# Strategy Text Library

 Please use these strategy fragments as a guide and tailor these recommendation for your client with the type of language you typically use in the verbal advice you give to clients. The SoA needs to reflect your words, your approach, your philosophy. The advice you provide must always align with the Best Interests obligation to your client as a matter of best practice and professional integrity.

 Additionally, ensure that any information taken from the strategy text library is appropriately personalised for your client; especially the red text.

Also review the text as a whole; for example, the library generic reference to “… you may incur fees upon withdrawal ….” is better tailored to “… you will incur a withdrawal fee of $75 …” in acknowledgement of the research you must perform into the client’s circumstances.

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 Please note that in addition to the above fragments, we also have standard text covering InterPrac Financial Planning exclusive products which include the Investor1st platform solution and the Diversa Group Life Pool product. These are available on the Adviser Resource Centre.

 You can also source strategy text from other providers such as Instreet, Morgan Stanley (for direct shares) or Netwealth to assist you in producing client specific recommendations. Ensure that such borrowed text is supplied for use by 3rd parties and that no copyright conditions are breached.

# Example Format: Recommendations

Any recommendations MUST link to the financial objectives that are the details in the Agreed Scope of the SoA. This linkage occurs explicitly in the “In Your Best Interest” row.

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | <Commence Salary Sacrifice> |
| Explanation | <Increase your employer superannuation contributions from the current <$SG> to <$X per annum.> |
| In your Best Interest | <In accordance with your stated objective to “achieve an increase in tax effective contributions”, the increase in pre-tax superannuation contributions will achieve this.> |
| Further Detail | <Include Library ‘strategy text’ (below); include other relevant matters that flow from the potential implementation of your advice> |

“Explanation” row:

Ideally, we recommend providing an extremely clear and concise ‘do this’ direction in your own words, written in plain English and easy to understand for the client.

You are not bound to use the wording we may provide below.

“In your Best Interest” row:

Recommendations need to be justified. This means that there is a requirement to evidence ‘WHY’ your recommendation is appropriate. This is achieved by showing how the recommendation addresses the goals / objectives of your client.

These goals and objectives flow from the preceding ‘Scope’ and ‘Objectives’ section of the SoA template.

“Further Detail” row:

This section of the table is meant to include (as relevant): technical explanations, consequences flowing from implementation, caveats, risks, marketing considerations … whatever else fills out the extremely concise ‘Explanation’ & ‘In Your best Interest’ rows.

Use the strategy text library (below) as a guide or starting point for tailoring.

* Also touch upon relevant supporting facts like ownership, structures, dates – if relevant.
* Also Include any specific risks associated with the advice – for example:

<It is important that before a valid salary sacrifice can be implemented, there is evidence of a previous request from the employee

and the subsequent agreement of the employer. Otherwise, the tax effectiveness of the strategy may be lost.>

As convenient, the Further Detail section may be deleted and the same

information presented in a freeform text format that immediately follows the Table.

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title |  |
| Explanation |  |
| In your Best Interest |  |
| Further Detail |  |

# Strategy Recommendations

## Debt Management Strategies

Refinance your home loan

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Refinance Your Home Loan |
| Explanation | [Client] [and [Partner]], refinance your current home loan ($[\_\_\_,\_\_\_]) to increase the balance by $[\_\_\_,\_\_\_] to [purchase asset] [pay off the credit card]. |
| In your Best Interest |  |
| Further Detail | **Seek expert advice regarding the suitability of this recommendation;****especially as it relates to specific loan products.**[Taking out a personal loan][Maintaining credit card debt] will typically attract a higher interest rate compared to an equivalent home loan amount. Refinancing refers to the process of paying out your current home loan by taking out a new loan, either with your existing lender or through a different lender. Refinancing is done to:* Increase your loan amount
* Obtain a better interest rate
* Obtain a longer loan term
 |

Direct surplus income into an offset account linked to your home loan

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Direct any surplus income into an offset account linked to your home loan |
| Explanation | [Client] [and [Partner]], direct surplus income ($[\_\_\_,\_\_\_]) into an offset account that is linked to your home loan.  |
| In your Best Interest |  |
| Further Detail | An offset account acts as a normal savings/transaction bank account but the daily balance is linked to your home loan; reducing the base amount upon which the home loan interest is calculated. By reducing the amount of interest payable you will reduce the time it takes to pay off this home loan but will maintain access to your savings. |

Further Detail (continued)

The following table outlines your home loan details:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial year** | **<Year>** | **<Year>** | **<Year>** | **<Year>** | **<Year>** | **<Year>** | **<Year>** | **<Year>** |
| **Start of year loan balance** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** |
| Interest and fees | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| Yearly repayments | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| Surplus/Deficit allocation | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| **End of year loan balance** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** |

According to our projection, your home loan is expected to be paid off [timeframe] [or year].

Direct surplus income into superannuation; deferring the early repayment of the home loan

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Direct surplus income into superannuation; deferring the early repayments of the home loan. |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Paying surplus monies (from income or savings) into superannuation, rather than prioritising the repayment of the home loan, is justified if the value of this strategy exceeds the value of the potential reduction in debt. *(see the calculation provided below.)*This should be rechecked by an expert annually using conservative investment assumptions.It is assumed that a portion of this extra, accrued superannuation will eventually be applied to any outstanding home loan balance when a superannuation condition of release is met. |

Further Detail (continued)

|  |  |  |
| --- | --- | --- |
| **[Relevant Financial Year]** | **Home Loan** | **Superannuation** |
| Pre-tax value of Surplus Payment **[1]** | $[\_\_\_X\_\_\_\_] |
| Post-tax value of Surplus Payment | $[\_X \* (1-MTR)\_] **[1]** | $[\_X \* (1-0.15)\_] [1] |
| Increase in Home Equity **[2]** | $[\_X \* (1-MTR)\_] |  |
| Increase in Superannuation Balance **[2]** |  | $[\_X \* (1-0.15)\_] |
| Reduction in Ongoing Interest Repayments **[3]** | $[\_X \* (1-MTR) \* Existing Home Loan Rate pa\_] |  |
| Superannuation Earnings **[3]** |  | $[\_X \* (1-0.15) \* Conservative earnings assumption pa **[4]**\_] |
| **Total Value [5] (for this period)** | **$[\_X \* (1-MTR)\_]** **+** **[\_X \* (1-MTR) \* Existing Home Loan Rate pa\_]** | **$[\_X \* (1-0.15)\_]****+****[\_X \* (1-0.15) \* Conservative earnings assumption pa [4]\_]** |

**[1] Only relevant if surplus potentially taxable income is used for this strategy.**

**If post-tax savings ($Y) are to be used for this strategy, then the ‘Pre-tax’ $[\_\_X\_\_] can be left blank.**

**The ‘Post-tax’ fields would then both be filled with $[\_\_Y\_\_] and the remaining figures would flow from this changed expression.**

**[2] These amounts represent the ‘capital’ impact resulting from the strategy.**

**For example, the mortgagee forgoes an increase in equity by preferentially increasing the superannuation balance.**

**[3] These amounts represent the ‘income’ impact resulting from the strategy.**

**For example, the periodic home loan repayments from cashflow would not be reduced but the superannuation would receive increased earnings.**

**[4] This should be a ‘risk free’ rate of return. Practically, use a commonly available, current, 12-month TD rate.**

**[5] Comparison of the sum of ‘capital’ + ’income’ impacts**

The benefit of investing [$X] [or $Y] in superannuation [exceeds / does not exceed] the merit of applying the equivalent amount to your home loan. This may not be the case in the next financial period and this calculation should be performed again.

Additionally, changing home loan interest rates, feasible earnings assumptions and any variance in the applicable marginal tax rate may reverse the comparative advantage of superannuation from period to period. The strategy is not ‘set-and-forget’.

