Charles Leyland [00:00:07] Hello and welcome to the Leyland Conversation series in which we meet with leaders in Australian public life. Today I have the pleasure of speaking with Paul Clitheroe. Paul has been omnipresent in Australian financial circles for over 40 years. He built and sold a large financial business IPAC and hosted the Money Show on Channel Nine, which at the time was one of the most watched programmes on television with over 5 million viewers at its peak. Presently, Paul is chief commentator of Money magazine, author of Making Money, which has sold over 600,000 copies, chairman of Financial Literacy Foundation Ecstra, chairman of anti drink driving bodyRADD and chairman of listed wealth manager Investsmart. Welcome, Paul.

Paul Clitheroe [00:00:49] Pleasure.

Charles Leyland [00:00:51] For a man with over 40 years in financial markets, you don't seem to be winding down...

Paul Clitheroe [00:01:02] I'm showing it, though, the grey hairs are shwoing through...Look, people always say about money and I know you do the same thing, Charles, is that I think that saying we're putting money aside to retire for most of us is probably not the right words. The word I always, always like to say 40 years ago was, the reason for being okay with money was to become financially independent. When you become financially independent, you get the joy of doing what you want to do. And this is the stuff I want to do.

Charles Leyland [00:01:23] Great. Great. Now, I'd like to talk about those early days. Tell us about those early days out of university where you first got interested in finance and investing.

Paul Clitheroe [00:01:32] I didn't think I was. I was doing a management traineeship, you know, the traditional course, you know, probably going to do an MBA and that sort of stuf. And one of my really I like this man, but when he taught mate, he was at Uni College with me, turned up one day with a clipping out of the Sydney Morning Herald. This is a clipping, said research assistant wanted. And I went, What? And my mate said, You know more about money than anyone I know, which probably wasn't very much back then. You know what, about 20 years ago.

Paul Clitheroe [00:01:59] And I said to I remember saying to call. I said, Wow. And he said, Now he said, You do.

Paul Clitheroe [00:02:04] He said, money interest you. And and there's an important lesson there for anyone watching this today is one of the great things we can do as parents and grandparents is talk about money around the dinner table. And I had this huge thing happen to me. I didn't even know, Charles, that my dad was a doctor, for heaven's sake. You know, like most doctors are not particularly good with money, but he was interested. And so we used to talk at the dinner table. I remember this as a youngster, that he'd buy me, you know, 50 quids worth of shares. And, you know, we'd talk about owning Coles or, you know, whatever it might have been. And, um, and even we're having a game of golf at the right time. We might have a bit of a father son natter about money. And I became really interested. Like I don't think it became a major preoccupation in my life, but so my mate said, you should apply for this job. And I thought.

Paul Clitheroe [00:02:48] Oh.

Paul Clitheroe [00:02:49] I would, I get it. So I went along and applied and they said I had the right sort of qualifications and blah blah blah. And so I got this job as an investment researcher in the area of managed funds, which is now 1979. Managed funds were brand new. Yeah, basically researching those and that after a couple of years led me to an opportunity to start. I packed with my, my Fantastic Four partners I've been mates with now for about 42 years.

Charles Leyland [00:03:12] And those early days of our impact was an exciting time. You bootstrapping your own your own company.

Paul Clitheroe [00:03:17] Oh, look, it was a hoot.

Paul Clitheroe [00:03:19] I learnt all the money lesson. I said to my dear old dad and Mom, would you lend me $5,000 to help me start this business to have more money obviously. And I learnt something good. Dad said, no son, I won't lend it to you. I'll give it to you. Right. And that was it. That was an interesting lesson in its own right. Yeah, this is risk capital. And so I had a little bit of money put aside so that we chipped in 100 grand between us, 20 grand each each took a 20% stake in the company. And it was incredibly exciting because the primary reason for Ipac was, was we were just going into deregulation. The Campbell report was out. You could see deregulation coming. You could see what that meant for people like back in those days. Charles, to come and see someone like you, I had to go to the stock exchange and get a written referral before you would accept my phone call. Yeah. Now it is a really, really, utterly different world. And we could see that world breaking down where consumers wanted to be. Powerful consumers wanted to know they could change, would mean they could change a mortgage. Back in those days, there was so much consumers were fascinated by. And we also felt that the age we had, we were a particularly my partners have extremely strong academic qualifications an economist and a lawyer, Piers got an MBA and my background as an analyst was also part of that. So we said, Well, gee, we're probably not very good at selling stuff, but we've got good academic qualifications. So we started up what I believe is Australia's first fee for service advice business, basically saying, look, lawyers charge like this, accountants charge like this, and in broking I don't think it matters so much because I look back then broking was basically two and a half per cent to buy to an two and a half percent to sell, so there isn't much conflict, providing the remuneration is the same. But in this ridiculous world call financial advice tax schemes were paying. I think they were those rotten pine trees and stuff. I think they were paying 40 or 50% commission. You know you had. A managed fund was typically 8%, whereas often you could kind of see in the real world the best advice was to tell the individual, because interest rates were high don't forget back then, 'let's pay off your mortgage'. The trouble is, you've got. No, I still wanted to feed my family, but I wanted to give the best possible advice. So IPAC structured around, look, here's a better idea. The client pays is like an accountant or a lawyer, and as a result, we can afford to actually sit on the client side of the table. And back then, by the way, people just went well that's madness. All these other people are free. And we used to go. "We'll tell you why they're free. It's complete crap."

