 90% of retired people) who said individuals should be responsible. Italy had the smallest proportion (34% of working people and 23% of retirees) reporting a preference for individual responsibility.

➤ Younger people tended towards individual responsibility for retirement financing. Among the 35-44, and 45-54 age groups, 79% pointed to the government. Among the 25-34 age group, 76% selected government responsibility.

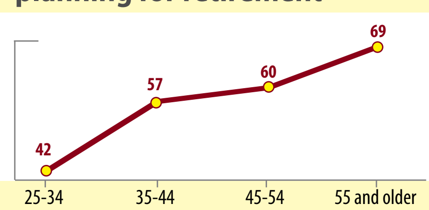
Agreeing that the individual should finance retirement



Working people who expected a reduction in public pension benefits



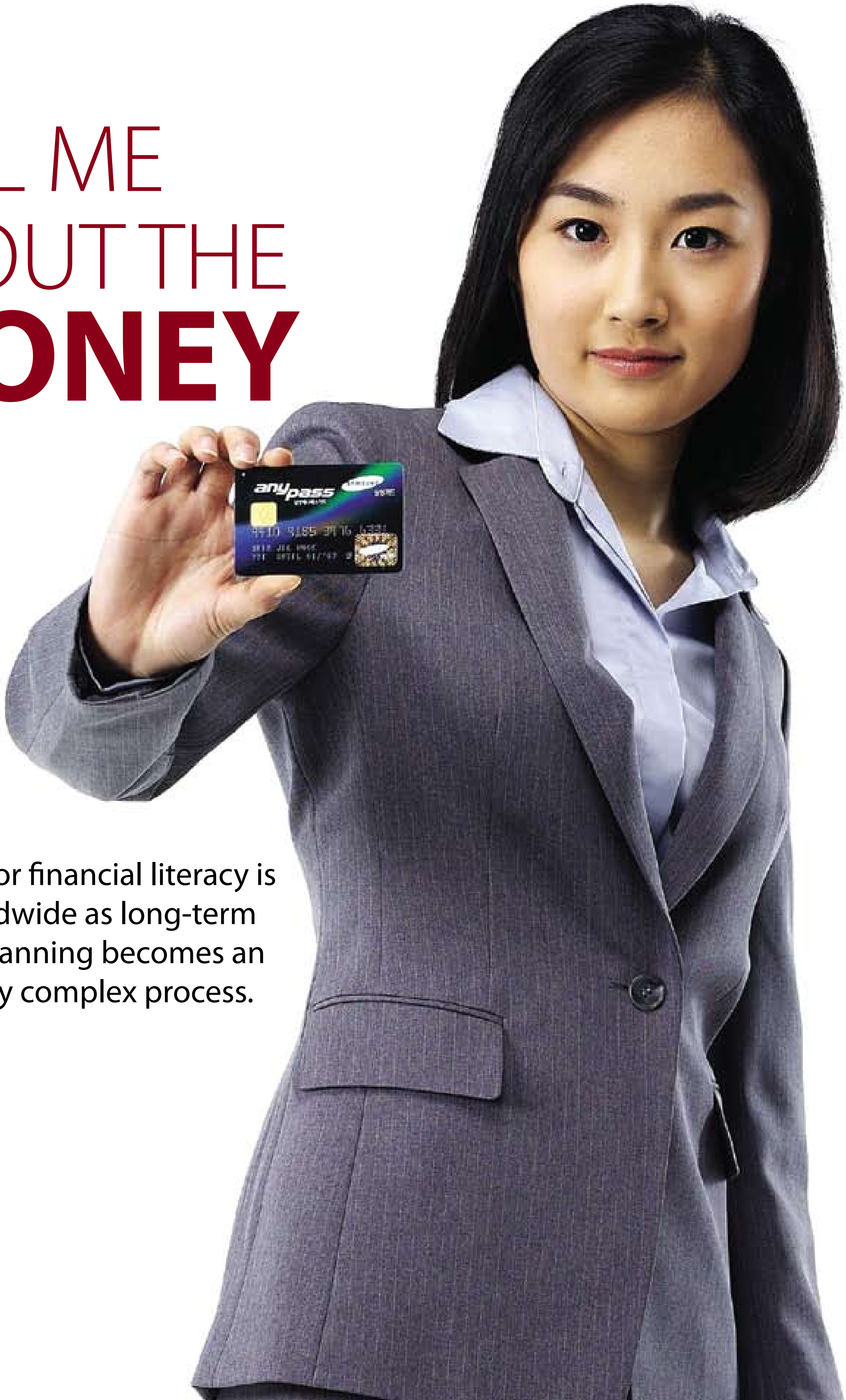
Working people who are planning for retirement