**It is important that to note that contributions to superannuation are typically subject to Preservation Rules and cannot be accessed unless a formal condition of release is met. In comparison to the typical freedom available to redraw funds at need which are applied to a home loan, this is a key risk factor in accepting this strategy.**

Commencing a pre-retirement Superannuation Income Stream \_ reducing debt

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Commencing a pre-retirement Superannuation Income Stream \_ reducing debt |
| Explanation | [Client], we recommend that you commence a superannuation pension of $[\_\_\_,\_\_\_] per annum, paid [frequency] from your existing [fund].  |
| In your Best Interest |  |
| Further Detail | Tax free component: [$] [or %]Taxable component – already taxed: [$] [or %]Taxable component – not previously taxed: [$] [or %]Clients who have retired, or met another condition of release, can access their superannuation to create a tax effective income stream. *(see Appendix for more information regarding eligibility)*ORClients who are eligible pre-retirees, can access their superannuation to create a tax effective income stream. *(see Appendix for more information regarding eligibility)*For eligible pre-retirees, the Transition to Retirement provisions in superannuation law allow the commencement of a superannuation pension to supplement income. These income payments can be used for any lifestyle purpose including the reduction of non-deductible debt (eg. home loan).In isolation, there is no personal tax advantage in commencing such a pre-retirement income stream; it may even result in increased personal income tax, but it will supply funds for your goal of accelerating debt reduction.ANDIn consideration of the consequences of this debt reduction goal, it is important to also understand the impact of reducing your superannuation balance now versus deferring the use of superannuation in favour of reducing debt at retirement. *(see the projection provided.) (see the calculation provided below.)* |

Further Detail (continued)

|  |  |  |
| --- | --- | --- |
| **[Relevant Financial Year]** | **Home Loan** | **Superannuation** |
| Pre-tax value of annualised Superannuation Income Stream Payment | $[\_\_\_X\_\_\_\_] |
| Post-tax value of Superannuation Payment **[1]** | $[\_Y \* (1-MTR+0.15)\_] |  |
| Increase in Home Equity **[2]** | $[\_Y \* (1-MTR+0.15)\_] |  |
| Retained Superannuation Balance **[2]** |  | $[\_\_\_X\_\_\_\_] |
| Reduction in Ongoing Interest Repayments **[3]** | $[\_Y \* (1-MTR+0.15) \* Existing Home Loan Rate pa\_] |  |
| Superannuation Earnings **[3]** |  | $[\_X \* Conservative earnings assumption pa **[4]**\_] |
| **Total Value [5] (for this period)** | **$[\_X \* (1-MTR+0.15)\_]** **+****[\_X \* (1-MTR) \* Existing Home Loan Rate pa\_]** | **$[\_\_\_X\_\_\_\_]****+****[\_X \* (1-0.15) \* Conservative earnings assumption pa [4]\_]** |

**[1] Will be $X, only if the income stream payments are received after age 60.**

**If 100% assessable pension income ($Y) is to be used for this strategy, then the ‘Post-tax value’ $[Y\*(1-MTR+0.15)] results.**

**The assessable portion of $Y, dependent upon the taxable/tax free components will require a proportional treatment.**

**[2] These amounts represent the ‘capital’ impact resulting from the strategy. The home loan is reduced or the superannuation balance remains the same.**

**[3] These amounts represent the ‘income’ impact resulting from the strategy. The periodic home loan repayments are reduced; but the superannuation has reduced ongoing incremental earnings.**

**[4] This should be a ‘risk free’ rate of return; practically, a commonly available 12-month TD rate.**

**[5] Comparison of the sum of ‘capital’ + ’income’ impacts**

The benefit of prioritising the acceleration of mortgage repayments by commencing a superannuation pension [$benefit per period] [exceeds / does not exceed] the merit of retaining equivalent funds in superannuation. This may not be the case in the next financial period and this calculation should be performed again.

**Changing home loan interest rates, feasible earnings assumptions and any variance in the applicable marginal tax rate may reverse the comparative advantage of accelerating mortgage reduction from period to period.**

**Your current debt reduction goal should be reviewed as conditions change.**

Deductible Debt – Extinguish

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Deductible Debt – Extinguish |
| Explanation | Sell your [investment property][share portfolio][other asset] and apply the expected sale proceeds $[\_\_\_,\_\_\_] to repay the [associated loan]. |
| In your Best Interest |  |
| Further Detail | We believe that meets your needs/objectives for the following reasons:* Deductible debt is debt for which you can claim a tax deduction for the interest costs. Typical types of deductible debt are for investment properties and margin lending facilities.
* [Name], you currently have an investment loan of $[\_\_\_,\_\_\_] against your [investment property][share portfolio][other asset] at an interest rate of [\_\_.\_\_]%.
* Under the terms of your existing [investment property][share portfolio][other asset] loan contract, you are required to meet interest only repayments of $[\_\_\_,\_\_\_] per annum.
* By repaying this loan:
* You will work towards your goal of being debt free, irrespective of the tax deductions available to you.
* We will re-structure your investment portfolio to be suited to meet your investment risk profile and financial goals.
 |

Deductible Debt - Restructure

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Deductible Debt – Restructure |
| Explanation | * Arrange for the loan repayments on your [investment property][share portfolio][other asset] to be converted to interest only.
 |
| In your Best Interest |  |
| Further Detail | We believe that this meets your needs/objectives for the following reasons:* Deductible debt is debt for which you can claim a tax deduction for the interest costs. Typical types of deductible debt are for investment properties and margin lending facilities.
* [Name], you currently have an investment loan of $[\_\_\_,\_\_\_] against your [investment property][share portfolio][other asset] at an interest rate of \_\_.\_\_%.
* Your repayments on your [investment property][share portfolio][other asset] loan to date have consisted of both principal and interest.
* As only the interest costs are tax deductible, we recommend that you approach your financier to arrange for your loan repayments to be converted to interest only.
* This will have the effect of reducing your repayments to around $[\_\_\_,\_\_\_] per annum.
* Our recommendation for this surplus income has been accounted for in calculating your savings capacity.
* The benefit of this strategy is you will improve your cash flow by reducing your debt repayment amount, whilst maintaining the tax deduction that you receive for the interest costs.
 |

Deductible Debt - Retain

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Deductible Debt – Retain |
| Explanation | As you intend to maintain your [investment property][share portfolio][other asset] and its associated loan, we recommend that you continue with this repayment schedule. |
| In your Best Interest |  |
| Further Detail | We believe that retaining your [investment property][share portfolio][other asset] and the associated loan, meets your needs/objectives for the following reasons:* Deductible debt is debt for which you can claim a tax deduction for the interest costs. Typical types of deductible debt are for investment properties and margin lending facilities.
* [Name], you currently have an investment loan of $[\_\_\_,\_\_\_] against your [investment property][share portfolio][other asset] at an interest rate of \_\_.\_\_%.
* Under the terms of your existing [investment property][share portfolio][other asset] loan contract, you are required to meet interest only repayments of $\_\_.\_\_per annum.

Our recommendation for the ongoing repayment of this liability has been accounted for in calculating your savings capacity.The benefit of this recommendation is you will continue to obtain tax deductions for the interest costs of the gearing strategy. |

Non-Deductible Debt - Reduce

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Non-Deductible Debt – Reduce |
| Explanation | As the interest you will incur over this time frame is not tax deductible and the payments are made from after tax income we recommend you increase your repayments to $[\_\_\_,\_\_\_] per [week][fortnight][month] ($[\_\_\_,\_\_\_] per annum).This increase of $[\_\_\_,\_\_\_] per annum will be met from your savings capacity. |
| In your Best Interest |  |
| Further Detail | We believe that increasing the repayments on your [mortgage][other non-deductible debt] to $[\_\_\_,\_\_\_] per [week][fortnight][month] ($\_\_\_,\_\_\_ per annum), meets your needs/objectives for the following reasons:* Non-deductible debt is debt for which you cannot claim a tax deduction for the interest costs. Typical types of non-deductible debt are home loans and personal loans.
* You currently have a [mortgage][other non-deductible debt] of $[\_\_\_,\_\_\_] in joint names.
* At your current repayment of $[\_\_\_,\_\_\_] per [week][fortnight][month] ($[\_\_\_,\_\_\_] per annum) and an interest rate of \_\_.\_\_% per annum, we estimate that you will repay your [mortgage][other non-deductible debt] within [XX] years.
 |

Non-Deductible Debt - Refinance

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Non-Deductible Debt – Refinance |
| Explanation | We suggest you access the services of [name of mortgage service]. This mortgage service has been designed to provide efficient loan and debt reduction strategies.AND/OR * With regards to your current outstanding debt, I recommend that you:
* Consolidate your debts, including home mortgage and existing credit cards, into one single loan.
* Establish a mortgage offset account into which [Client Name]’s monthly salary should be paid. This will reduce the principal of the loan for the time the income remains in the account, assisting to reduce interest costs.
* Use a credit card for your normal living expenses and then re-draw funds from the loan to repay the balance of the credit card each month.
 |
| In your Best Interest |  |
| Further Detail | We believe that refinancing your [mortgage][other non-deductible debt] to $[\_\_\_,\_\_\_] per [week][fortnight][month] ($[\_\_\_,\_\_\_] per annum), meets your needs/objectives for the following reasons:The benefits of this recommendation are:* You will reduce the time to repay your consolidated loan by [XX] years.
* You will save $[\_\_\_,\_\_\_] in interest costs which are not tax deductible.
* You will achieve an effective after tax return of \_\_.\_\_% per annum.
* You will not take unnecessary investment risk trying to achieve a return higher than the interest rate in an alternative investment vehicle.
* You will be able to apply your total non-deductible debt repayments to wealth creation after extinguishing your consolidated loan.
* Refinancing your [mortgage][other non-deductible debt] provides greater flexibility in your loan and reduce the current costs associated with the loan.

