

**Publication Date: 10 November 2021**  
**YSP Podcast Transcript: Episode 287. How to invest OC funds - Strata Guardian**

Listen to this podcast episode [here](#).

**Intro:** Welcome to Your Strata Property, the podcast for property owners looking for reliable, accurate and bite-sized information from an experienced and authoritative source.

**Amanda Farmer:** Hello and welcome. I am your podcast host, Amanda Farmer. And my guest today is Tim Fuller. Tim is the Head of Wealth at Strata Guardian. Overseeing daily operations and client care, he sits on the investment committee. Having worked in the financial services across several major national practices, boutique advisory firms, and investment companies for over 10 years, Tim is committed to providing excellent service and reliable outcomes for the Australian strata community. Tim understands that a crucial component of quality investment is ensuring that all investors have confidence in Strata Guardian's careful structuring, design execution, and lived experience for its clients. Tim is a qualified financial advisor and holds a Masters of Business Administration. I'll take you over right now to my chat with **Tim Fuller of Strata Guardian. Tim Fuller, welcome to the show.**

**Tim Fuller:** Hi, Amanda, great to be on. Hello listeners.

**Amanda Farmer:** Wonderful to have you here with us. Now, the name of your company, Tim, Strata Guardian, was mentioned inside our members-only Q&A forum a few weeks ago. And it prompted me to reach out to you and see what it is that Strata Guardian is doing. I think it might be timely because we have had a recent discussion, which I'll mention on the podcast about precisely what it is that you guys are involved in. So let's start there. What is Strata Guardian? Where have you come from and what are you doing in our strata space?

**Tim Fuller:** So essentially, Strata Guardian is Australia's first purpose-built investment solution effectively for the Australian strata community that I know of. But I guess, the whole idea is we found that there just needs to be something on offer that people can be comfortable in and have trust in. That gets away from the more common term deposits and cash accounts that it seemed to be quite prevalent for people's capital works funds or sinking funds or maintenance funds, depending on what state you're listening in. And so, that's really what we've put together and brought to market. We are available nationally. We have the ability to apply online so that works all around Australia. And we do have the ability to provide advice on appropriate investments within what we do as well, of course. And quite often, we look at the 10-year maintenance plans to help in apportioning risk and doing things in the investment space for peoples building savings.

**Amanda Farmer:** So you are helping owners corporations to make good decisions about investing their surplus funds. I suppose I would call them, not funds that are currently needed. And instead of holding them in the account, doing nothing or putting them in a term deposit, you've got some better ideas about how to use them. Does that mean you're a qualified financial advisor? There's lots of rules around that, lots of laws to comply with. You are giving financial advice to body corporates and owners corporations.

**Tim Fuller:** Absolutely, yes. So I've been in the financial advice space for over 10 years and Strata Guardian itself has all the relevant licensing. So Australian Financial Service Licensing, and also things like the indemnity policies and insurance policies that need to be in place as well. So interestingly, if we so quickly cross to where we sort of started out. It was actually from a friend of mine who was the treasurer at the time. And now, he's the chair of his owners corporation down here in Melbourne and he gave me a call... This is going out quite a while ago now, probably middle of last year, he basically said, "Look, we've got this money in our maintenance fund, which is a Victorian one, it's a substantial amount of money.

It was over \$100,000. It's not many lots in his building, but he said, "I've just got a phone call from my strata manager. And the best they can do, I think was either 0.3% or 0.4% for the next couple of years." Now, I'm in the investment space. So he thought he'd give me a call and to see whether or not there was anything else we could do with it. And I said, "Sure, I'm sure there is, let's go out and have a bit of a look." And we struggled to find something that was specifically for the Australian strata market, which I found quite interesting, really. And so, in the formulation of putting together an investment for his building, we've sort of landed on being able to hopefully do one for everybody else's building as well with Strata Guardian.

