

Dealer groups urged to keep the faith

By Liam Egan

In the wake of falling share values, industry representatives are calling on financial planning dealer groups to keep faith with share option schemes as a way of remunerating advisers.

A survey by legal firm Deacons last week found that 73 per cent of employee option tranches issued by the top 50 firms of the S&P ASX since 2003 are now out of the money or worthless.

It also found that 88 per cent of the option tranches issued since 2003 by companies listed in the bottom two thirds of the S&P ASX 300 are out of the money.

The director of Melbourne-based Remuneration Strategies Group, John Day, said falling share prices could lead to option schemes "falling out of favour among both employees and employers".

"My fear is that employers who are affected by the current drop in share prices are going to say things like, 'Option plans are a burden and don't work'.

"There will also certainly be some employees of public companies holding out of the money option plans, including some financial planners, who in future are going to prefer a simple pay increase".

Day, himself a former adviser, said it would be ironic if that should happen then these same people are telling their client to counter-cyclically invest in the market now that it is down.

"Now is precisely when employers should be offering option plans, or any share plans, on an annual rolling basis, both to attract and motivate staff and also keep fixed costs down."

Count chairman Barry Lambert acknowledged that some of the dealer group's recent option tranches to employees are currently out of the money.

Lambert emphasised, however, that the Count options scheme is a long-term plan that is "not designed to be folded up when a bear market comes along".

He added that while "some people would no doubt be unhappy with their options, there's been no comment to me about changing the system and the board has never considered doing this".

"If anybody did say anything to me I'd tell them they're missing the point, as our plan is about extending ownership to our employees so they become owners, act like owners and work like owners."

However, Financial Services Union national policy director Rod Masson warned "trying to find alternatives to properly remunerating employees through increasing base wages can be fraught with difficulties".

"For all the goodwill that you might seek by getting people to take ownership of the organisation through their share option plans, these can also come quickly undone when the market goes backwards," he said.