After your debts have been consolidated as outlined above, we estimate the total amount being applied to reduction of the loan will be $[\_\_\_,\_\_\_] per month ($[\_\_\_,\_\_\_] per annum). This represents your current loan repayments of $[\_\_\_,\_\_\_] per month ($[\_\_\_,\_\_\_] per annum) plus your current surplus income of $[\_\_\_,\_\_\_] per month ($[\_\_\_,\_\_\_] per annum).Our calculations are based on an interest rate of \_\_.\_\_% per annum to allow for interest rate increases over the medium to long term. |

Non-Deductible Debt - Retain

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Non-Deductible Debt - Retain |
| Explanation | * We recommend you maintain your current repayment and apply your savings capacity of $\_\_\_,\_\_\_ per annum to building wealth additional to your family home.
 |
| In your Best Interest |  |

Further Detail

We believe that maintaining your current repayment of $\_\_\_,\_\_\_ per [week][fortnight][month] ($\_\_\_,\_\_\_ per annum) on your [mortgage][other non-deductible debt] and apply your savings capacity of $\_\_\_,\_\_\_ per annum to building wealth outside your family home, meets your needs/objectives for the following reasons:

* You currently have a [mortgage][other non-deductible debt] of \_\_\_,\_\_\_ in joint names.
* At your current repayment of $\_\_\_,\_\_\_ per [week][fortnight][month] ($\_\_\_,\_\_\_ per annum) and an interest rate of \_\_.\_\_% per annum, we estimate that you will repay your [mortgage][other non-deductible debt] within XX years.

We recommend you apply this savings capacity in the following manner:

|  |  |
| --- | --- |
| Strategy | AnnualAmount |
| Salary Sacrifice (after tax) | $\_\_\_,\_\_\_ |
| Concessional Contribution | $\_\_\_,\_\_\_ |
| Spouse Contribution | $\_\_\_,\_\_\_ |
| Non-Concessional Contribution | $\_\_\_,\_\_\_ |
| Gearing Strategy | $\_\_\_,\_\_\_ |
| Repayment of Deductible Debt | $\_\_\_,\_\_\_ |
| Non-Superannuation Savings | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |

Reverse Mortgages

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Reverse Mortgages |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | A Reverse Mortgage loan is aimed at retired people who own their own home but have little cash to live on. Like a regular mortgage the property serves as security for the loan. However, unlike a conventional home loan no repayments are due on a reverse mortgage during the course of the loan. The loan is repaid when the borrower dies, when all parties move into fulltime care or when the owner decides to sell the property.Reverse mortgages only allow the owner to borrow a proportion of the property’s value and this varies according to age. The strict lending criteria will safeguard against accumulating a large debt and regardless of how long you live the debt will never exceed the property’s value if there is a “no negative equity guarantee”, which is often of concern for potential borrowers.Although borrowings are limited to a small proportion of the overall value of the home, borrowers should realise that the mounting debt on the home during the term of the loan erodes the owner’s increasing equity from rising property values. This means there will be less available to pass on in their will. If property prices don’t rise at all, equity will fall.The advantages of reverse mortgages are:* It can allow you to free up money to maintain or increase your standard of living. You can use the money to increase your retirement income or to meet planned expenditures.
* It allows you to keep your financial independence without the need to sell your house and relocate to a smaller residence.
* The interest and fees are rolled into the loan, which does not need to be repaid until you pass away or sell your home.

The risks associated with reverse mortgages are:* It limits your options in the future. In many years down the track, you may want to sell your house to move somewhere smaller, closer to your family or into an aged care facility. You may not have enough money to make such a move if you have to repay a reverse mortgage.
* It reduces the value of your estate. The value of your estate may be much less than anticipated because the debt increases over time.
* However, reputable products carry a no negative equity guarantee. This ensures that should the debt exceed the sale value of the secured property, then neither the borrower nor the Estate beneficiaries are liable for any shortfall debt repayment.
* If a home is named in an individual name, the reverse mortgage will have to be repaid if that individual relocates or passes away. This may result in a surviving spouse no longer being able to live in the home.
* It may impact on your eligibility for Centrelink payments. If you take out a loan as a lump sum, it can have an effect on your eligibility for the age pension as it may be counted as an asset. If you draw down smaller amounts to use on a regular basis, they won’t be counted under the income test and the loan would usually have no effect on your eligibility for an age pension.
 |

## Estate Planning

Estate Planning – Impact of Transfer Balance Cap

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Impact of Transfer Balance Cap |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | When a superannuation pension is ‘inherited by’ (reverts to) an adult individual, it increases that person’s Transfer Balance Account and may result in a breach of the person’s Transfer Balance Cap. If that occurs:* any pre-existing pension may be rolled back to accumulation in whole or part
* an amount of pension may be withdrawn (commutation) and paid to the individual subject to preservation rules.

In the event of the superannuation being paid to surviving eligible children, two example situations are relevant:1. the deceased has not yet started a pension but has $4m in accumulation

Each child is limited to a pension that, when all the children’s pensions are summed, cannot in aggregate exceed the Transfer Balance Cap1. the deceased has started a pension within the applicable TBC but it has subsequently grown to $4m with investment earnings

The children can each commence pensions with any amount of the full $4m. |

Wills – Establish

|  |  |
| --- | --- |
|  | [Name], you have advised us you do not have a Will.A vital aspect of your financial strategy is how your wealth will be distributed after you pass away.Estate Planning is the overall planning and documentation of your wishes for the distribution of your wealth following your death. A Will is valid only for assets you own personally. It can also address your wishes regarding the control and use of your assets even when they finally are available for beneficiaries. Typically, a Will cannot control the distribution of:* jointly owned assets
* superannuation
* proceeds of a personally held insurance policy
* assets held in a trust you may control.

Estate Planning is a specialist area and it is therefore important you obtain specialist professional legal advice in relation to all areas of your estate plan. However, we outline below some of the issues you should consider in designing your estate plan.* [tailor]
* [tailor]

Once you have a current Will in place, it is worthwhile reviewing these on a regular basis to ensure that they continue to fulfil your wishes.[If you do not have a specialist Estate Planning solicitor, we can refer one to you.] |

Wills – Review & Update

|  |  |
| --- | --- |
|  | [Name], you have indicated that you have a Will, however it is no longer current.A vital aspect of your financial strategy is how your wealth will be distributed after you pass away.Estate Planning is the overall planning and documentation of your wishes for the distribution of your wealth following your death. A Will is valid only for assets you own personally. It can also address your wishes regarding the control and use of your assets even when they finally are available for beneficiaries. Typically, a Will cannot control the distribution of:* jointly owned assets
* superannuation
* proceeds of a personally held insurance policy
* assets held in a trust you may control.

Estate Planning is a specialist area and it is therefore important you obtain specialist professional legal advice in relation to all areas of your estate plan. However, we outline below some of the issues you should consider in designing your estate plan.* [tailor]
* [tailor]

Once you have a current Will in place, it is worthwhile reviewing these on a regular basis to ensure that they continue to fulfil your wishes.[If you do not have a specialist Estate Planning solicitor, we can refer one to you.] |

Appointing a Guardian

|  |  |
| --- | --- |
|  | You have advised us that you do not have Wills that appoint Guardians for your children.After your death, an application can be made to a Court for a Guardianship Order. While you are alive, ‘Enduring’ or ‘Supportive’ Power(s) Of Attorney document(s) can be executed. However, specific instructions may also be included in your Will for the ongoing care of minor children. These will be interpreted by the Court.We outline below some of the issues you should consider:* similarities between your lifestyle, values and religious beliefs
* a person with whom your child is comfortable
* whether the prospective person already has children or is expecting to have a family
* who is physically, financially and emotionally practical to assume the role
* [tailor]

Estate Planning is a specialist area and it is therefore important you obtain specialist professional legal advice in relation to all areas of your estate plan. Even if you have a current Will in place, it is worthwhile reviewing it these on a regular basis to ensure that they continue to fulfil your wishes.[If you do not have a specialist Estate Planning solicitor, we can refer one to you.] |

Powers of Attorney – Establish

|  |  |
| --- | --- |
|  | [Name], you have advised us you do not have a [type] Power of Attorney.Estate Planning is the overall planning and documentation of your wishes for the distribution of your wealth following your death. It also deals with your wishes with regards to the control of your assets while you are still living but unable to exercise your own decisions.Estate Planning is a specialist area and it is therefore important you obtain specialist professional legal advice in relation to all areas of your estate plan. We outline below some of the issues you should consider:* [tailor]
* [tailor]

If you do not have a specialist Estate Planning solicitor, we can refer one to you. |

Powers of Attorney – Review & Update

|  |  |
| --- | --- |
|  | You have indicated that you have [a] Power(s) of Attorney, however [it is/ they are] no longer current.Estate Planning is the overall planning and documentation of your wishes for the distribution of your wealth following your death. It also deals with your wishes with regards to the control of your assets while you are still living but unable to exercise your own decisions.Estate Planning is a specialist area and it is therefore important you obtain specialist professional legal advice in relation to all areas of your estate plan. We outline below some of the issues you should consider:* [tailor]
* [tailor]

If you do not have a specialist Estate Planning solicitor, we can refer one to you. |

Superannuation Death Benefit Nominations – New Binding Nomination

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Making a new Death Benefit Nomination |
| Explanation | Nominate [Name] as your [binding], [non-binding], [non-lapsing] to receive your superannuation from [fund name] when you die.This person qualifies as a valid death benefit recipient [and tax-dependant] under the superannuation rules. |
| In your Best Interest |  |
| Further Detail | * Making a death benefit nomination instructs the trustee of your superannuation fund to direct a death benefit payment directly to your nominated beneficiaries. This situation is preferable to a non-binding nomination whereby the fund Trustees may take your direction into account but are not bound to do so.
* A Binding Nomination can only be made in favour of a valid dependant as defined under Superannuation Law. Depending upon the superannuation fund, it may need to be renewed every three years. Binding Nominations must also be witnessed by a person other than one of the nominated beneficiaries.