YSP Podcast Transcript: Episode 287. How to invest OC funds - Strata Guardian

And it was just interesting, obviously, having a really good practical example to get the whole thing off and running with being able to look at his building, being able to look at exactly what a building needs, I guess, in terms of liquidity, in terms of the way it's invested. Obviously, it needs to be low volatility, particularly, when you're jumping from the term deposit sort of style arrangements. But at the same time, the big problem that he had, of course, is that things are inflating. So inflation, he was earning effectively a quarter or less of what inflation was. And yet, of course, what was the purpose of this money? To buy things and services that are inflating in the background. So that was where his primary concern was. And so, that's what we've effectively put together with what we do at Strata Guardian.

**Amanda Farmer:** It is not an uncommon story. I have to say, Tim, when I ask people here on the show who have started up businesses within the strata space. And I do say, "What brought you to strata? What's the background? What's the story here?" And I often hear that it was either a friend living in strata who had a problem that needed solving, or it's the business owner themselves who suddenly encountered this nutty world that is strata living and went, "Wow, there is a gap here that I can fill." So I think it's interesting how people stumble across our unique space and great the creative people like you do and produce these products and these services that can make us think differently, perhaps.

**Tim Fuller:** Well, that's right. Look, a simple principle for mine in the financial advice space is assigning risk and the way that investments are constructed to their use case. And for mine, parking money in a term deposit that particularly now, and as we've seen over the last few years. Parking it in something that's giving you half a per cent for things that you're buying in 10 years time. You've just got to think, "Well, common sense should prevail here. There should be some better solutions out there." And that's exactly what we're aimed to achieve with Strata Guardian, which seems to be working well.

**Amanda Farmer:** Reena and I spoke about exactly this a couple of episodes ago, episode number 285, I think it was. Reena Van Aalst, strata manager, who is often my co-host here on the podcast.

**Tim Fuller:** Yes, that was a great one.

**Amanda Farmer:** Oh, good. You've listened.

**Tim Fuller:** Yes.

**Amanda Farmer:** Excellent. You're up to speed. We did talk, as you heard, Tim, about how owners are getting more savvy about their owners corporations money and asking the question, "If I have these investments of my personal funds that are doing really well, we're invested in the stock market or making these smart decisions with good advice. Why aren't we doing the same with our sometimes multiple millions of dollars that is set aside for our rainy day in our owners corporation? Do you think that's what it is? There's this shift that owners are getting a little bit smarter about money management or they just haven't realised perhaps that they can invest their money differently.

**Tim Fuller:** Oh look, anything and everything that you've just said there, Amanda. Look, the big pushback, I guess, for a lot of people is that it hasn't really been required in the past. So when you could park money with a term deposit that would get 5% or 6% or 7%, those heady days, but there's probably a few people listening that remember those happy days. There wasn't really a need to go elsewhere, you are getting near to absolute protection from the markets because you weren't in it. You were looking at using just the bank interest rate and it was doing its job. It was above inflation. It was encouraging people to contribute to their strata fund because it was actually returning well. But interestingly, of course, over the last few years, it's gone completely the other way.

And the pandemic has just accelerated that, they probably heard, they'd been reading in the papers recently that there's lots of jaw burning around, rate hikes coming from the RBA, which is changing the tune. And the bond markets taking a point of difference with the Reserve Bank's position of 2024 to the next rate hike. And now, it's looking like it might be 2023, seems a big admission. But it's been almost exactly 11 years is the last time that the RBA raised rates, which was back in November 2010. The Cup Day meeting is the Melbourne people like to know. And they raised 0.25% to 4.75% and if you reflect on now, and obviously, it's just fallen since then. We're now at 0.1% as the RBA cash rate. Now, that's crazy. It's obviously an emergency thing given the pandemic and protecting banks and ensuring liquidity.