Source: AXA Retirement Scope

INTERVIEW

TELL ME ABOUT THE **MONEY**



The need for financial literacy is rising worldwide as long-term financial planning becomes an increasingly complex process.

When Paul Clitheroe was a child, his parents' pay packet came home in a brown envelope every Thursday. It was a weekly ritual in nearly every middle-income household in Australia and many other economies in the 1950s and 1960s: When the weekly income had gone into allocated budgets, there was little left for unnecessary expenditure.

Today, the 'invisibility' of money — paychecks are credited into bank accounts, not brown envelopes — and credit cards have altered entire generations' perception of money.

"Kids have lost touch with money. They can see the credit cards in their parents' wallets and they know they can use them to buy things. There is very little budgeting now because we've made money invisible," observes Clitheroe, ipac's Executive Director. He is also Chairman of the advisory board of Australia's Financial Literacy Foundation, a role he prefers to play independent of his work at ipac.

"Kids have lost touch with money. They can see the credit cards in their parents' wallets and they know they can use them to buy things. There is very little budgeting now because we've made money invisible."

Clitheroe makes an observation that numerous financial professionals and governments worldwide are aware of: Individuals are not making wise choices with their finances in an era when several factors are converging to create complexities in life — financial instruments are becoming increasingly diverse and complex and therefore more difficult to understand, while individuals are having to take greater responsibility for financing their retirement.

Even something relatively simple like credit cards are not being used to good effect, says Clitheroe. "Among 25-year-old Australians, the average monthly credit card balance is US$2,600 (A$3,000). Australians think that if the banks say they can have a higher credit limit, it must be OK to use it," he exclaims.

In Singapore, the average monthly credit card balance is $1,950 (S$2,827) during the first 10 months of 2007, according to the Monetary Authority of Singapore.

The combination of factors is creating a new need in societies around the world: Financial literacy education.

In Singapore, MoneySENSE was launched in October 2003 as a national initiative to help Singaporeans understand and manage their finances more effectively. The Ministry of Education is a member of the Financial Education Committee, which developed MoneySENSE.

The programme combines industry and public resources to deliver talks, games, courses and other events that are meant to increase consumers' understanding of financial matters in three areas: First, the basics such as budgeting, saving and using credit sustainably; second, planning for long-term needs; and third, knowledge about investment products and investment practices.

Professional Training

Singapore's Ministry of Education has also attempted to incorporate financial literacy into school programmes. Messages about saving and other basic money sense are weaved into subjects such as social studies, civics and moral education at primary and secondary levels.

Some schools have introduced board games on money management; workshops on common financial challenges such as debt, insurance and financial planning; and inter-school financial literacy competitions. Talks about money management, financial planning and retirement planning are held regularly at community centres throughout the island.

There are also MoneySENSE Ambassadors — students who have participated in the MoneySENSE programme, who encourage other students to join the financial literacy activities.

In Australia, the Financial Literacy Foundation and its Understanding Money initiative were established in June 2005, to achieve similar objectives as MoneySENSE.

From 2008, elements of financial literacy are incorporated into the existing school curriculum from kindergarten to Year 10. Similar with Singapore's implementation of financial literacy education, financial literacy in Australian schools is not a distinct subject. Instead, awareness about basic skills such as budgeting and saving, will be built into subjects such as history and English.

A budget of $1.72 million has been set aside to help schools implement the plan. Teachers, for example, will receive professional training in consumer and financial literacy.

In Singapore, school teachers receive a variety of resources such as workshops and training from industry supporters like the Singapore Management University and the Association of Banks in Singapore.