Before proceeding, you should consider the following:* In future your wishes may change in relation to a nominated beneficiary, and nominations that automatically lapse after three years provide a periodic trigger to review your preference.
* However, should a situation occur where you wish to remove a beneficiary, this can be changed at any time by simply making a new nomination.
* A binding death benefit nomination can be made to ensure the proceeds of the policy will be paid in accordance with your wishes.
* The nomination may only be valid for 3 years. In that case, a new nomination form needs to be provided to the trustee every 3 years to ensure that your nomination is valid.
* Further information on Binding Death Nominations can be found in the attached appendices.
* Taxation of death benefits payments can be increased on the amounts paid to non-dependant beneficiaries (as determined under Taxation law) because of an insurance payout.
* Access to benefit payments can be slow.
* Inability to pay the insured benefit to non-dependant beneficiaries as determined under Superannuation Law.
* If the nominated person is not a dependant as defined under the Superannuation legislation, the nomination will be invalid and the trustees will decide whom to pay. In certain circumstances, a binding nomination might be overruled by a court order.
* This risk can be minimised if your binding nomination is considered in conjunction with your Will.
* If trustee discretion applies and disputes arise in relation to a beneficiary, it can take a long period of time to resolve the dispute. The Superannuation Complaints Tribunal may need to mediate or decide to whom the benefit is paid.
* Non-dependents can only receive funds as a lump sum as they do not have the option to draw a death benefit pension.
 |

Superannuation Death Benefit Nominations – Renew Existing Binding Nominations

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Renew an existing Death Benefit Nomination |
| Explanation | Renewi your existing binding death benefit nominations. in [Product/Platform] |
| In your Best Interest |  |
| Further Detail | * Making a death benefit nomination instructs the trustee of your superannuation fund to direct a death benefit payment directly to your nominated beneficiaries. This situation is preferable to a non-binding nomination whereby the fund Trustees may take your direction into account but are not bound to do so.
* A Binding Nomination can only be made in favour of a valid dependant as defined under Superannuation Law. Depending upon the superannuation fund, it may need to be renewed every three years. Binding Nominations must also be witnessed by a person other than one of the nominated beneficiaries.

Before proceeding, you should consider the following:* In future your wishes may change in relation to a nominated beneficiary,
* Some nominations automatically lapse after three years provide a periodic trigger to review your preference.
* Should a situation occur where you wish to remove a beneficiary, this can be changed at any time by simply making a new nomination.
 |

Funeral Bonds

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Pre-paying for your funeral using Funeral Bonds |
| Explanation | We recommend you [each] invest $[\_\_,\_\_\_] into a funeral bond. The funds will be sourced from [insert source of funds]. |
| In your Best Interest |  |
| Further Detail | * We estimate that this will increase your Centrelink Age Pension by approximately $[\_\_,\_\_\_] per annum.
* Typically, the benefits of this recommendation are:
* Your funeral expenses will be pre-paid and therefore organised.
* These investments are exempt from Centrelink’s Assets Test, up to the limit of $13,500 each You can each purchase a funeral bond, reducing your Centrelink assessable assets by a combined amount of $27,000.

Typically, the risks associated with this recommendation are:* You lose access to the capital invested.
* Historically poor investment returns.
 |

Testamentary Trusts

|  |  |
| --- | --- |
|  | A testamentary trust is established under a Will and activated as a result of death of the testator (person making the Will). All or part of the assets that form part of the testator’s estate can be placed into a testamentary trust when the will-maker deceases. For example, the assets of a family trust could not automatically pass into a testamentary trust when the person dies as a family trust does not form part of the deceased’s estate despite any provisions in the Will. Similarly, superannuation and insurance policy proceeds are not automatically estate assets. However, an established testamentary trust can subsequently acquire other assets.The trustee has discretion over the distribution of income and capital to beneficiaries. In some circumstances, the law will set up a testamentary trust when beneficiaries are unable to hold or deal with property in their own name i.e. minor children.A trust must ‘vest’ (distribute the trust assets) within 80 years from the date of death of the testator. It is possible to create a vesting date that is linked to the death of a person such as a beneficiary or some other event.**General Advantages of testamentary trusts:*** Allows for income and capital to be split between beneficiaries, at the time and in amounts as determined by the trustee.
* Minor children are taxed at adult rates when distributions are made. This makes it possible to reduce tax, as distributions to beneficiaries under the age of 18 years are typically taxed at penalty tax rates (up to 66% on some portions of the income). The trustee can take into account the other income of beneficiaries prior to distribution to minimise tax and maximise the distribution to beneficiaries.
* The trustee controls the estate assets until the beneficiaries are of sufficient age to hold the assets in their own name.
* Estate assets can be prevented from being vested directly into a beneficiary’s own name. This may help protect assets in the event of a family breakdown. Assets in a trust will not be included by the Family Court in the division of matrimonial property in the event of a marriage breakdown and property dispute. (The Court, however, may take into account the presence of a trust in calculating what they consider to be an equitable distribution of the non-trust assets.)
* The benefit of an insolvent or potentially insolvent person can be provided for. By having an independent third party trustee the assets in the trust may be out of the reach of creditors but at the same time available for family members and, in particular, the children of a bankrupt person.
* The trustee has total flexibility to invest in whatever assets they wish (subject to the trust deed) and can draw on capital or income at any time.

**General Disadvantages of testamentary trusts:*** In incorporating a trust arrangement into a will, it is difficult to perceive what the needs and requirements of beneficiaries will be in 10, 20 etc. years’ time. Wills are prepared on the basis of the testator’s current circumstances as well as their wishes for the future.
* It is therefore possible for will-makers to consider a mechanism whereby the executor has the discretion to determine whether a trust is required due to changed circumstances.
* In an established trust, the trust deed can allow a trustee to wind up the trust in the interest of beneficiaries.

In the case of beneficiaries who are in receipt of social security benefits, assets held in a testamentary trust for their benefit are not Centrelink exempt assets. This may result in a reduction of social security entitlements. |

## Gearing

Instalment Gearing

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Instalment Gearing |
| Explanation | We recommend you commence an instalment gearing strategy in [Client][s’] name[s] using $[\_\_\_,\_\_\_] per month of your own capital and borrowing $[\_\_\_,\_\_\_] per month from [lender], using your [security] as security for the loan.We recommend the gearing strategy be commenced in [Client][s’] name[s] as [your][his][her] higher marginal tax rate will maximise the benefit obtainable via deductible interest costs.We recommend [Client][s’] invest the proceeds into a diversified portfolio of [managed investments] through [platform].We recommend the loan repayments be structured as interest only in order to minimise the impact on your cashflow and maximise tax-deductibility. Based on an annual interest rate of [\_\_\_]%, we estimate your annual interest cost (before tax) to be $[\_\_\_,\_\_\_]. We will arrange for interest repayments to be paid from your [everyday][nominated] bank account. |
| In your Best Interest |  |
| Further Detail | Instalment gearing is an easy and efficient way to save and accumulate wealth over time. It allows you to gain exposure to the debt and investment markets on a more gradual basis. Instalment gearing combines two powerful investment strategies – gearing and regular investing – in a way that gives you the ability to build a substantial investment portfolio one month at a time. It can be particularly useful in times of volatility because you can make use of the ‘dollar cost averaging’ strategy – you’re not trying to time your entry into investment markets. The regular investments ensure that when markets are falling, you buy more units at lower prices so your average entry cost is automatically lower.**If using a margin loan facility:**Our recommendations are based on a margin lending gearing facility. With a margin loan, the lender will generally lend to a maximum of 70% of the market value of the approved investments, although this will depend upon the actual investments. For example, on an investment portfolio of $100,000 with a maximum lending margin of 65%, the lender will provide borrowed funds up to $65,000. The remaining $35,000 (35%) will be the investor’s own money.The level of borrowings we recommend aims to set your ‘loan to equity ratio’ at approximately [loan/equity ratio]%. This loan to equity ratio aims to provide protection against a margin call in the event of an investment market downturn.Margin Calls occur if the loan balance is greater than the maximum loan limit plus a buffer amount. This can occur when there is a market downturn and the value of your portfolio falls. For example, the lender in the above example may make a margin call when the value of the loan balance exceeds 70% of the portfolio, plus a 5% ‘buffer’. A buffer is used to avoid unnecessary margin calls due to temporary asset value fluctuations. In this example, a loan balance of 72% would not trigger a margin call.**Always Include:**The typical benefits of implementing the recommended gearing strategy are:* You implement an investment strategy which provides the potential for accelerated wealth creation which will assist in achieving your long term goals.
* You utilise your surplus cashflow for wealth creation purposes.
* You can achieve greater diversification of your investment portfolio due to the large sum of capital available to invest.
* You have a greater number of assets working for you to build wealth over the long term.

