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GUEST OF HONOUR

Barry Lambert, chair, CountPlus

As one of the most influential figures in Australian wealth management, Barry Lambert knows a thing or two about calculating interest by hand - not to mention robo-advice, family office administration and even medical cannabis research. He discusses his repertoire with **Alex Burke**.

The Commonwealth Bank asked Barry Lambert to stay on as chair of Count Financial for two years following the bank's acquisition - he asked them for two years and two months. Confused, the bank asked him why. He told them, "If I stay on until January 2014, it'll mean I've worked at CBA or a wholly-owned subsidiary for exactly 50 years."

When Lambert left CBA on January 20, 2014, he did so as one of the most celebrated figures in Australian wealth management. 50 years (to the day) earlier, though, he was "burning seven-day-old garbage." That isn't a euphemism: Lambert's first job at the bank was disposing of old cheques, which had to be stored for a week before being incinerated.

"Back then," he recalls, "people smoked inside the branches, too, so you'd get a lot of that in the fumes. But that was my first job there: I joined when I was 17, and it was either that or the tax office. CBA and the tax office would leapfrog each other in terms of pay-rises, and back then CBA was on top, so that was the extent of my decision-making process as a teenager."

Lambert describes himself as "always being good at numbers," which he said made the finance - and later, more specifically, accounting - business a natural fit. After finishing up with garbage duty, he moved onto becoming a teller, which he says was a somewhat more hands-on process than it is now. "We used to calculate all transactions by hand," he laughs. "All the interest on someone's home loan was written out. Overdrafts, that kind of thing - all done by hand, on a daily basis."

Far from slowing Lambert down, though, he feels this methodical approach gave him a much better understanding of the fundamentals of the industry than some younger entrants. "We didn't have calculators," he says, "so I got a very good understanding of how interest rates work. Nowadays, when someone at a bank doesn't understand something, they pull up the computer and get that to work it out. But that's a limitation, because if there's something wrong with the calculation the computer's using, they won't see it. Whereas I can look at an interest rate calculation and tell you whether it's right or wrong. And they ask, 'Why, Barry?' And it's because I know it's wrong; I know what it should look like.

The quote

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"Basically, the benefit of being hands-on in that you understand it, and people can't pull things over your eyes."

As Lambert "came up through the bank," as he puts it, CBA put him on a cadet program "to make this country boy move to the city." As a compromise, given he now had a wife, three kids and a "big mortgage," Lambert asked whether he could do a few tax returns on the side. They agreed, and Lambert began advertising his services in the Yellow Pages.

There was a problem, though - much as Lambert wanted the extra income, it was becoming impossible for him to travel all over Sydney to do the work, especially after spending a whole day in the office. Realising this, he hit upon the foundation of his future success: instead of trying to service each potential client himself, he would gradually build up a network of accountants, advertise their services through the one Yellow Pages ad, and the accountants would pay him a fee, which he says was "roughly half the cost of running the ad."

"Pretty soon," he says, "I had a bunch of accountants, they'd each pay me half the cost of the ad, and I was making ten times the value of that ad. So I'd just pay for that ad once a year, they'd keep the revenue of their business, and soon enough I was making more each year than I was getting paid at the bank."

The business which would become Count started off solely as a tax network, but when the "investment scene" came along, Lambert decided to broaden its service offering. "I had the view that professional accountants should be giving investment advice rather than salespeople," he says. "Back then it was life agents, friendly society people, unlisted property trusts … The market as it was then has more or less disappeared, but it was pretty rugged and unprofessional."

He adds: "I would pretty much tell clients, 'Look, you have two options. You can either go to a salesman selling AMP or CBA or whatever, or you can come to us, and we aren't tied to any particular company or product.' Naturally, that made me an enemy to the life agents, because I promoted us as being different."

Whatever enmity Lambert cultivated with life agents didn't do much to halt Count's success, though. The company gradually became the *de jure* choice for many networks of small businesses and family offices - even if Lambert isn't a massive fan of the latter term. "'Family office' is kind of a fancy term," he says. "It basically applies to a certain category of high-net-worth individual, but that's always been a part of our client-base, because accountants' clients are generally business-owners anyway. And unless they're execs on big salaries, the people that make wealth are usually the people making businesses. That was more or less the birth of the self-managed super fund market; they created that.

"I mean, I have a family office now. I'm a CBA client, with the Commonwealth Private Office, which I've heard is one step above the private bank. But it's all just names."