In Australia, the Financial Literacy Task Force's programme also reaches out to indigenous populations and employers who see financial education for employees as part of a larger corporate social responsibility programme. Firms like Australia Post, the Commonwealth Bank of Australia, Unilever, Flight Centre, among others, have adopted the programme.

Financial education may not address deeper issues such as behavioural patterns but, Clitheroe says, it at least creates an awareness of the basics in money management.

FREEDOM TO DRIVE AN ORANGE CAR

Arun with cattle at his farm

Arun Abey's wellspring of "intrinsic joy" originates from a liberal education and upbringing that encouraged exploration.

On silent nights at Karingal, a vast farm sequestered 300 km away from Sydney's thronging metropolis, an unlikely farmer can sometimes be found cooking dinner for his friends and the farm manager's young family. Arun Abey is better known for building Australia's largest independent financial advice firm than for being a farmer.

But, as is characteristic of Abey, he has meticulously learnt the skills of cattle farming.

He returns to Karingal regularly to help the farm manager with mustering cattle, branding calves, mending fences and a myriad of other jobs that need attention on the 2,500 acre farm, which supplies cattle to surrounding abattoirs. To vegetarian visitors and family members, he declares, "Beef is processed grass."

The freedom to be anything — including a farmer — comes with affluence, which Abey found when ipac was acquired by a series of financial institutions (see *Four Musketeers*). He bought the farm with an Aboriginal name about six years ago, and it is one of few lifestyle assets Abey indulges in.

Although he now has "a large amount" of money, it is not evident in anything Abey does. At ipac's Sydney headquarters at the top of the upscale Grosvenor Place, Abey's desk sits facing the Sydney Harbour Bridge, surrounded by his staff's workstations. There is no suite for the Executive Chairman.

Karingal, the farm, is sparsely furnished, with one artwork on the living room wall. It is an arrangement of driftwood and coloured fibreglass, a gift from Abey's personal assistant.

Things, especially conspicuous luxuries, mean little to Abey. Ideas, on the other hand, sustain his interest and give him an "intrinsic sense of joy", he says.

He had discovered early in life which strengths, when employed, give him a lasting, inner sense of well-being. In positive psychology, these are called

Abey, aged two, and his parents

Abey's mother (left) was an accomplished Kandyan dancer and musician

"My parents gave me unconditional love and never expressed any ambition for me in terms of profession, as long as I didn't do anything bad. That allowed me to explore because I knew I would have the support of the significant people in my life. Parents are the biggest obstacle to people living authentic lives, especially in Asia, where children are expected to become doctors, engineers, lawyers or, at the very least, accountants. So, people are living their parents' dream. But so many parents aren't aware of it."

signature strengths. At age 16 or 17, he discovered that economics fascinated him because "I'm global in vision and thinking. Economics is about how the world works. It is also a rigorous discipline with no black-and-white answers. It involves a lot of judgement and I like things with shades of grey and subtlety. It is why I like finance — it requires a certain kind of mind to handle constant uncertainty and to make continuous judgement," Abey explains.

In fact, ipac's business revolves around the need to manage complex and continuous uncertainties in life and in the financial markets (See *Happiness Buys Money*). It is, in effect, a business built around Abey's signature strengths. It is why, he says, the journey has been meaningful, the financial rewards notwithstanding.

He credits his parents' open-mindedness for his unconventional orientation towards searching for meaning. The conventional scramble for affluence, eminence and membership in one of the glorified professions such as medicine, law or engineering, had never attracted Abey.

"My parents gave me unconditional love and never expressed any ambition for me in terms of profession, as long as I didn't do anything bad. That allowed me to explore because I knew I would have the support of the significant people in my life. Parents are the biggest obstacle to people living authentic lives, especially in Asia, where children are expected to become doctors, engineers, lawyers or, at the very least, accountants. So, people are living their parents' dream. But so many parents aren't aware of it," he says.

Indeed, many universities throughout the world are structured more like vocational schools that produce specialists in business, law, finance or other popular discipline. Abey laments the near-disappearance of liberal education that teaches children and youth how to think in unconventional ways.