The typical risks associated with implementing the recommended gearing strategy are:* As a higher level of capital is invested (some of which is borrowed and at some point must be re-paid), capital losses may be magnified in the event of a market downturn.
* Loss of a regular source of income (e.g. employment income) could cause cash flow problems, which might necessitate liquidation of all or part of the portfolio at an unfavourable time.
* If the interest rate is not fixed for the whole term of the investment, interest rates may increase which will increase interest costs and place potential further burden on your cashflow.

**If using a margin loan facility:*** In the event of a market downturn a margin call may be triggered, requiring additional capital to be added to the investment to re-establish the loan to equity ratio.
 |

**Further Detail continued**

We estimate you will achieve the following tax savings via the gearing strategy in the first year:

|  |  |
| --- | --- |
|  | Value ($) |
| Estimated interest cost on borrowings | $\_\_\_,\_\_\_ |
| Estimated income generated from investment of borrowed funds (assumed [ ]%)**Assume ‘risk-free’ rate of % earnings** | $\_\_\_,\_\_\_ |
| Net Tax Deduction | $\_\_\_,\_\_\_ |
| Net Tax Savings Assuming an MTR of 45% | $\_\_\_,\_\_\_ |

Notes: MTR = Marginal Tax Rate. We have assumed Medicare of 2%.

Lump Sum Gearing

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Borrowing a lump sum to Invest |
| Explanation | We recommend you commence a gearing strategy in [Client][s’] name[s] $[\_\_\_,\_\_\_] of your own capital and borrowing $[\_\_\_,\_\_\_] from [lender], using your [security] as security for the loan. We have recommended the gearing strategy be commenced in [Client][s’] name[s] as [your][his][her] higher marginal tax rate will maximise the benefit obtainable via deductible interest costs.We recommend [Client][Partner] invest the proceeds into a diversified portfolio of [managed investments] through [insert product].We recommend the loan repayments be structured as interest only in order to minimise the impact on your cashflow and maximise tax-deductibility. Based on an annual interest rate of [\_\_\_]%, we estimate your annual interest cost (before tax) to be $[\_\_\_,\_\_\_]. We will arrange for interest repayments to be paid from your everyday bank account. |
| In your Best Interest |  |
| Further Detail | **If using a margin loan facility:**Our recommendations are based on a margin lending gearing facility. With a margin loan, the lender will generally lend to a maximum of 70% of the market value of the approved investments, although this depends on the actual investments. For example, on an investment portfolio of $100,000 with a maximum lending margin of 65%, the lender will provide borrowed funds up to $65,000. The remaining $35,000 (35%) will be the investor’s own capital.The level of borrowings we recommend aim to manage your loan to equity ratio at approximately [loan/equity ratio]%. This loan to equity ratio aims to provide protection against a margin call in the event that investment markets downturn.Margin Calls occur if the loan balance is greater than the maximum loan limit. This can occur when there is a market downturn and the value of your portfolio falls. For example, the lender in the above example may make a margin call when the value of the loan balance exceeds 70% plus a 5% ‘buffer’. A buffer is used to avoid unnecessary margin calls due to temporary asset value fluctuations. In this example, a loan balance of 72% would not trigger a margin call.**Always Include:**The typical benefits of this recommendation are:* You implement an investment strategy which provides the potential for accelerated wealth creation which will assist in achieving your long term goals.
* You utilise your surplus cashflow for wealth creation purposes.
* You can achieve greater diversification of your investment portfolio due to the large sum of capital available to invest.
* You have a greater number of assets working for you to build wealth over the long term.

The typical risks associated with implementing the recommended gearing strategy are:* As a higher level of capital is invested (some of which is borrowed and at some point must be re-paid), capital losses may be magnified in the event of a market downturn.
* Loss of a regular source of income (e.g. employment income) could cause cash flow problems, which might necessitate liquidation of all or part of the portfolio at an unfavourable time.
* If the interest rate is not fixed for the whole term of the investment, interest rates may increase which will increase interest costs and place potential further burden on your cashflow.

**If using a margin loan facility:*** In the event of a market downturn a margin call may be triggered, requiring additional capital to be added to the investment to re-establish the loan to equity ratio.
 |

**Further Detail continued**

We estimate you will achieve the following tax savings via the gearing strategy in the first year:

|  |  |
| --- | --- |
|  | Value ($) |
| Estimated interest cost on borrowings | $\_\_\_,\_\_\_ |
| Estimated income generated from investment of borrowed funds (assumed [ ]%)**Assume ‘risk-free’ rate of % earnings** | $\_\_\_,\_\_\_ |
| Net Tax Deduction | $\_\_\_,\_\_\_ |
| Net Tax Savings Assuming an MTR of 45% | $\_\_\_,\_\_\_ |

Notes: MTR = Marginal Tax Rate. We have assumed Medicare of 2%.

## Retirement Planning

Defined Benefit Pensions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Defined Benefit Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Defined Benefit superannuation is a superannuation entitlement that may be partially accrued through savings but is typically determined by a formula based on the employee’s length of service.Such schemes can be unfunded, constitutionally protected or funded.* Unfunded and constitutionally protected fund benefits are taxable at marginal rates. From 1 July 2017, a 10% tax offset will apply to only the first $100,000 of income received. Above $100,000 there is nil tax offset.
* Members of funded schemes will have 50% of annual pension amounts above $100,00 taxed at marginal rates.

Defined benefit funds have a special methodology to determine an asset value for the purpose of an individual’s Transfer Balance Account.Similarly, there is a special threshold for payments called the Defined Benefit Income Cap which determines how concessional tax treatment is applied.Expert advice should be sought regarding Defined Benefit income streams as matters may be complex with unexpected consequences. For example, under certain conditions, recipients of both a Defined Benefit income stream and an otherwise tax-free Death Benefit income stream can find that the latter loses its tax concessional status in whole or part. |

Transition to Retirement (TtR) Strategy

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Transition to Retirement strategy |
| Explanation | [Name], in order to reduce your tax payable prior to retirement and to assist in the accumulation of retirement savings, we recommend you implement the following strategy:* Salary Sacrifice $\_\_\_,\_\_\_ per annum to superannuation.
* Commence a Transition to Retirement Income Stream (TRIS) from your superannuation benefits of $[\_\_\_,\_\_\_] and draw an income of $\_\_\_,\_\_\_ per annum.
 |
| In your Best Interest |  |
| Further Detail | We estimate you will achieve total tax savings of $\_\_\_,\_\_\_ per annum in the first year. These savings will continue until your retirement.The benefits of this recommendation are:* We estimate you will achieve tax savings of $\_\_\_,\_\_\_ per annum, resulting from the difference between your marginal tax rate of \_\_.\_\_% and contributions tax of 15%.
* You accelerate your accumulation of wealth within the superannuation environment for retirement planning purposes.
* Earnings from your superannuation investments are taxed at a maximum rate of 15% as opposed to your marginal tax rate.

The risks associated with this recommendation are:* Your future Superannuation Guarantee contributions (SG) may decrease in line with your reduction in salary. You will need to consult your HR department in this regard.
* You will not be able to access these funds until you meet a condition of release.

Lump sum withdrawals from a TRIS (eg. unrestricted non-preserved component) cannot be classed as a payment meeting the minimum pension standards. |

**Further Detail continued** Outcomes of Transition to Retirement Strategy

1. **Superannuation Contributions**

|  |  |  |
| --- | --- | --- |
|  | Existing Strategy ($) | TTR Strategy ($) |
| Employer SG Contributions [1] | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |
| Salary Sacrifice | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |
| Gross Contributions | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |
| Contributions Tax | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |
| Net Superannuation Contributions | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |
| Less Pension Payment | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |
| Net Superannuation Contributions | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |

Notes:

|  |  |
| --- | --- |
| [1] | Assumes employer continues to pay 9.5% of annual gross salary. |

As shown above, by implementing the recommended strategy your net superannuation contributions will increase by $\_\_\_,\_\_\_ in the first year. These additional savings will considerably enhance your ability to meet your retirement income objectives.