Charles Leyland [00:05:35] Well, it's a paradox, isn't it? And those sort of plantation, tax driven schemes, they keep reappearing. And to me, I've been in business 30 years and if you if you have to pay a high commission, whether it's 10, 20 or 50% to sell your product, that tells you more about the product and does about the commission. If it cancel itself then it's obviously, you know, it's got hairs on it. So you builT it up to to $9 billion of assets under management in 19 years. That's a pretty extraordinary, extraordinary feat. And I think you probably explain why, because you are first out of the gate and and and you really cared more about the client than cared about getting commissions.

Paul Clitheroe [00:06:15] Don't get me wrong. We weren't running a charity. We wanted to win clients charge clients fees, but basically we want a fair deal. We absolutely wanted to be paid, and we wanted to give good advice. So this is not totally altruistic okay, so, you know, it was a proper business and yes, it became a big business, in fact, to the point where we had offices in eight countries. And to be quite blunt with you, the five of us each, only 20% and 9 billion doesn't sound a whole lot today, but 20 years ago 9 billion was a stack of money.

Charles Leyland [00:06:44] It still is now.

Paul Clitheroe [00:06:44] And it's it's not it's not wholesale money. This is real people's money. People would walk into our office every day and they'd regularly say, is our money safe? And I'd go, 'well, look, it's invested in your name, if we go broke, it doesn't really matter, you know, blah, blah, blah." But they said, Oh gee, we'd hate that to happen. And then you start getting the IT team walking in and going, Oh, you know, we, we only need a $15 million systems upgrade this year and the four of or five of us would look at each other. It became too big. So we, we did a trade sale to AXA Europe.

Charles Leyland [00:07:13] And you weren't torn at all when you....

Paul Clitheroe [00:07:16] Oh, yeah.

Paul Clitheroe [00:07:17] Look, I stayed on as a director for oh, crikey, look, I love that business for nearly another ten years and then AXA Global got out of Australia, I thought, we were going to be sold to National Australia Bank. The then Treasurer knocked that back under our competition and so AMP were after really after the AXA life business and they got this funny thing called Ipac along the way. I got a lot of time for the AMP people back then, Craig Dunn and the team and so on. But I don't really think that a fee charging ipac, it...it looked a bit like a mushroom on the side of AMP to be quite honest.

Paul Clitheroe [00:07:56] And I don't think they ever really I got a lot of time for them, but I don't think they ever quite got, you know, what is this fee charging thing and so up so yeah, so all of the money's all still there and you know, blah, blah, blah, blah, blah. Clients are still talking to people and so on. But do you feel torn when you when your child leaves home? Yes, you do, child.

Charles Leyland [00:08:15] I think that's a fair analogy. So you spent nearly ten years on the popular television show Money, which.

Paul Clitheroe [00:08:22] Purely by accident!

Charles Leyland [00:08:22] had 5 million viewers. You know that that's extraordinary. And obviously, it wouldn't have happened today. Did you find over that period of time some recurring sort of segments or themes which viewers were particularly interested in?