It is why he is sending his two sons, aged 10 and 12, to a private school in the outskirts of Sydney that still emphasises a liberal curriculum. The boys play three or four instruments, participate in a week dedicated to creativity, play cricket and explore many other areas of interest.

Explorer

Abey's own childhood was open to exploration, but perhaps in a less structured way.

He was born in Colombo, Sri Lanka's capital. His parents were from distinguished families with a wide variety of interests and beliefs. His paternal grandfather was a pharmacist and was the headman of a large Sri Lankan district. He had expected his eldest son, Abey's father, to inherit the business, but he became a newspaper man instead.

Abey's maternal side of the family

Performing unfamiliar tasks, Abey suggests, is an important exploration for most people. It can help those who have not discovered their signature strengths to discern what gives them a long-term, continuous sense of enjoyment. "This is the key to happiness."


Abey helps to brand cattle at his farm

originated from India and was rooted in medicine. His maternal grandmother was one of 13 daughters, all well-educated. They were among the first women in the world to study medicine in London in the early 1900s. Abey's grandmother studied politics, philosophy and economics.

He also grew up surrounded by various religious systems: His grandmother was an Anglican and his father is a Buddhist, and the first school Abey attended in Sydney was an Irish Catholic institution. Later, at age 13, Abey was drawn to communism. Today, his passion is happiness.

Although culturally and intellectually rich, his parents were not financially or commercially savvy. His 79-year-old father, Don, was a journalist and his late mother, Annapurni, was a home-science teacher and an accomplished Kandyan dancer.

When Abey's father accepted a post at the Ceylon Tea Board, which promotes Sri Lankan tea, the family moved to Australia. Abey, the only child, was four years old.

His father's salary was based on the Sri Lankan standard of living, which made their lives in Australia a financial challenge. As a young man, Abey held three jobs at Woolworths, packing shelves and picking up parcels.

With the money he earned, the family bought the first car — an orange Datsun. He drove it for 17 years, even after ipac had gained a measure of success.

But Abey's partners objected to the embarrassment and the car was finally sold. It takes more than audacity for an established corporate citizen to drive an old orange car. It takes, one might say, a certain inner freedom.

Today, he gets around in a Lexus built for the tough terrain found in the Australian wild and at Karingal. A more expensive car, he figures, would have cost more but would not deliver a commensurate amount of enjoyment or utility.