## YSP Podcast Transcript: Episode 287. How to invest OC funds - Strata Guardian

But even if you were to say, "Well, look, even if they raised it to 0.25%, it's got to go up 19 times in order to get back to where it was in 2010." Which is the last rate hike. So it's really big news that the RBA is looking at raising rates, because it's been over a decade since it's happened. But at the same time, is it going to get back to the days of a term deposit paying 4%, 5%, 6%? That's a long way ahead of us if they're going to need to keep raising rates again and again and again. So that's, once again, what we've seen over the last couple of years in suboptimal if you want to call them rates of return in term deposits is looking like that's going to be short to certainly medium-term future for people that are using term deposits for things like strata savings.

**Amanda Farmer:** Now, I know here on this podcast, you can't give financial advice, but I am sure our listeners are keen to hear the kinds of investments that communities are making with your guidance. What are they doing with their money? What can they do with their money? And we can get into the legalities. Definitely, Reena and I spoke about that in Episode 285 and I'd love your thoughts on that. But broadly, what are owners corporations, body corporates doing with their money if they're not putting them in term deposits?

**Tim Fuller:** Sure. So look, if we look at, and I've done a number of pieces for the major states. So that was obviously the first big hurdle that we had to look at, even for Jonathan's building was what legally can you do? But it pains to be made aware over the years of building up and getting Strata Guardian going is legislation is a pretty crucial component of the strata world. Okay, and that's fair enough. It's there, I think for a reason, but you obviously need help a lot of the time to make heads or tails of it. So I will preface it as you did mention before that I am a financial advisor.

Now, financial advisors actually do sit quite heavily in the legislative world as well. So reading Acts and those sort of things aren't foreign to me, but I'm not a strata focused lawyer. Although we have had some help from some through the journey just to validate what we've found. Look, the big one, I guess if we pulled apart is, number one, is the strata managers. So strata managers sit under a particular Act, which I believe in New South Wales is the Property and Stock Agents Act.

**Amanda Farmer:** That's it.

**Tim Fuller:** And they do have quite a prescribed area that they can invest in. Now, this makes perfect sense because they do their job very well, but their job is not investment management. Their job is not financial advice. So where the money goes while they're busy looking after buildings and getting settlements done on properties and those sort of things should be very safe 100%. And hence, it is quite prescriptive in the Australian deposit-taking institutions or ADIs that have to be used. And obviously, there's some bank guarantees that come along for the ride.

All of that makes perfect sense. And that was actually one of the hurdles we hit initially in speaking to strata managers that the pushback was, "*I can't invest in anything else because of this legislation.*" However, strata managers themselves are quite limited. That's fair enough. The change is though for owners corporations and body corporates are actually sitting under a slightly different act for their part of the world, which then references a trustee act, which is quite a common piece of legislation across states and territories on how you can invest as the trustee. And so, as the trustee of your strata funds, be it capital works fund or maintenance fund. You can then have a look at the various investments that are available and that's actually where it's quite broad. It doesn't try to hem in. All it essentially does is, number one, is it says that you've got to look at your own personal trustee and make sure that that hasn't set a prescribed sort of investments.

And if you don't know what you're doing there, I'd strongly recommend seeking legal advice or help just to make sure that you're not in breach of your own trustee, never a good thing. Outside of that though, it's really just a common-sense approach. So you've got to take into account the members of the trust or the beneficiaries of the trust, which are typically the lot owners and make sure that whatever investment you choose. And I guess in a way, cash and term deposit fit under the same goals is actually appropriate for the needs of the building and the costs and the future projections, and what's required. And outside of that, it's quite broad. And to give you a fantastic example, had a call from a gentleman North of Newcastle. Let's say, "Hi."

Phil, if you're listening in, I did offer, I would send him the link to this podcast after it. And they do actually invest outside of cash and term deposits in their own name, in the name of their owners corporation. And it's substantial amounts, he had over \$4 million in their capital works fund and effectively, yes, they've kept some on the side with a bond manager, which I found fascinating, and it

## YSP Podcast Transcript: Episode 287. How to invest OC funds - Strata Guardian

was a significant amount. And the residual, he gave us a call to say, *"Well, you guys are in the space. Let's get you guys on the table at the next committee meeting to see if you can help us out with the rest of it."* And look, to be fair, whilst it seems and listening to your show the other day as well, Amanda, it kind of feels like from, and speaking to people as well, where buildings typically are very, very underfunded or they do have some substantial means there.