Paul Clitheroe [00:08:35] Yeah, look, the let's not forget that we're going back to, well, the start of IPAC back in the early 1980s, 3% of Australians directly owned a share because even though superannuation was only just starting. So so one of the, I mean one of the very first stories I did on Money, we're now 1992, one of the very first stories I did was me in a pizza shop without a tie and me and the pizza shop and I pick up a pizza. I said, now look, the share stuff's not that hard. I'm not talking to wealthy people here. I'm talking to all Australians, and I and I pull the plop comes the pizza. Take a look. This is this is a company, right? It's a pizza. You can own a slice of it. It's called a share. And that's really where we were in the early 1990s. It wasn't even a matter of saying, is it BHP or Woollies or Coles or ETFs didn't exist, for heaven's sake. It really was a people, people were deeply interested in what can we do with our money and the things that really fascinated than they were? Well, I'm sorry to say, for us investment people, the thing that without any doubt that fascinated that the most was if you had a bank, 25 year mortgage, you could change for a better deal. That was. But what we little people? We can shop around. And so the stuff that really got the biggest attention wasn't our industry, I'm afraid to say it was. Did you know if you're going into a retailer and buying $1,000 fridge, you can negotiate with cash? No, no, don't don't negotiate with a Woollies checkout person over a packet of Smarties.

Paul Clitheroe [00:10:02] It was it was really more around it was a lot of the show was saving and a lot of the show was not getting ripped off because back then one of the biggies was a fly free to Queensland and buy a property for 20 bucks a week. You might remember it with radio ads.

Charles Leyland [00:10:17] Yes I can..I spent.

Paul Clitheroe [00:10:18] I spent half my life in Queensland Filming property.

Paul Clitheroe [00:10:21] And history still repeats. We still have property spruikers out there today.

Paul Clitheroe [00:10:25] Well, they moved to Vanuatu for a while because they got run out of here.

Paul Clitheroe [00:10:29] We've still got a lot of that going on. So a lot it was scams then in terms of money, they were probably more interested back then about do you top up your super pay or off your mortgage? And back then interest rates were about 12, 13%. So I spent a lot of time and people didn't get compound interest. The most common and the most pleasing time for me. I got someone to grab me and Martin place as I walked in here today, someone said, Paul I just want to say thanks. And I said, Why? And they said, look, you know, you're stuff's never that clever. And I get that because I'm not very smart. It's common sense, right? I speak common sense. That's what I'm talking about. They said, I watched your money show yonks ago, and he said, you were saying put 20 bucks a week in the mortgage. And I thought, mortgage this big, 20 bucks a week that big.

Paul Clitheroe [00:11:10] And he said you said I'd pay the mortgage off nearly seven years early because back then mortgages weren't $1,000,000. They were a couple hundred grand. The most common thing I get in the streets is thank you for the $20 tip. I put it in my mortgage. I paid my mortgage off seven years early. I'm now using my saved repayment to top up super, buy an investment property or go on holidays. And so what I really found, and that's one of the reasons I'm doing what I'm doing with my pro-bono life now around financial literacy, to be quite blunt. Well-off people have got access to great people like you, you know, you have to earn a living as well. You got a family. And so basically the people I'm fretful for are really the middle rump of Australians. They're not earning quite enough money or got enough capital to really go and see a Charles Leyland or an IPAC for that matter. You know, we really can't afford to spend much time with someone investing $3,000 and funnily enough at the bottom part of the population, the bottom 20% and I get a lot of these on the Money Show used to get letters for a blanket for my child about, about till I'm about to be thrown out of my home, repossessions, some of these dreadful so-called interest free loans on consumer goods that turn into 32% loans. And so but funnily enough, things like the wonderful financial counselling groups, not some of the scamsters online by the way, but the ones the Smith family runs and Vinnies runs and so on. Funnily enough, if you're on the bottom 20%, there is a really terrific places to go, including money help getting credit cards off your back, you know, hardship, all that stuff. So it's kind of as though if you're in the top ten or 15%, you've got really good people to go to. You fit in that category. But the trouble is about 70% of the Australian population is kind of somewhere between those two things. Yeah. And I and I really and the Money Show and the Money magazine today, we deeply care for those people and it's about saving a buck, it's about not getting ripped off. It's about buying a better insurance policy for a bit less money. It's about getting a bit of extra money in super. It's not really, hey, you know, I got a million bucks to invest or I'm earning $1,000,000 a year. That's not really my world.

Paul Clitheroe [00:13:13] No, no. And and in your in your book, you've you point out those ten, really, it's ten, ten very simple lessons that almost anyone can follow at any age. And I think it resonates with with people. Right, right up and down. Right. Right up and down the spectrum. One of the quotes I like in your book, you channelled Charles Dickens, from David Copperfield, I think it was "annual income, £20, annual expenditure, 19 and sixm result happiness; annual income £20, annual expenditure £20 ought and six, result misery." Of course ben Graham, John Templeton, they all paraphrase that, and I think the saying probably pre-dates Dickens. Notwithstanding all these great people giving advice, the lesson is still not learnt by many Australians. What do you attribute that to?