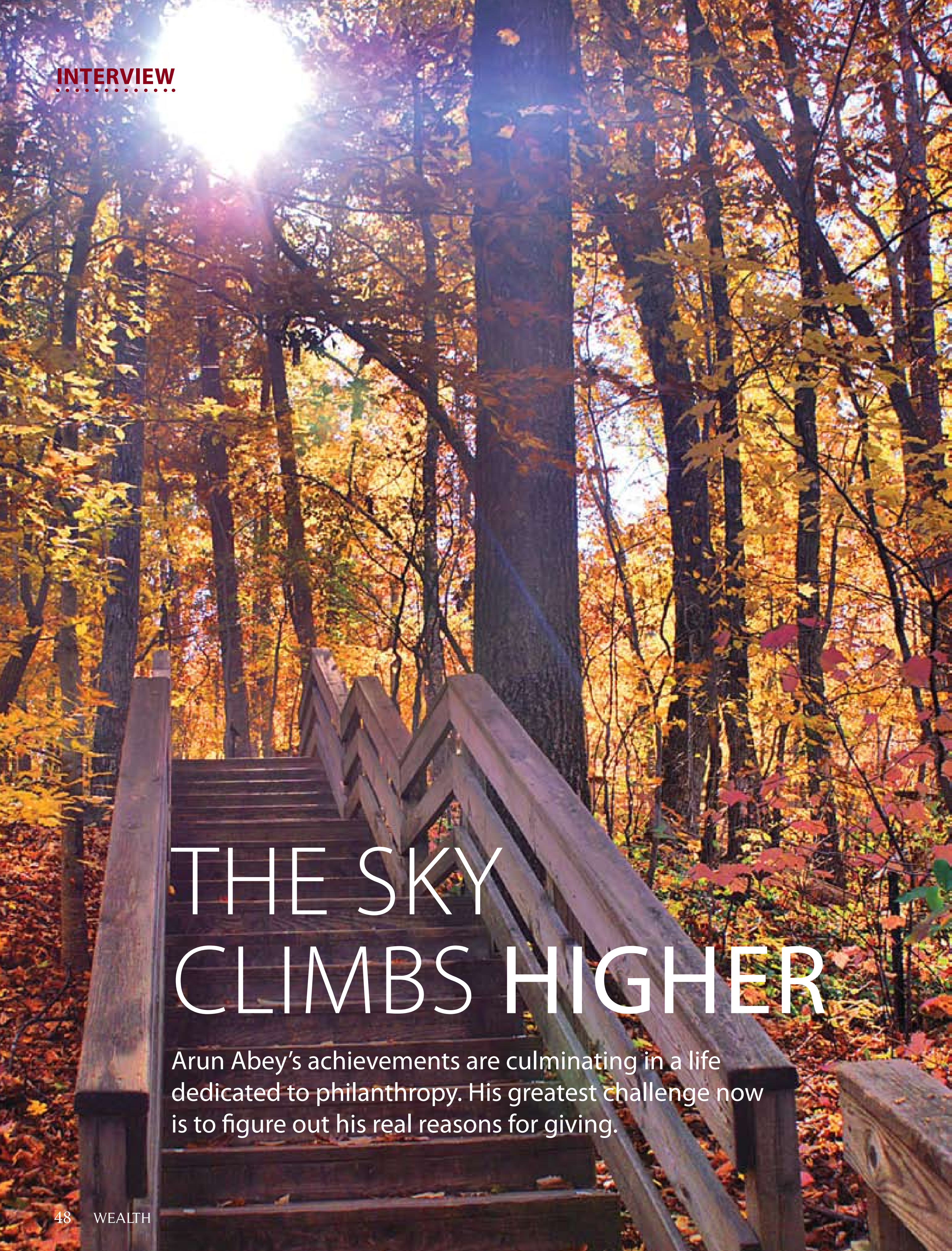
Even the farm has a specific use in Abey's scheme of things: It takes him away from intense intellectual activity and the physical demands of farm work engages him fully in the present moment. After all, while steering a few dozen frightened cows from one paddock to another, thinking of something else can well get you injured or killed.

Performing unfamiliar tasks, Abey suggests, is an important exploration for most people. It can help those who have not discovered their signature strengths to discern what gives them a long-term, continuous sense of enjoyment. "This is the key to happiness," Abey concludes.

Abey, too, has diverse interests outside of ipac and Karingal.

He often says he was exposed to Kandyan dance even before he was born. The refined art form flourished from the 16th century in Kandy, Sri Lanka's second-largest city and has become the country's national dance. Abey's mother had studied under the woman considered to be Sri Lanka's prima ballerina, Vajira, and had continued dancing even while she was pregnant.

When Abey was a child, his parents brought Vajira's troupe to tour Australia and he was taken out of school for weeks to join the entourage. Today, he maintains a keen interest in the art. "For me, no trip to Sri Lanka is conceivable without dropping in to at least see Vajira's dance classes or the latest ballet being rehearsed. And to be hypnotised again by the interaction between drummer and dancer," he wrote in an article commemorating Vajira's visit to Australia, which his parents organised in 1963 and 1972.



INTERVIEW

THE SKY CLIMBS **HIGHER**

Arun Abey's achievements are culminating in a life dedicated to philanthropy. His greatest challenge now is to figure out his real reasons for giving.

If one had carefully watched Arun Abey's thinking in the early 1980s, one would have seen the future direction of the financial advisory industry (See *Happiness Buys Money*, *Without Fear Or Fervour* and *Four Musketeers*).

Now, one can discern from his current thinking the future trajectory of affluent individuals' personal development.

Abey established a private foundation about five years ago, called the Abey Family Foundation, in Australia. "It is part of my evolution, from success to meaning," he explains. "What I've done at ipac has been meaningful, but it is not enough for the next stage of my life, which will revolve more around the foundation's work," he says.