**Tim Fuller:** And so, I guess, I was speaking to this gentleman and he felt that his capital works fund was actually on the high side. Right? And part of him reaching out to us was to say, *"Well, look, if we can get it earning a decent amount internally, I can go back to the committee and lower my strata fees."* So it was a little bit of self-interest in the call, which is fair enough. But obviously, it needs to be... He's looking at it in a way, I mean, it's the same way. I guess we do as well in the fact that it's the building superannuation. If you can get it to internally provide a good rate of return, much like a pension account for someone who's done well and saved hard, you don't need to dip into the capital too much and you can get by on the earnings of the capital along the way.

**Amanda Farmer:** Very interesting. So from your point of view, and based on the legal advice that Strata Guardian has had, if you take the strata manager out of the picture, you are removing those restrictions on the management of trust funds that are imposed on strata managers, body corporate managers. And if the building is receiving advice directly from you, Strata Guardian and Strata Guardian is managing the fund. You tell me if I'm getting this terminology wrong, but you're advising and you're then managing the fund on their behalf. You don't have those same restrictions, owners corporations probably don't have those same restrictions. Reena and I spoke about this a couple of weeks ago, as far as I see it, it's not in the New South Wales legislation that they would be restricted.

Certainly, check your by-laws or your rules, or indeed if there is a trustee, have a look at that definitely gets specific legal advice. But once you remove the agent from the picture and leave them free to provide those other services, that they're very good at bring in the experts, Tim and his team to guide, advise, manage, then you can do these unique things. And I think it's great that somebody, a committee member could make this suggestion, get results, or have a forecast that sees the community getting results and for levies then to be reduced for everyone. I don't think that's self interest at all. That's for the benefit of all to me.

**Tim Fuller:** Oh look, absolutely. And yes, I think you touched on it the other day as well and the different stories and in all the different examples and everybody's different. It's kind of in typical financial advice, and part of me feels that I think over time, we'll probably end up becoming a building financial advice service as much as in the past I was a human financial advice service, and I love the stories. But you mentioned before that in some of the sort of larger or higher valued buildings, there often wasn't any capital works fund. And I've heard of this in the past as well where there's sort of this agreement where if something comes up, then people will just fund it at a certain point in time. Did I have that right? Was that sort of something that does happen?

**Amanda Farmer:** That's what I was saying. Yeah. People who perhaps have a higher net wealth maybe are more comfortable retaining that and investing that as they like, and then contributing to a special levy down the track, which essentially, it rewards those who may own now and then punishes those down the track who happen to buy in at the wrong time and have to pay for the new roof membrane. But I do see that becoming more and more common and convincing the higher valued buildings to plan for the future is difficult. I see strata managers struggle with that.

**Tim Fuller:** Absolutely. As long as everyone makes sure they're going to stay and live there for the whole period of the building and it makes sense. And look, I'd probably feel the same way if I was contributing to a strata scheme, but I knew it was getting half a per cent interest on it. I'd be like, *"Well, hang on a second. I can do something better with that money. And then just let me know with you need it back."* Of course, the internal risk rule of that is that if I leave, then there's a big hole in the cost as you say, and that feels very risky. And so, perhaps there's a solution there with something like Strata Guardian that can help out in building some trust or some confidence that the money's actually working away inside the fund, which will then help, obviously, building up the fund overall and avoiding some of the risk of somebody taking off.

And then also for the future buyer checking in. And I was sort of talking about this the other day of the gentleman on Friday. And I said, *"Well, what side of the fence would you be on? Would you rather feel like you've got too much in your strata account, or would you feel like it's too little?"* If someone was looking at buying a place at you are building or the one down the road, then the

## YSP Podcast Transcript: Episode 287. How to invest OC funds - Strata Guardian

one down the road had next to nothing in it, then you're in a stronger position overall as well. So look, I think it's there for a purpose. And so, it needs to be built up and managed and looked after properly.