Paul Clitheroe [00:14:04] Humans. We're human. We're human. Charles The the problem is, is that in our DNA, and particularly over the last thousand odd years, few of us have actually really met genuine starvation and so on. And so we really are a bit like the grasshopper and the ant, we tend to be more like the grasshopper, though in economics is a very simple thing. Savings are simple, it's called postponing consumption. It is postponed consumption. And I have great sympathy for we humans because I don't like postponing consumption either. I'd rather have it today. And we've got this world that does a wonderful job in marketing and advertising, having it today and you don't even need to pay Charles; just pop it on the credit card or you take a store card. So you've got this entire marketing engine room. And particularly influencing younger Australians around this idea that that savings - why save when you can consume. So I don't think postponing consumption which the ants do by the way the answer hence the story the ant and the grasshopper the ants stash food a ma so do many animals in nature because if they don't, they die. I think we really do feel that...look consuming is more fun. And also, if I do stash money away, I hear a lot. But look, if I do put that $20 a week aside, Paul, what will that do for me? What will that do for me? I might as well have a coffee and a muffin. And so everything in us reeks spend don't save. And then you add the ad agencies on top of that. They do a wonderful job of encouraging that. But look, at the end of the year, yoru point is right. And I do this, by the way, at times I do do this with people earning more than $1,000,000, by the way, where they are not making any progress. And, you know, I've got to get a piece of paper and a pen out and forcibly do some budgets at times. I frighten the living dial outside of people who are very clever, very high earners, very busy and often don't realise why are they going backwards? Charles, they are spending more than they earn!

Charles Leyland [00:16:00] You mentioned that in your book, I think you're talking earlier about, you know, the 70% rump, but I think you're saying people earning one and a half,

$2 million are still going backwards and a person further down, perhaps the income level is doing better. It's just simple budgeting.

Paul Clitheroe [00:16:18] I know it's such a...it's a word we mentioned...all your all your listeners watch this with the second we mentioned budgeting everyone's wincing. Yeah you know we we we just don't like, you know, we know how to lose a bit of weight. We eat broccoli and we drink water. I much prefer pizza.It's the same with money.

Paul Clitheroe [00:16:37] It really gets us a bit deep here, but it gets us into the bastions of what financial literacy is trying to do, particularly with younger Australians, is we've somehow got to evolve a culture. I mean, that wonderful book has been around for a zillion years. The Richest Man in Babylon. What's the deal there? Whatever the richest man in Babylon earns, he puts 10% aside to invest and he spends 90% if he if he or she has spent 90%, there's none left. You don't touch the 10%, the parables have been there forever. But it's easier said than done.

Charles Leyland [00:17:06] Yeah, of course. Of course. Now, my other favourite quote from your book, and this is one close to my heart. "No one, I repeat, no one can know for sure what interest rates will be a year from now, no matter how many economists, analysts and commentators bleat together like cloned sheep about the supposed certainty of rates heading up, down or sideways, only to see something entirely different happen". So currently we've got cost of living, pressure, ironically made worse by increases in interest rates. Things are really starting to hit, particularly small businesses and home owners. Right now, as it stands, things look bleak to many. What can people do to mitigate this cost of living pressures, and should we be worried about increasing interest rates?