1. **Comparative Tax Position** \_ estimate only (excludes Medicare Levy)

|  |  |  |
| --- | --- | --- |
|  | Existing Strategy ($) | TTR Strategy ($) |
| Income Tax \_ salary, business income | $\_\_\_,\_\_\_ |  |
| Contributions Tax |  | $\_\_\_,\_\_\_ |
| Income Tax \_ pension payment |  | $\_\_\_,\_\_\_ |
| Total Tax Payable | $\_\_\_,\_\_\_ | $\_\_\_,\_\_\_ |

Planning for Retirement - Capital Required **[Version 1\_ Calculation]**

|  |  |
| --- | --- |
|  | * You have indicated that you wish to retire in [XX] years’ time.
* Your retirement income objective is $[\_\_\_,\_\_\_] per annum (today’s dollars).
* To achieve this level of income upon your retirement, we have calculated that you will need a capital base of approximately $[amount], in order to last beyond your life expectancy age of [age]. We have based our calculations on the following assumptions:
* Inflation – [\_\_\_]% per annum
* Total Investment return – [\_\_\_]% per annum
* A retirement time frame of [\_\_] years (up to age [\_\_] – this is equal to your life expectancy plus 5 years).

Based on the financial projections we have included with this report, we estimate that your net capital base in [\_\_] years’ time will be approximately $[\_\_\_,\_\_\_], which [exceeds] the estimated capital base amount required. Therefore, we can conclude that after implementing the recommended strategies you should be on track to achieving your retirement objectives.**Please be aware that these projections are a general guide only and no guarantee of investment performance is given.** |

Planning for Retirement - Capital Required **[Version 2\_ ASFA research]**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | The Association of Superannuation Funds of Australia (ASFA) publish a “Retirement Standard”. This Standard has been developed to objectively outline the annual budget needed by the average Australian to fund a comfortable standard of living in their post-work years. It provides benchmarks for both a comfortable and modest standard of living, for both singles and couples, and is updated quarterly to reflect changes to the Consumer Price Index (CPI).

|  |  |
| --- | --- |
| **Category** | **Income Required at Retirement [1]** |
| Comfortable lifestyle for a couple | $62,435 per annum |
| Comfortable lifestyle for a single person | $44,183 per annum |

1. *Current at March 2020*

A ‘modest’ retirement lifestyle is considered better than the Age Pension, but still only able to afford fairly basic activities. A ‘comfortable’ retirement lifestyle enables an older, healthy retiree to be involved in a broad range of leisure and recreational activities and to have a good standard of living through the purchase of such things as; household goods, private health insurance, a reasonable car, good clothes, a range of electronic equipment, and domestic and occasionally international holiday travel. It is assumed that retirees own their own home outright and are relatively healthy. |

**Further Detail continued**



Account-Based Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Account Based Pension |
| Explanation | We recommend you draw the [minimum] pension payment of $[\_\_\_,\_\_\_] from your Account Based Pension. |
| In your Best Interest |  |
| Further Detail | This will be more than sufficient to achieve your retirement income objectives and will maximise the level of capital you have invested in the tax-free pension environment.The typical benefits of commencing an Account Based Pension are:* You receive a regular income stream to assist in meeting your retirement income needs.
* Prior to age 60, you receive tax concessions on your Account Based Pension income via a tax deductible amount and a 15% tax offset. Once you reach 60 years of age your pension payments will be tax free.
* You can choose the frequency of your pension payments (e.g. monthly, quarterly, half yearly or annually) and payments can be credited to your nominated bank account or paid to you by cheque.
* Your Account Based Pension fund pays no tax on income or capital gains generated within the fund.
* Upon rollover of your superannuation benefits to an Account Based Pension, there is generally no lump sum tax payable.
* Your Account Based Pension portfolio will be invested in accordance with your [Risk Profile] risk profile. This would not be possible through Non-account based retirement income streams such as Annuities.
* You have the option of nominating a reversionary beneficiary (usually a spouse) who will receive the pension in the event of death.

The risks associated with this recommendation are:* There is no guarantee you will receive income from your Account Based Pension for your lifetime.
* The account balance of your Account Based Pension may reduce to a level which is insufficient to meet your income needs later in life, depending upon the performance of the underlying investments and the level of income and capital you draw over time.

Lump sums withdrawals do not towards meeting minimum pension requirements. |

**Further Detail continued** Account Based Pension\_ Optional Further Information

An Account Based Pension is purchased with superannuation monies and is designed to provide you with a regular, flexible, tax effective income stream in retirement. Account Based Pension balances increase with positive investment returns and decrease with pension payments, negative investment returns and fees.

Earnings from the underlying portfolio of your Account Based Pension are tax free, making Account Based Pensions a very tax effective retirement structure.

Lump sum withdrawals from an Account Based Pension are not classed as a payment meeting the minimum pension standards.

The income received from your Account Based Pension is referred to as a pension payment. Minimum annual pension payments are:

|  |  |  |
| --- | --- | --- |
| Age | Minimum Pension Payment [1](% of Account Balance) | Maximum Pension Payment(% of Account Balance) |
| Under 65 | 2% | Standard Account-Based Pensions: No Maximum Pension PaymentTransition to Retirement Account-Based Pensions: 10% Maximum Pension Payment |
| 65 - 74 | 2.5% |
| 75 - 79 | 3% |
| 80 -84 | 3.5% |
| 85 – 89 | 4.5% |
| 90 -94 | 5.5% |
| 95+ | 7% |

Notes:

|  |  |
| --- | --- |
| [1] | Minimum pension payments are calculated annually at 1 July. |

For individuals over 60 years of age, Account Based Pension payments are tax free and do not have to be included in tax returns.

The benefits of commencing an Account Based Pension are:

|  |
| --- |
| * You receive a regular income stream to assist in meeting your retirement income needs.
 |
| * Payments made to individuals less than 60 years of age are taxable but receive tax concessions.
* The pension drawn, less any tax-free amount, is taxed at your marginal tax rate. A 15% tax rebate applies to that net amount, which is taxable income. The tax rebate can be used to reduce an income tax liability arising from this pension as well as other income sources.
 |
| * Once you reach 60 years of age your pension payments will be tax free.
 |
| * You can choose the frequency of your pension payments (e.g. monthly, quarterly, half yearly or annually) and payments can be credited to your nominated bank account or paid to you by cheque.
 |
| * Your Account Based Pension fund pays no tax on income or capital gains generated within the pension.
 |
| * Your Account Based Pension portfolio will be invested in accordance with your risk profile. This would not be possible through non-account based retirement income streams such as Annuities.
 |

* You have the option of nominating a reversionary beneficiary (usually a spouse) who will receive the pension in the event of death. This will increase the recipient’s superannuation balance assessable against the relevant Transfer Balance Account.

Fixed-Term Annuity

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Fixed-Term Annuity |
| Explanation | We recommend you invest $[\_\_\_,\_\_\_] into a [term in years] [Complying] Annuity. |
| In your Best Interest |  |

**Further Detail**

The details of the recommended income stream will be as follows:

|  |  |
| --- | --- |
| Details | Fixed Term Annuity |
| Amount invested | $\_\_\_,\_\_\_ |
| Term | $\_\_\_,\_\_\_ |
| Estimated income | $\_\_\_,\_\_\_ |
| Residual Capital Value | $\_\_\_,\_\_\_ |
| Tax deductible amount | $\_\_\_,\_\_\_ |

The estimated income is based on the quotation we have obtained from [annuity provider]. In order to guarantee the level of income within the quotation we would need to complete an application prior to [date].

Lifetime Annuity

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Lifetime Annuity |
| Explanation | We recommend you invest $[\_\_\_,\_\_\_] into a Lifetime Annuity, sourced from [your superannuation capital][cash]. |
| In your Best Interest |  |

**Further Detail**

The details of the recommended income stream will be as follows:

|  |  |
| --- | --- |
| Details | Lifetime Annuity |
| Amount invested | $\_\_\_,\_\_\_ |
| Term | Lifetime |
| Estimated income | $\_\_\_,\_\_\_ |
| Indexation | $\_\_\_,\_\_\_ |
| Residual Capital Value | $\_\_\_,\_\_\_ |
| Tax deductible amount | $\_\_\_,\_\_\_ |

The estimated income above is based on the quotation we have obtained from [annuity provider]. In order to guarantee the level of income within the quotation we would need to complete an application prior to [date].

## Self-Managed Superannuation Fund (SMSF)

SMSF Establishment

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Establish a SMSF |
| Explanation | [Establish the <<Fund Name>> (SMSF) with <<Client Names>> as both Members and Trustees.]**OR**[Establish <<Client Names>> as Trustees. **OR**[Establish <<Client Names>> as Directors of a corporate Trustee <<company name>>.] |
| In your Best Interest |  |

Further Detail

A Self-Managed Superannuation Fund (SMSF) is essentially a superannuation fund which is controlled by you.

A desire for flexibility of investment choice and control over investment assets are key indicators that a SMSF may be appropriate for your retirement planning.

Very simply, a SMSF can have up to four members, all of whom must be trustees (and all trustees must be members). As members and thus trustees, you make all decisions relating to the operation of the SMSF, including how the SMSF’s assets are invested.

While this gives you added responsibility in relation to your superannuation, the majority of the compliance and administrative tasks can be outsourced to your accountant, fund administrator and financial planner on the assumption that this is cost effective.

The Australian Tax Office regulates SMSFs and has provided guidance upon the minimal amounts a fund should commence with and the different cost/benefit ‘break-even’ points that result from increasing levels of professional support.