As is characteristic of Abey, he has a well-defined reason for his decision: Giving creates long-term happiness, as few other pursuits can.

But Abey, like many modern-day philanthropists, says it is imperative that his generosity makes a discernible, positive difference. (See *Asia's Generation W*, December edition).

His foundation is at the stage of accumulating funds and finding a singular philosophy and vision. Singularity is important because "I can scatter money but it does nothing for me, so I'd like to focus on a few things where I can make a difference using my skills," he explains.

Mind Over Money

At the moment, Abey is drawn to a few areas. One of them is the opportunity to change the mindset that imprisons families in poverty.

In November, he was appointed to the board of The Smith Family, an 85-year-old social enterprise that helps disadvantaged Australian families.

"Once the family has received financial relief and education, the next level involves breaking through psychological barriers. If you're brought up in a poor family, your expectations can be low. This shortcoming cannot be easily discerned, unlike the need for money or education."

The Smith Family started in 1922 as a group of businessmen who anonymously distributed money, clothes, toys, medical supplies and other necessities to poor families in the country. Over the decades, the institution's leaders observed that generations of underprivileged families remained in poverty because the roots of the problem had not been addressed. It was decided that long-term solutions, such as lifelong learning and mentorship, was needed more than short-term alleviation.

When the current CEO, Elaine Henry, took office in 1998, she set about re-orienting The Smith Family away from a welfare, one-to-one model. Today, the institution gives communities the capabilities to lift themselves out of disadvantageous situations.

Abey hopes his thinking on happiness will help to refine the approach further. "Once the family has received financial relief and education, the next level involves breaking through psychological barriers. If you're brought up in a poor family, your expectations can be low. This shortcoming cannot be easily discerned, unlike the need for money or education," he says.

He has suggested funding research into this area, to be eventually translated into practical programmes to conquer psychological hurdles. "From that research, we can obtain knowledge that can be shared with the rest of the world. These are just early steps. Who knows where it will end up," Abey muses.

In an ironic way, he may have come full circle. He is now getting an opportunity to achieve the original aim he had as a young development economist: To eradicate poverty (See *Four Musketeers*).

Returns On Munificence

Abey's philanthropic interests also extend into medical research. After all, his paternal grandfather was a pharmacist and his maternal grandaunts were among the first women to study medicine in England.

Although his mother died of ovarian cancer in 1993, Abey has greater interest in juvenile diabetes research than in cancer research. He explains: The former produces far more effective results from less funding than the latter. "Cancer is a fashionable disease that gets significant amounts of funding for research and so much of that is wasted. The funds are spread across disparate areas of cancer research that do not converge to produce significant discoveries but go off into many different tangents. It's not cost-efficient. My money is hard-earned. I abhor waste," he says.

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Research on juvenile diabetes, on the other hand, has been better coordinated by orchestrating the funding, he suggests. He and several other directors at ipac have been supporting this area of research for several years and continue to learn about a more sophisticated form of philanthropy, where knowledge informs the giving exercise. "I'm happy to put in US$17,000-$25,500 (A$20,000-$30,000) to get up the learning curve," Abey says.

At ipac, an informal group interested in supporting medical research has formed. A medical expert is invited to lunch occasionally, along with a few of ipac's clients, to talk about developments in their medical speciality. "The clients can learn about the thinking, structure and methodology behind gauging the effectiveness of giving, selecting beneficiaries and other areas that philanthropists need to know about," he explains.

His thinking on happiness, adapted for teenagers, is also another possible project for the foundation. The first talk he gave at his former high school, Killara (see *Happiness Buys Money*), may be the beginning of a broader set of similar pursuits, he says.

He'd like his two sons — Ashan, 10 and Ajantha,12 — to become directors of the foundation in the future. They are already involved in Abey's philanthropic work.

When the Pakistani earthquake occurred in 2005, the two boys watched the events on TV and asked Abey to make a donation. He said he would only do so if they did as well.

The boys checked their piggy banks and came up with $17.50. Abey said he'd match that amount, but the boys retorted, "You're richer, so you should give more!" From the exercise, they are learning important skills like negotiation, persuasion and responsibility, Abey says.