Paul Clitheroe [00:17:52] Well, I think probably people don't want to listen to me. I had the Money magazine team who, as far as I can tell, or about 12 years old in a meeting. You know, as you get older, people get younger. I we will agree with highly intelligent 12 year olds (obviously, in their twenties and thirties). And so Money magazine said, look, we really need to cover on the cost of living, you know, what is the solution? And I said, oh, spend less. And the whole room just went. "But what is wrong with you?" No, no, no, no. We need. We need government support to help with electricity bills or we need this or we need that and so on. Now, I do want to get t...look, I'm going to sound like an angry ol man here. The problem. What have we done in the past? So you're a little younger than I am. Most people are. 1980...Vicki and my mortgage hit 18.75%. Now, that is an enormous cost of living expense. 18.75. So what we did is because there was no hope of support from anywhere. So what we did is sold both cars, bought a second-hand $3,000 Ford Falcon, which Vicky used to run the kids to and from playgroup and stuff. And I'm perfectly happy getting the train to work anyway, to be quite honest. But we got rid of a whole bunch of stuff we didn't need. And so, in a sense, we....gee I sound like a dinosaur, this is terrible, but we basically had no choice other than to take care of our own cost of living. Now, now we go to, for example, maybe an older Australian on a pension who is not heating their house. Now here we are getting into some really. I was still young on a decent salary. Okay. So I'm actually not the world's best example. So I've got enormous sympathy for what the Prime Minister is saying about how do we help people with with cost of living in terms of your electricity bill goes up by that ..we are now talking what, 35 or 45% next year? The reality is no one should help you or me because both of us could probably turn one fridge off and get rid of it. But there are some people who are doing their damnedest. Some of my money readers and viewers they are already doing it. They're on a fixed income, quite possibly pension, possibly unemployment benefits. So what I really fret about, though, is that in a sense, I would prefer to see things like unemployment benefits and pensions increase somewhat. Now, that's going to create inflation. Right. But the thing is, is it's trying to direct help to people in most need. And bluntly, if I've got a problem with my electricity bill, I should pull my head in and turn a few things off around the house. But if I've already turned everything off and I'm struggling to buy food, that's the group of Australians I really fret about. But quite bluntly, nearly anyone who's watching this, I'm not very fretful for you, to be perfectly honest.

Charles Leyland [00:20:29] And medical care, of course, is another expense for particularly, for the elderly on pensions and...

Paul Clitheroe [00:20:36] Critical! But in a sense though can a government fix absolutely everything in our lives? I mean, obviously the way the Keating recession fixed it was 18.75% mortgages. It slowed the economy down no end, Charles. And we very quickly stripped inflation out and off we went again. I really struggle to find a solution because not everyone needs help, but how you direct government help to those who need it most are things around cost of energy and so on. This is very challenging stuff.

Charles Leyland [00:21:11] I don't think we want a Keating or a Volcker type, 18 to 20%. No one wants to see that...

Paul Clitheroe [00:21:18] Mind you inflation go to about 14% don't forget. So we're we're away from that right now. I don't believe we're anywhere near that world. But in terms of cost of living pressure, the thing I would particularly say to you to younger Australians is, look, you do need to rethink your data plan, your Foxtel, your stan subscriptions. You know, I know it sounds dreadful, but maybe you'd have one less beer when you go out. So I think people on a reasonable incom...the excuses get a bit tedious for me, but when we get to fixed income Australians, retirees on a pension and unemployed Australians, there I start to get really twitchy.

Charles Leyland [00:21:55] Fair enough. If I could, I would like to ask you a couple of questions quickly about super. Are you a fan of increases in the super guarantee?

Charles Leyland [00:22:05] Oh Lord. I swing between Genghis Khan and I swing between sort of a right wing capitalist and a left wing socialist. Look, yes, I am. And the reason for that is, look, I listen to all the crudd. But look, it's a bit like people and some in our industry, Charles, say don't buy a house. If you if you gear into shares, you'll do better. And look, technically, technically, a lot of this stuff is true, if money's not going into super people have got it to spend. And for some people that means food and medicine. I truly get that. But when we come to the herd, the community, I'm always going to tell people, (my brokers get the poos with me sometimes), I'm always going to tell people to buy a house because if you buy a house, you are emotionally in a position where you need to pay the damn thing off. Over time inflation strips out your mortgage, you get the darn thing paid off. In nearly any growing part of Australia, your property will go up in value. So we're creating wealth. So I was really confident that our super's going to 12 and a half per cent, do I see a negative impact on some people? Absolutely I do. But for the herd, do I believe we'd save that 12 and a half per cent in a highly tax effective form, by the way? Really highly. For most people, it's so tax effective. Do I actually think we would actually save that 12 and a half percent? Charles I'm not sure I would have done.

Charles Leyland [00:23:21] You're quite right.

Paul Clitheroe [00:23:21] It is being pragmatic.

Charles Leyland [00:23:23] Paying off the house and paying super, it's sort of forced savings

Paul Clitheroe [00:23:28] How how else how else do we pay for...the rate our deficits are going now. How else do my children, now in their late twenties and thirties, you know, how else do they get? And they've got they've got kids on a mortgage and the mortgage is going up and they've got cost of living and they've got all sorts of issues. But, you know, I suspect in 40 years time they'll look at that lump of money that that has created. And I think they'll be I think they'll be very pleased they copped a bit of pay now to have it. No pain, no gain. It's terrible. It's hard life.