We believe that establishing a Self-Managed Superannuation Fund (SMSF) typically provides the following benefits:

* Your current superannuation balance is at a sufficient level to make a SMSF reasonably cost effective, and you have indicated you are comfortable with the responsibilities imposed on trustees of SMSFs.
* You have greater freedom over how your superannuation benefits are invested. You can decide which assets the SMSF invests in, including direct shares and direct property, unlike a public offer superannuation fund where the investment decisions are made on your behalf.
* You have greater control over the taxation benefits achieved within the fund. You as trustees can structure the Fund’s investments to maximise tax effectiveness.
* You have greater control over the management of your superannuation benefits. You can actively participate in the administration of the SMSF, including preparation of all required accounts and record keeping (although some tasks can be outsourced to professionals such as your accountant and financial planner).
* You may reduce administration costs. Most of the costs of running a SMSF are fixed (for example, accounting costs, other compliance costs) regardless of the level of assets within the fund. This can allow you to achieve economies of scale where you have sufficiently large asset balances within the fund.
* [You can have more certainty in relation to your estate planning arrangements. Many public offer superannuation funds allow you to nominate whom you would like to receive your accumulated superannuation benefit on your death, but the ultimate decision is made by the trustee. As trustees of your own SMSF, you can control the distribution of superannuation benefits on the death of a member.]
* Your obligations and responsibilities as trustees.

Superannuation legislation imposes significant administrative and compliance tasks on the trustees of SMSF’s, and non-compliance carries severe penalties.

* Lodging appropriate documents with the ATO to establish and register the SMSF;
* Documenting an investment strategy for the SMSF;
* Investing the assets of the SMSF;
* Maintaining proper records for the SMSF;
* Ensure annual accounts are prepared;
* Having the accounts audited;
* Submitting annual returns to the ATO; and
* Ensuring that the SMSF at all times complies with the relevant legislation.
* Typically, expert legal and taxation advice should be obtained before deciding to set up your SMSF.
* As trustee of your SMSF you can employ the services of professionals to assist in the management of the fund however you still have ultimate responsibility.
* You should be aware that there are severe penalties for Trustees who fail to ensure that a SMSF is properly administered. Serious breaches of the SIS Act may deem the fund to be non-complying resulting in taxation consequences and other penalties.
* You may incur extra costs depending on the asset level of the SMSF and the investments chosen. If the SMSF’s assets are invested in managed funds, there can be an increase in costs, because in addition to accountant and financial planner fees for the administration of the SMSF, fund managers also charge ongoing fees.
* In the event of legal disputes, trustees may only pursue legal proceedings in the Supreme Court.

Individual Trustees

We believe that using individual trustees for your SMSF supports your objectives for the following reasons:

* You want a cost-effective trustee structure.
* Having an individual trustee structure is a simpler arrangement than setting up a corporate trustee and has fewer statutory forms and reduced ongoing reporting obligations.

Before proceeding you should note the following:

* Additional costs may be incurred if there is a change to members/trustees of the SMSF because the individual trustee’s name will need to be changed on each investment held by the SMSF.
* You need to keep very clear documentation to show that SMSF investments are held by the individuals in their capacity as Trustee of the SMSF.
* In the event of fund being subject to legislated penalties, each individual Trustee is separately liable. This results in the penalty being charged multiple times in a multi-member fund.
* Costs incurred to set up a SMSF

|  |  |
| --- | --- |
| **Description** | **Estimated Cost in the first Year** |
| Trust Deed | $[\_\_\_,\_\_\_] |
| Accounting Fee | $[\_\_\_,\_\_\_] |
| Auditor Fee | $[\_\_\_,\_\_\_] |
| Fund Administrator Fee | $[\_\_\_,\_\_\_] |
| Financial Planning Fee | $[\_\_\_,\_\_\_] |
| Legal Fees | $[\_\_\_,\_\_\_] |
| [Other] Implementation Fee | $[\_\_\_,\_\_\_] |
| [Other 3rd party Fee] | $[\_\_\_,\_\_\_] |
| **$** | **$[\_\_\_,\_\_\_]** |

* Single Member Fund

As your SMSF will be a single member fund (for the intended term of the fund) you are required to have either a corporate trustee (where you can be the sole director or one of two directors as long as the second director is not your employee) or two individual trustees (where the second trustee is not your employee), to benefit from the tax concessions available to superannuation funds.

Although [another non-member] is not a member of your SMSF [he][she] is permitted to be a trustee as you are the only member of your SMSF.

* Multiple Member Fund

Typically, all Trustees are Members and vice versa.

Exceptions can occur when a Member loses legal capacity and an Attorney or Guardian will act for them. In that case, the Trust Deed should be checked that it empowers these non-members to assume Trustee powers.

The rules governing who may be members and trustees are complex.

[As relevant, further add to this section in the case of potential disqualified persons, employer/employee relationship.]

On the death of a member, the fund may revert to a single member fund. If that is the case, the fund will need to be restructured to allow for another member or non-member Trustee. There is a six-month window to accommodate this requirement and the Trust Deed must have provision to empower an incoming Trustee.

Corporate Trustee

We believe that using a corporate trustee for your SMSF supports your objectives for the following reasons:

* Using a corporate trustee ensures you have a clear separation of SMSF assets and your personal assets. This division may also enhance protection in the event of a member’s bankruptcy.
* Using a corporate trustee ensures continuous succession. A company has an indefinite life span; in other words, it cannot die. Therefore, a corporate trustee can make control of a SMSF more certain in the circumstances of the death or incapacity of a member.
* A corporate trustee provides administrative efficiency. When members are admitted to, or cease membership of the SMSF, all that is required is that the person becomes, or ceases to be a director of the corporate trustee. The corporate trustee does not change as a result. Therefore, title to all the assets of the SMSF remains in the name of the corporate trustee.
* Using a corporate trustee provides greater asset protection: As companies are subject to limited liability, a corporate trustee will provide greater protection where a party sues the trustee for damages.
* A corporate trustee ensures greater flexibility for estate planning purposes, as the trustee does not change as a result of the death of a member.
* The trustee structure will not need to be amended in the event of the death or departure of a member resulting in the fund being a single member fund.

Before proceeding you should note the following:

* Trustees need to keep very clear documentation to show that SMSF investments are held by the company in its capacity as Trustee of your SMSF.
* In the event of fund being subject to legislated penalties, the corporate Trustee is only liable once even if there are multiple Directors.
* It is safest to have a company designated to act as trustee that undertakes no business activity and doesn’t act as Trustee for other entities.
* The trustee company pays an annual discounted fee to ASIC.
* Single Member Fund

As your SMSF will be a single member fund (for the intended term of the fund) you are required to have either a corporate trustee (where you can be the sole director or one of two directors as long as the second director is not your employee) or two individual trustees (where the second trustee is not your unrelated employee), to benefit from the tax concessions available to superannuation funds.

* Using a corporate trustee provides advantages for sole member SMSFs. You can have a SMSF where one individual is both the sole member and the sole director.
* You can be a single member and a sole director of a corporate trustee to maintain complete control over your retirement savings.
* In the event that it is desirable that another person joint the fund at a future date then the ownership of fund assets does not have to be legally altered.

Before proceeding you should note additional costs are incurred by using a corporate trustee due to set up and ongoing administration costs of the company.]

|  |  |
| --- | --- |
| **Description** | **Estimated Cost in the first Year** |
| Trust Deed | $[\_\_\_,\_\_\_] |
| ASIC Fee | $[\_\_\_,\_\_\_] |
| Accounting Fee | $[\_\_\_,\_\_\_] |
| Auditor Fee | $[\_\_\_,\_\_\_] |
| Fund Administrator Fee | $[\_\_\_,\_\_\_] |
| Financial Planning Fee | $[\_\_\_,\_\_\_] |
| Legal Fees | $[\_\_\_,\_\_\_] |
| [Other] Implementation Fee | $[\_\_\_,\_\_\_] |
| [Other 3rd party Fee] | $[\_\_\_,\_\_\_] |
| **$** | **$[\_\_\_,\_\_\_]** |

Further Detail (additional)

Important Personal Insurance Information

Upon a full transfer of pre-existing superannuation account balances to the new fund, existing insurances funded from these accounts will lapse.

An insurance Risk Needs Analysis may be required.

Further Detail (additional)

 Reserving Strategy

A reserving strategy includes the Asset Allocation for the investment of funds held in specific reserves.

It implies that the Trustees of the SMSF will direct:

* fund income into a ‘reserve’ account, with the aim of providing liquidity for operating expenses.
* investment earnings into a ‘reserve’ account, with the aim of later allocating these fairly to member’s individual accounts in proportion to their account balances.
* investment earnings into a ‘reserve’ account, with the aim of later allocating these to member’s individual accounts in proportion to the performance of their segregated assets.
* contributions to a ‘reserve’ account, rather than immediately allocating these to member accounts.