It took some time to build Count up to a network that represented around 500 firms at its peak, largely because, in Lambert's opinion, "accountants are terrible salespeople." He said that back in those nascent days of Australian wealth management, it was the "salespeople who thrived". This gradually changed, though, because of Lambert's somewhat *laissez faire* growth strategy: "We didn't have a Big Brother to worry about, so there was no concern about making returns for shareholders. As long as we paid the bills, it was alright by me. Quite frankly, I was driven to get professionals into the market, because I'm a qualified accountant myself."

These days, the position accountants hold in wealth management has increased significantly, especially with ASIC's recent provision of full or part Australian financial services licences to accountants providing advice to self-managed super funds. Lambert is hesitant to

take too much credit for his role in fostering this kind of culture, but has noticed that since Count's early days, "the industry has realised the value of the reputation of the profession, so you're now seeing a lot of wealth management firms saying, 'Well, let's go out and buy an accounting business.'"

Count listed in 2000, with equity distributed to accountants in the network. The goal of this, Lambert says, was to make it "feel like one big family." Four years later, he set up a charitable foundation into which he put $1 million a year for nine years. "That was most of my income back then," he says, "But it was tax-deductible, so, you know, I got half of it back."

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The goal of the Count Charitable Foundation is to give out 5% of funds per year to a range of charitable causes; Lambert prioritised "grassroots kind of stuff" rather than bigger charities. Individual donations might be less than $10,000, and could be "a bunch of different donations per week," covering medical research, welfare, and other areas nominated by members. "Members come up through the network," he explains, "and we match their nomination dollar for dollar."

To Lambert, the foundation represented a "feelgood thing," but his charitable contributions are also occasionally prompted by personal causes. For example, earlier this year, he announced he was donating $34 million to research into the use of medical cannabis. The decision came about because his granddaughter, Katelyn, has epilepsy, and Lambert's son had been researching the possible benefits of medical cannabis in treating the condition.

Specifically, cannabis has seen positive results in a rare form of epilepsy known as Dravet syndrome, triggered by a gene mutation which causes seizures that do not respond well to medication. The frequency of seizures in children with Dravet syndrome also appears to correspond with some degree of developmental delay.

"My son did some research," Lambert says, "and it appears to work. She still gets dizzy from time to time, but it's nothing like it was before. He'd gone to a conference and met people from Sydney University who wanted to research the condition and how it could benefit from cannabis, since it's difficult legally speaking. A few days later, he went back to them and said, 'Oh, my old man's loaded. He'll fund it for you!' And I basically said, 'Um, yes, son!'"

Initially the research team wanted $6 million; Lambert agreed and told them to go and prepare a plan. When they came back, the figure had increased to $34 million. "I was surprised," he laughs, "but after already committing, and knowing I could afford it, I couldn't very well turn them down."

Lambert agreed to the new figure on the condition the research didn't solely focus on Katelyn's condition, but also on "wherever they thought they could get the best bang for their buck," including multiple sclerosis, Alzheimer's, certain brain cancers and even diabetes. "It's not clear how that will work out," he notes, "but it's a 10-year project, and we're just hoping that we see some results for epilepsy in particular." The project is known as the Lambert Initiative for Cannabinoid Therapeutics.

Incidentally, medicinal cannabis was be legalised (albeit tightly regulated) in Australia following a formal decision reached by the Therapeutic Goods Administration, which will likely contribute to the efficacy of the research.

Lambert remains dedicated to the project, among other charitable causes, although he is no longer directly a part of the Count Charitable Foundation. The reins were handed over to CBA when he sold Count in 2011 for around $370 million. This wasn't originally Lambert's plan, but when CBA made the offer and the other Count directors voted in favour - Lambert was the last to cast his vote - he decided it was the right time. "I was 65," he says, "and they came along unsolicited and made the offer. I thought, 'Well, I'm not getting any younger,' so it seemed like a great time to do it. Plus, things were going to get tougher going forwards with compliance and whatnot."

CBA made a commitment not to meddle with the corporate culture that made Count so successful in the first place. Existing management arrangements would be retained, and it was understood that the accountants in the network were, Lambert says, fiercely independent. "We made them that way," he adds. "CBA made a big investment in the business, so it would've been silly for them to stuff it up. It would be stupid to change the model. I mean, there were probably a few changes, but nothing major - I don't interfere with the business at all anymore. If someone tells me what's going on, it's in one ear and out the other."