Charles Leyland [00:23:57] Super funds, particularly industry funds, are becoming larger and fewer; megers and all the rest. Is there a danger that one or more of our funds becomes too big to fail?

Charles Leyland [00:24:09] I think they already are, Charles. I'm I'm a bit of a cynic here. I got in trouble about 25 years ago for a talk I did to the super fund industry, talking about snouts in the trough. Superannuation has created a lot of jobs, created a lot of wealth for a lot of people. To be quite blunt with you, if the Future Fund that existed back then, I would put the whole lot in the Future Fund on a compulsory basis, and that makes it even bigger and even more. But the thing is that you and I both know is that all the big funds invest in nearly identical assets Charles, just like when you were getting close to a $500 billion fund. You know, what are you going to do? So if we go into the asset allocation of all these big funds across infrastructure and so on, you know as well as I do, then a balanced fund from any huge industry fund or retail fund within cooee, you're going to see pretty much common sense and logic. If we have bigger funds, they get cheaper and cheaper and cheaper. And the one thing that I really, really, really want for Australians is a bit like I can go now to...if I don't believe in active and just want something passive. Obviously with Vanguard's and BlackRock's I can get my money put away. At what rate? 100th of 1% per annum. Now, I don't get any of the value that people like you add and I truly appreciate that. But as a as a start, as a starting place for me when I'm looking at a superannuation fund, to me the big ones, I look at the asset allocation, some of them. Some of them aren't particularly forthcoming and telling you, by the way, which makes me very, very angry. Like what exactly what is that infrastructure in Italy? I get very, very grumpy about that.

Charles Leyland [00:25:43] Well, this is one reason I ask the question, because we are seeing what's happening in the UK and the government is essentially having to prop up some of these pension funds and I fear that there may be some underlying assets we're not quite aware of with these big super funds.

Paul Clitheroe [00:25:58] I'm sure that's right, Charles. But but but I think we're going to struggle to say, like, let let's be nice, let's call all the big funds mercedes and let's say we've got rid of most of the dross. Let's call them all Mercedes. Do I really think a mercedes 300 is different to a mercedes 300? And most of the big funds to me look like Mercedes three hundreds. They're all the same. And so the argument that that if one fund gets in trouble, another fund doesn't get in trouble. I look, I know what you're saying about...you and I diversify right, but I'm not really convinced if we're diversifying over identical assets in two different funds with a board and chief executives and all sorts of people who need to be paid. Yeah. I want I wonder, you know, personally, I would actually much rather bluntly, you know, something like a Future Fund that did the whole lot. The industry would want to kill me, but what I'm thinking about is if everyone is doing pretty much the same thing, why don't we try and give the consumers the best deal possible and make the fees nearly negligible? And that is the joy of scale.

Paul Clitheroe [00:26:57] And of course, there are overseas examples similar to that. Until recently you were chairman of the Government's Australian Financial Literacy Board. You're now chairman of ecstra. Both organisations are focussed on financial literacy. What does that term financial literacy actually mean?

Paul Clitheroe [00:27:16] Yeah, look, this is a real global thing. It's done through the OECD and Australia's been a real leader. So what we're simply saying is, is that we think the world's a really complicated place. And so 20 years ago we could see kids coming out of school and we could see 23 year olds and a lot of them with $5,000 on a credit card, for example. And why is that? And it's often a data plan or it's, you know, it's a whole bunch of stuff. But basically it's spending more than you're earning. And so we thought, hang on a sec, this is not fair to these kids. I mean, lucky kids have parents who talk about money at home. They really are lucky. It's a bit as a parent, it is the very best thing you can do for a child is chat about money at home and the bad stuff you do as well. Mistakes often resonate more with kids than the stuff you do well. So basically, so what we try to do through the schooling system, we've now got, we've now got financial literacy, which is simply to be quite blunt with you, I prefer to call it being good with money, being smart with money. But OECD and governments don't seem to like words like that. They seem to like, you know, financial capability or you want to be big good with money, for heaven's sake. Let's keep it nice and simple. That's all it is. So what we're looking to do is we want kids to be better prepared, to be good with money as they get into the world of credit and so on. And look, it is very little about share investing and property investing and stuff. It's really back to the question you asked me earlier on. We're really back to spend less than you earn. And so that's what financial literacy is all about. And we've got it's now we've now got financial literacy as a key statement of learning in the education system. It's being taught, would you believe in things like English, why English? Because we all know that something like according to the ANZ Longitudinal Study, something like 50% of Australians cannot give you 50% of any given number. True. Let's look at the ANZ longitudinal study. Nearly 50%. There's a lot of people who aren't in, bluntly, pretty offices like this, who don't have some of the educational advantages that others have. And we need to try and somehow repair that in the schooling system is the place to be. Universities, for example, we've got many brilliant young doctors and scientists coming out who barely, barely, barely know what a credit card is.