**Amanda Farmer:** And I do see there are benefits on both sides, whether you are in the community and you're selling, or you are somebody looking to buy into the community. As a vendor, you want that fund to be nice and healthy. You want the building to be well maintained. You don't want to be that person who is selling in an emergency because you can see the \$2 million remediation works project that is coming up, and you can see that you're going to have to contribute your possibly \$100,000, \$200,000. And you've got a smart purchaser and purchasers are getting smarter, buying into strata. They're getting educated, access to information is a lot easier these days. And they're understanding that they need to look at the books and records, see what the fund says, see if there is a special living on the horizon. And you don't want to be in either of those positions, I think in a building that's just thought I'll leave it until it is necessary, and then I'll throw my money in. This sometimes is not what happens, instead, it's get out of jail quick.

**Tim Fuller:** Yes, that's right. And then you've got that whole, and I'm waiting for the inbox to explode, but the whole using debt as well to fill the gaps, the holes in the costs that are coming up when you start exhausting your strata funds. And to me as a future buyer, I say, "Okay, what's the capital works fund?" I say like, "Negative \$500,000." It's probably not going to make it any better. Is it?

**Amanda Farmer:** Yes. I've definitely been in that situation before on both sides and in acting for a client. And I can tell you as a purchaser coming into a building that was in that position, I was able because I understood how strata loans worked. And I understood what I was looking at in the records. I was able to negotiate a pretty hefty discount off the purchase price because I said, "Well, that looks a bit scary." It's not something other purchases were comfortable buying into, but I knew what the plan was moving forward to get rid of that loan and to pay it down. And I was comfortable with that, but the vendor didn't do so well out of that transaction. So yes, it's important to understand your figures in strata. That's for sure.

**Tim Fuller:** Yes. There's a lot to think about, a lot to think about there. So better to just have a nice healthy fund, I think at the end of the day and not worry about it.

**Amanda Farmer:** I do think so. Yes. I know, Tim, you've touched on one big objection that from clients you might be working with saying, "Why should I be contributing additional funds now? Or why make this investment now? I can be doing other things with my money." Are there other objections you come across when working with owners, committees, I imagine you talked to? Are they a bit nervous about hearing about this kind of service?

**Tim Fuller:** Yes. Look, I think a huge component of what we're willing to do here is not just ourselves putting together a good solution or a great solution to market, but it's also actually introducing the whole idea. And so, for me, it's just all about education, really. And so, and chats like we're having today, which is wonderful talking around the different roadblocks that people just naturally have because it's an industry that's filled with some considerations, legislative or otherwise that you need to work through. For mine, we're doing the best we can, putting out blog posts. We're trying to research, having chats with people, Zoom meetings and a big part of what we're doing with service is actually having the ability to speak. And coming into this, I knew I'd be having chats from 6:00 PM onwards at strata committee meetings, and that's fine. But if need be having those conversations where you can have a round table and a decision can be made, because there's a number of stakeholders, isn't there? Not just at a committee level, but also across the whole lot holding.

And so, people need to be comfortable essentially about what it's all about and that's on us to get them there. So yes, happy to do that. And then finally, I guess, it's really around the advice piece. So we've sort of spoke about before, we've got the ability for people to... People can go in and check it out now, there's a digital online onboarding piece where you can select from the two portfolios that we have. A very conservative one and then one with a bit more of a growth mindset for longer-term investments, strata growth. And so, you can self select if you're comfortable in doing that, a bit like the gentleman the other day, who obviously, their committee was comfortable in going out and choosing a bond fund that was selected many years ago.

But then also, we've got the ability to take it offline if need be and have those chats get some documentation sent through and put

together some advice on what we feel is an appropriate blend given where they're at the moment. I guess, in a way, there's an annual review process. Like anything, where you can start looking at how the investments are going here, what your fund's doing, much in the same way as a financial advice arrangement really. People's lives change all the time and so you need to reflect that in the way that you invest and they're things that we can offer as part of the service. Absolutely.