After he made the decision to sell, that's when he negotiated his tenure as chair so as to hit the 50-year mark. But even after reaching that milestone, Lambert wasn't done with accounting: CountPlus, originally a Count subsidiary, was spun out into a separate business and listed in 2010. Lambert sits on the board as chair.

Even when he wasn't looking to take on new work, it somehow found him. In 2008, before the CBA acquisition, the management of cloud-based self-managed super administration software company Class approached Lambert. He jokes that at the time, Class had "no money, no product, no idea how to do what they wanted to do, but they had a great idea." At that point, Lambert said the cloud-based administration solution was essentially "just screenshots," but he saw the promise, given the cost and time involved in SMSF administration at the time.

"They wanted to see that administration process automated," he says. "So they came and knocked on our door and basically said, 'We've got this you-beaut system, but we need an investment to deliver it.' I looked at it, said it looked good to me, so we bought 10% and kept them going while they were getting the product to market."

When CBA acquired Count, the bank sold its interest in Class, but CountPlus picked it up. "When CountPlus listed," he says, "all of our accountants used Class, and it was a big lift for them. And the other people signed up, because they figured that if Barry Lambert was involved it must be good. Fortunately, it was! And they pretty much haven't looked back since then.

"It's been working very well. And then the team invited me down to a strategy meeting offsite in Berri. I thought I was just going to learn about the business, but at some point they said they needed to

elect a board of directors and a chairman. Unbeknownst to me, this had all been set up: they all pushed their chairs backwards, and I'm just sitting there really confused. I tried to get out of it; I said, 'I'm not your man, I'm too busy, I'm not very smart, rhubarb, rhubarb, rhubarb.' But they insisted on it. Guess it was just so they could use my name to promote the product! So I became chairman of this damn thing. I think CountPlus now owns about 5%."

More recently, Lambert found himself at the vanguard of robo-advice. Digital advice provider Ignition Wealth approached the CountPlus and Class chair and suggested he become involved in the business.

"Listen," he says, "I'm an old bloke. I can barely turn my iPhone on. But I've always been very interested in technology and what it can do for this industry. Back when I was at Count, we developed an internet-based system before anyone else did. It was called WealthNet. At the time we'd been producing all these wads of paper every month going out to 300 people. It'd be stacked to the ceiling, so we made the decision to go digital.

"You have to automate and digitise these things. All the mailing at the time was ridiculous. We told the network, 'We're not sending paper anymore. We're going to email it to you.' Because of that, 11 firms dropped out; they wanted to keep using paper. But that was fine by us: by making the change we were saving money and reducing compliance issues."

Fundamentally, Lambert sees Ignition Wealth - and robo-advice in general - as being in the best interests of advice consumers. "It all comes down to the client," he explains. "Productivity's always been a big thing for me, and when you think about it, most of the advice area except shaking your adviser's hand comes out of a computer. You do the data gathering, you get them to answer some questions and the recommended list comes out of that. The computer makes the portfolio. So eventually you're going to have to have that fully automated, because, you know, people in motorcars cause more accidents than if they were driverless.

"I see it as being like a passenger plane: most of it's automated, but you have the pilot there in case anything goes wrong. Plus it just makes more business sense, because for a lot of younger people starting out, most advisers can't look after them - they can't afford it. Whereas those young people are always on their bloody phones, so it's inevitable that they're going to get that advice delivered to them without human intervention to some extent. Ignition Wealth told me a good story, so I invested as a matter of principle to provide some competition in the sector."

Much like with Class, Ignition Wealth gained further traction after Lambert signed up. The company received what it called a "significant" investment from Millinium Capital Managers' Millinium Alternatives Fund in September. Millinium managing director Tom Wallace explained at the time: "The Millinium Alternatives Fund's key objective is to deliver extraordinary results to our investors. Globally, digital financial advice services are demonstrating rapid growth. We believe that Ignition Wealth delivers the best in class offering for the Australian market and provides the best opportunity for growth."

And so Lambert continues his active engagement in the industry he's had a critical role in shaping. But while he's definitely busy with Ignition Wealth, CountPlus, Class and his ongoing philanthropic work, he still hasn't forgotten where it all started. Every year, he says, CBA invites him to its annual conference; he's only missed one in three decades. "I was overseas with the family," he explains. "This year was the 31st annual conference. I've been to 30 of them."

From garbage duty to guest of honour. **FS**