Paul Clitheroe [00:29:17] So so it's not it's not just you're you know, you're either down here or up here, some of our brightest people in our community. So we've got programmes running in unis, for example, the only people we can find who get taught anything about business in uni are pharmacists because the pharmaceutical courses know, if you're a chemist, you make your money out of selling shampoo and you've got to understand margins. So they do business training, but rarely anywhere else do we find except in a commerce degree rarely anywhere else do we find that done? So Uni's, Tafe's, the workplace. Would you believe we run programmes in jails? What we find is that people who leave jail lose all of those skills in a modern world. They come out and get in trouble with money. So, you know, so there are many, many places where I think financial literacy is really appropriate in the most difficult of circumstances right through, funnily enough, to the CEO of... I had a CEO of a bank telling me yonks ago, John McFarlane who was on my financial literacy board and John was saying, you know, do you think we need to teach the bank staff about money and they're bank people? Then he came back and said, that's not that's not right, is it? He said, probably back in those days, my tellers probably understand money, but most bank people are back behind the wall and understand probably no more about money than we do. So the workplace is really powerful to Charles.

Charles Leyland [00:30:33] And it's the parable of the plumber with a leaky tap, isn't it? You look after someone else's. But you don't look after your own really. Do you have an opinion on the current debate around franking credits?

Paul Clitheroe [00:30:47] No.

Charles Leyland [00:30:47] No. Okay.

Paul Clitheroe [00:30:51] Look, I'm very aware of how the the Labor Government went previously when they tried to tell Australian investors that franking credits weren't particularly important. Look, I probably come from where Peter Costello started and you know, to me I don't like double taxation. Yeah. And so I need to be careful here because I've got money in superannuation and shares, I love my franking credits, particularly inside my super fund. I would probably...so I'm biased. I would probably argue all day long. Well, if the company's paying 30% tax, why would I then get that in my case, pay, you know, 40, including Medicare levy 46 and a bit per cent tax. So I look personally I get the double tax argument.

Charles Leyland [00:31:33] That's fair enough. One of your current roles is as chairman of ASX listed wealth manager investment, of which we're also a shareholder.

Paul Clitheroe [00:31:42] You are.

Charles Leyland [00:31:43] What attracted you to take on the role as chairman of Investment?

Paul Clitheroe [00:31:47] Well, that would be blasted Simon Poidevin to start with..I went through university college with. No, when he was a broker and he just said look at his company's doing some stuff that might interest you. And I had a look and to be quite honest, Charles, I thought it was a bit untidy, you know, honest I thoughtm crikey, it's a bit untidy. And so I met with a number of people, including your good self, saying, this is my vision and we need to get rid of all this stuff. It's messy, but the vision I had is I saw what I did with Ipac, with with my mind, not just me, with my fantastic partners and staff, but this idea of money democracy. So 70% of Australians who are struggling to get advised, the solution has to be digital Charles and in Investsmart I saw a digital platform with pretty decent systems, obviously Alan Kohler's you know now part of investsmart with me, got a similar shareholding to myself, Effie Zahos you know you see on today's show, very smart young woman, a commerce degree background. So you got a really terrific group of people. I think having a digital company with faces who are known is really good. I think people are going to investsmart if they see Alan Kohler or Effie or myself, you know, I think they kind of go, "is this strange digital thing going to rip us off"? I think they would go, Alan Kohler is not going to rip us off. And so I think this idea of digital with personality makes sense to me. But critically, Charles, a lot of advice. Look, I'm sorry, advisors, a lot of base level advice is not very difficult.

Charles Leyland [00:33:17] I agree...I don't know why you can't automate...