**Amanda Farmer:** Well, I hope that committee members are approaching these decisions with some caution, a lot of research and making sure that they are backed up with some good guidance. Because there are certainly responsibilities enshrined in our legislation, at least for committee members to be acting in good faith with due diligence and always in the best interests of their owners corporation. So I'm sure those committee members who are making these decisions about funds are keeping that front of mind. And I always say, *"If you're not sure about getting legal advice or engineering advice or perhaps now we can slot in their financial advice. It's a good idea, anyway, just so you've got someone to blame if things go wrong."* I know my colleagues probably don't like me saying that, but at the end of the day, you've got a professional there guiding you that gives you some protection as well.

**Tim Fuller:** 100%, and like anything, when things are very important to you, whether it be your health, your wealth, you've got an expensive car, whomever it is. You're taking it to a professional is just a really good way of sleeping well at night. And obviously, doing your role as looking after your lot owners and people that are involved in your building. So it's never a bad thing to have too much information, is it? That's the way it goes.

**Amanda Farmer:** Absolutely. Well, do let our listeners know Tim, where they can go to find out more about Strata Guardian and perhaps where they can do that self-assessment you were referring to. We'll make sure we put all the relevant links in the show notes for this episode.

**Tim Fuller:** So yes, of course, strataguardian.com is our website. Plenty of articles. As I mentioned, there's some blog posts, lots of frequently asked questions as well. A couple of videos in there. There's a whole host of documentation that you can have a read through. So performance reports, we've got, let's call a target market determination, which is something that's just come out in the financial world. It's a bit more legislation that we've had to adhere to as well. That's fine. Really, it's probably just then a case of getting in touch. So I've got a number of different ways that you can book a phone call with myself and the team. We can set up, as I mentioned, the Zoom meetings or presenting at your committee and sending through hard copies and things like that is something that we can offer as well.

And then, finally, as you mentioned, look, there's a portal where you can jump in, make a no obligation start on an application just to get a bit of a feel for it all. If it doesn't make sense to reach out and we can always help you walk you through it. If it's completely not what you're looking for, just log out and you'll never hear from us again, so that's no problems at all. But the key thing is, it's just a simple way where you can grab a cup of tea on a Saturday afternoon, have a bit of a look at what the portfolios look like. For example, the system will give it to you in about 8 clicks. Fees, of course, you can run through what the costs are as well.

And then we've also built in, so keeping in mind, we're not dealing with one person making a decision, but we've built in a system where if it all looks pretty good, you can then add in other directors or members of your committee's emails at the end. And we'll actually send through the documentation to them to have a read through of it as well. So we're just trying to find ways of expediting, I guess, the whole idea that it's got to be thought about across a number of different people and make it easy for people to get the information that they want, feel comfortable with it and proceed if it all looks good.

**Amanda Farmer:** Excellent. Sounds fascinating. I'm sure you'll have a number of listeners to the show checking out the website and seeing if this is a service that suits them. Thank you very much, Tim, for joining us here today. I look forward to watching what Strata Guardian is up to in the future and hope to meet you in person someday soon.

**Tim Fuller:** I know, isn't it exciting? The big unlocks happening. So we'll be good getting out on the trail and yes, can't wait to get out to a number of different conferences and conventions over the next year, meet in person. And it's also great to meet some of your audience as well. Feel free to be in touch. Thanks for having me on.

**Publication Date: 10 November 2021**  
**YSP Podcast Transcript: Episode 287. How to invest OC funds - Strata Guardian**

**Amanda Farmer:** Thanks, Tim.

**Outro:** Thank you for listening to your strata property, the podcast, which consistently delivers to property owners, reliable and accurate information about their strata property. You can access all the information below this episode via the show notes at [www.yourstrataproperty.com.au](http://www.yourstrataproperty.com.au). You can also ask questions in the comment section, which Amanda will answer in her upcoming episodes. How can Amanda help you today?