His primary concern is that privilege may rob his children of perspective, resilience and fortitude. It is a concern many other successful entrepreneurs share (see *Asia's Generation W*, December edition). The exposure to lesser-endowed parts of society, Abey hopes, will give his sons a clearer perspective of life.

Two years ago, they visited an SOS Children's Village in Sri Lanka, which places orphans and abandoned children into 'family' units with a 'mother' and 'siblings' as a close substitute for a biological family. Abey recalls, "For my boys to interact with these kids was very hard emotionally. They grew up in affluent, privileged circumstances and seeing things like poverty and loss gives them a sense of meaning and it makes them think."

An informal group interested in supporting medical research has been formed at ipac.

Arun Abey is continuing to experiment with giving with purpose, and to discern its link with a stable, inner well-being. His book's website, www.howmuchisenough.net, allows readers to articulate their own experiences and share the results of their own experiments.

Ultimate Generosity

Abey is also exploring his own motivations for giving. "There is a difference between generosity of spirit and philanthropy. The highest level of giving is generosity of spirit, when you give because it is needed and not because it makes you feel good about yourself. I aspire towards that," he muses.

His book *How Much Is Enough?* presents a case of pure generosity: A Chinese Australian grocer, Geoffrey Lee, employs several children from impoverished families, who work after school. One of them, Bilel Jideh, the son of Lebanese immigrants, could barely speak or read English and came out last in nearly every subject in school.

But he aspired to be a medical doctor nonetheless. Lee took the boy under his wing and encouraged him to begin by reading. A page a day gradually became more than a hundred daily. Jideh eventually entered medical school, the first in his family to enter university. Lee was reported to be as proud as anyone in the Jideh family.

Abey says his generosity has not been tested in the same way.

"I have been successful in business and I am at the top of my peer group. What if someone from Killara High School does better? I'd feel bad. It's a hard-wired reaction because in the Savannah, if you were left behind by the herd, it means you're going to die," he observes.

Gore Vidal's words are etched in his mind: "Every time a friend succeeds, I die a little."

The evolutionary process, one could say, must go on. If the sky is the limit, the limits keep lifting. W

Please e-mail comments to vent@wealth-magazine.com

THOUGHTS ON MEANING, AUTHENTICITY AND HAPPINESS

"Affluence has created the potential to free oneself from the tyranny of technology, feudal structures, political and religious institutions, and to lead authentic lives. What does affluence buy? It buys an opportunity to be authentic, to enjoy the farm, to be a farmer."

"A lot of money is wasted because people spend on things pursuing substitutes for happiness, thinking it is happiness. Maybe if I'd bought the 7-series and not the 5-series car, I'd be happier.... If you knew about happiness, you'd free up financial resources."

"If you leave a large amount of wealth to your children, it robs them of their own feeling of achievement."

"For 25 years, I wondered why people can't be good investors although there were many books and articles on investing and managing finances. I discovered it's because people need inner authenticity and discipline. The self-confidence that comes from searching within leads to authenticity and ultimately to investment success."

"Giving with meaning and generosity of spirit creates long-term happiness."

"Parents can be the biggest obstacle to people living authentic lives, especially in Asia. They want their kids to become doctors and lawyers. It leaves little room for their children to explore for themselves. Parents who give their children unconditional love give them the courage to explore, knowing they will have support from the significant people in their lives. So many parents aren't aware of it."

"People don't practise philanthropy because they don't know how much money they need, so they hang on to everything. They are not aware it will make them happy."

"I'm a first-generation entrepreneur. If you've made it the hard way, you hate writing big cheques for bureaucratic institutions. People like me prefer to make a difference."

"I don't look at myself as a businessman. For me, the journey is important. The ipac journey has been challenging and stimulating. The money is a bonus because meaning has always been there."

"Authenticity is not the destination. It is a journey. Your definition of what is authentic will evolve."

"I will be 50 in 2008. If I make it to age 70, what I did at ipac is not enough. The next stage of my life will revolve around philanthropy."

~ Arun Abey