Paul Clitheroe [00:33:20] And digital can do this. Now, the reason we can't write this, as you know, this will get worked out. Now, this the concept of personal specific advice and general advice. And the trouble is, the second you say anything, even using an algorithm, then you are personal specific, and then you've got to get a statement of advice. And now I agree with all that duty of care stuff, but I really think we are going to move fairly quickly to a point where a typical Australian who cannot get advised...they go, 'do I put ten grand in my mortgage or my super?' I don't believe I should be charging them $3,000 for statement of advice to tell him where to put ten grand. It's just bloody ridiculous. Okay. And so I think this idea that if you've go...every obviously you need to ensure people aren't being ripped off. But if you've got ethical organisations and ethical people who are professionally trained, whether it's an adviser or a digital thing like InvestSmart, the idea that you can say, 'Do I put ten grand into my mortgage or super?' And whether it's the person or the artificial intelligence just goes, How old are you? What's your risk profile? What's your tax position? It'll ask about seven or eight questions and then it will go, based on what you've told us, you should top up your super. Yeah....Derr!

Charles Leyland [00:34:31] I'd imagine that for for the bulk of income earning Australians is, as you say, five or ten inputs and two or three possible outputs

Paul Clitheroe [00:34:43] And some ancillary inputs. The way that artificial intelligence is really clever which we can't do yet because this is becoming personal specific at the moment. What we've got to do at investment is, we've actually got to... They have to self answer. Yeah. So we can guide them through the process. We.. Our systems know the answer, but we can't tell them the answer yet. We have to get them through this quite complicated process where they work it out for themselves. So it's general advice, and I'm all for protecting Australians, but when we've got some 70% of the population who really can't get to advice in any meaningful way and I'm really, really happy with the superannuation fund. If we get to this point where highly qualified, ethically trained, professionally trained people with a known fee and that's if you ring your superannuation fund or you ring, you know, if you widen your business model, they ring someone at your place. But we need to get to the point where a consumer can go to a doctor and ask a question. They can go to a lawyer and ask question. We need to get to the point where a consumer can go to either a piece of artificial intelligence or an adviser and just say, look, do I do this or that? The person asks a few questions over a cup of coffee and for next to no money. Problem solved.

Charles Leyland [00:35:49] I love that doctor analogy...Kohler reckons he came up with it first.

Paul Clitheroe [00:35:56] Kohler's actually one of the few people that is a bit older than me - Sorry Alan!

Charles Leyland [00:36:00] Think it's a great analogy and we've also we've lost over 50% of financial advisers recently because of education requirements, a huge, complex requirement for a very simple bits of advice.

Charles Leyland [00:36:12] The burden of the system...and the system's there to protect people, which I strongly admire. But we're not doing this efficiently yet.

Charles Leyland [00:36:19] Yeah. Now you're not wearing a tie today. No, I am. You are. Earlier on, you are telling me a good story about Kerry Packer and his opinions on on ties.

Paul Clitheroe [00:36:29] Yeah, I was I because I was doing some radio and stuff. And then Channel nine started to get me and do Wednesdays midday with DERRYN Hinch.

And I used to do a bit of, you know, just a bit of TV stuff around ABC and so on. And nine said, Oh, look, this is, really you're getting huge amount of commentary around this. You know, lots of phone calls coming in about this money stuff. Can we have a crack at a half hour show? I said sure, and turned up first time looking exactly like you, actually. I've got quite a nice suit on, by the way, but a very smart tie on. And Kerry Packer very kindly wanted to see me first day and he said, "Son - you know this money stuff you want to do". He said, "I believe you want to talk about negotiating a better price for cash on a car and a fridge and stuff like that". And I said, "Yep, I want to talk real money to real people". And he was a bit sort of, mmm, okay, and he said, "well, one thing for sure, you're not doing it in that suit and tie." And I said, "Mr. Packer, You know, this is who we are Mr. Packer." And he said, "Son, I'm sorry. I've been around a bit longer than you....Son, looking like that, you look like someone who's going to confuse me and overcharge me."

Charles Leyland [00:37:29] That's brilliant!

Paul Clitheroe [00:37:33] So off went the suit and tie and I filmed the money show in a casual sports jacket and open neck shirt. And I so much enjoyed not wearing a tie I never got the habit back. And also, folks, I don't want you to think I'm going to overcharge you.

Charles Leyland [00:37:46] Well, congratulations on a wonderful career to date. Over the years, you've provided logical and understandable advice, which can resonate really with anyone, in your money show, in your book and in your columns. So thanks very much for being part of The Leyland Conversations.

Charles Leyland [00:38:02] Well, thanks for chatting to me.