This strategy can achieve the following benefits:

* It can enable the Trustees to ‘smooth’ the investment returns credited to individual member’s accounts. This is because in ‘good’ years a portion of the Fund’s investment earnings can be added to the reserve account, and in ‘bad’ years the funds in the reserve account can be added to the individual member’s accounts. The overall aim is to ensure a consistently positive ‘return’ is achieved for the individual members.
* It can create a resource to provide for expenses of the fund (e.g. taxes, administration costs, insurance premiums).

Establishing a reserving strategy in relation to future earnings of the SMSF would involve the following:

* The trustees establish and maintain a reserve account(s), ensuring that the Trust Deed allows for the maintenance of such reserves.
* The Trustees would adopt a benchmark for the distribution of earnings to members. This would be a minimum amount (less than 5%) that would be paid fairly to the respective members of the SMSF.

Any funds held in a reserve account are subject to the normal 15% earnings tax (even if the remainder of the fund is in pension phase).

**You need to consider the potential for this strategy to be viewed by the Australian Taxation Office (ATO) as a tax avoidance measure. It would be prudent to seek expert legal advice in this regard or seek a private ruling from the ATO.**

Investment Strategy

|  |  |
| --- | --- |
|  | The Strategic asset allocation of the fund should be recorded in the Trustee Minutes:Cash [\_\_\_]% Variance +/- 10%Fixed Interest [\_\_\_]% Variance +/- 10%Australian Shares [\_\_\_]% Variance +/- 10%International Shares [\_\_\_]% Variance +/- 10%Property [\_\_\_]% Variance +/- 10%Other [\_\_\_]% Variance +/- 10%Typically developing an Investment Strategy for your SMSF meets your needs/objectives for the following reasons:* As trustee of your SMSF, you are required to develop and adhere to the Fund’s investment strategy.
* The investment strategy details the investment objectives of the fund, the risks the fund is willing to accept and the types of investments you would consider holding.
* The investment strategy considers a number of aspects such as risk, diversification and liquidity to ensure that funds are invested to provide retirement benefits and expenses can be paid at the appropriate time.

Before proceeding you should note the following:* An investment strategy is a legal requirement. If your fund does not have an investment strategy or investment decisions are made which are inconsistent with the investment strategy, you may face penalties or your fund may be deemed non-complying and lose tax concessions.
* Please note that you cannot implement the investment advice until the investment strategy for the SMSF has been formulated.
* The investment strategy should be reviewed on an ongoing basis (at least annually) to ensure it is still appropriate for the goals of the SMSF and the risk profiles for members as well as changes in member and account balances. The trustee’s decision should be recorded in trustee minutes.
* As part of formulating the SMSF’s investment strategy the trustees will also hold the requirement to include an assessment and on-going review of the insurance needs for members. This assessment will need to be documented within the investment strategy and documented in subsequent investment strategy reviews.
* There are certain investment restrictions on SMSFs. You should discuss these restrictions (and understand) with the SMSF’s administrator and/or your accountant prior to setting up a SMSF.
 |

SMSF Administration Service

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
|  | Engage [Name of SMSF Administrator] to administer your SMSF Typically, a SMSF Administrator can assist the Trustees of your SMSF with the following:* Preparation of Product Disclosure Documents to be distributed to each potential member.
* Completion of establishment minutes and member application documents.
* Handle rollovers from current funds to your own fund and establishment of administration records of such transactions.
* Preparation of annual member statements.
* Preparation of trustee minutes.
* Keeping members advised of movements of assets outside of investment strategy.
* Maintenance of member records including balances, contributions, draw downs and tax components. Please note that some records are required to be kept for up to 10 years.
* Preparation and lodgement of GST and BAS returns where applicable.
* Preparation of rollover and payment documentation.
* Monitoring the level of contributions received against relevant caps.
 |

Rollover Existing Superannuation to SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Rollover Existing Superannuation to SMSF |
| Explanation | [Client] [and [Partner]], roll over [$\_\_\_,\_\_\_] of your existing superannuation [fund name] to your SMSF [fund name]. |
| In your Best Interest |  |
| Further Detail | * At present you have a number of existing superannuation accounts, which can be both administratively cumbersome and expensive. Consolidating these accounts into a single fund, will simplify the administration of your superannuation assets and may reduce any unnecessary costs.
* Your SMSF can provide a wider choice of greater investment opportunities, including exposure to direct shares, managed funds and boutique funds, allowing you to target a portfolio that is tailored to your specific goals and your investor profile.
* Your SMSF can also provide you with more control and flexibility with your superannuation assets.
* Through your SMSF, you can also have a greater ability to control the tax consequences of your underlying investment portfolio, both through the use of Imputation Credits and by being able to determine when the underlying assets are bought and sold.

Based on the level of funds that you have invested in superannuation, your SMSF can provide cost savings over the longer-term, as the costs of operating your SMSF are largely fixed, whereas the costs associated with your existing superannuation products are calculated as a percentage of your account balance.Please refer to the Replacement of Product Information section of this advice, for further information.In rolling over your existing superannuation, there are a number of considerations and implications you need to be aware of, including:* Upfront versus ongoing and exit fees;
* Buy/Sell costs;
* Time out of the market; and
* Loss of insurance, bonuses and auto acceptance.
 |

In-Specie Transfer to SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | In-Specie Transfer to SMSF |
| Explanation | [Client] [and [Partner]], we recommended that you make a contribution of $[\_\_\_,\_\_\_] by transferring [asset] into your SMSF as an in-specie contribution.The contribution to be classified as a non-concessional contribution.ORThe contribution to be classified as a concessional contribution.ORYou can claim a personal tax deduction for $[\_\_\_,\_\_\_] of the amount contributed and the balance of $[\_\_\_,\_\_\_] will be a non-concessional contribution. |
| In your Best Interest |  |
| Further Detail | An in-specie contribution occurs where an asset is transferred to a superannuation fund by the member (or on behalf of the member). The amount of the contribution is equal to the market value of the asset transferred to the fundA superannuation fund can acquire the following assets from a member/related party:* Listed securities (shares, units, fixed interest bonds and debentures, rights and options, or any other security listed in Australia or by an approved overseas stock exchange.
* Units in widely held managed funds.
* Business real property (but only where the superannuation fund is a self-managed superannuation fund or an APRA small fund).

Typically, making an in-specie contribution to superannuation meets your needs/objectives for the following reasons:* Increasing your superannuation savings helps you save for retirement.
* Contributing existing assets instead of cash minimises the impact on your personal cashflow. The ongoing costs associated with these assets will be paid out of your Fund, rather than being paid by you.
* You can claim a 100% personal tax deduction for the Concessional Contributions to you make to superannuation.
* Contributions made with after tax dollars will form part of the tax-free component of your super, and will be tax-free upon withdrawal.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. I n this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.
* If these assets are then used to support an account basedsuper pension, a subsequent disposal would not result in any capital gains tax.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* The transfer constitutes a CGT event and therefore any capital gains will be crystallised. We estimate that CGT of approximately $[\_\_\_,\_\_\_] and stamp duty of approximately $[\_\_\_,\_\_\_] would be payable on the transfer. However, please note that we are not tax advisers and you will therefore need to consult your accountant to determine the CGT and stamp duty that will be incurred prior to proceeding with the recommended strategy.
* You will no longer be the owner of the asset(s) after transferring them into your SMSF. The trustees of your SMSF will make any future decisions associated with the holding of asset(s).
* All transaction between you and your SMSF must be conducted on an arm’s length basis. This means that you must ensure that the transfer is consistent with market value of the asset(s).
* You should also review the SMSF’s Trust Deed to ensure in-specie contributions can be accepted.
* Making concessional contributions to super will incur 15% contributions tax on the contribution.
* As your total income is expected to exceed $250,000, your concessional contributions (up to your concessional contributions cap) will incur an additional 15% contributions tax.
* Concessional contributions are limited to $25,000 per annum. Excess concessional arising from contributions made on or after 1 July 2013 can be refunded. These amounts will be added to your assessable income and taxed at your marginal tax rate (less 15%) plus penalties.
* In order to claim a tax deduction for this contribution, you will need to complete a ‘Section 290’ notice. This needs to be completed within a specified timeframe and you should work with your tax adviser to ensure these requirements are met. If you do not fulfil these requirements, you will not be able to claim the tax deduction.
* Legislation limits non-concessional contributions to $100,000 per financial year or, if eligible, to a maximum of $300,000 over a period of three financial years. Amounts contributed in excess of the limit will be subject to penalties.
* Non-concessional contributions cannot be claimed as tax deductions.
 |

Personal Concessional Contributions to SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Personal Concessional Contributions to SMSF |
| Explanation | [Client] [and [Partner]], we recommend you make a Concessional Contribution of $[\_\_\_,\_\_\_] this financial year into your SMSF. This contribution will be sourced from [source eg. your cash reserves]. |
| In your Best Interest |  |
| Further Detail | Please note that Concessional Contributions incur contributions tax of 15%. Therefore, your net contribution to superannuation will be $[\_\_\_,\_\_\_] . High income earners may attract a contributions tax rate of 30%.Typically making a concessional contribution to superannuation meets your needs/objectives for the following reasons:* Increasing your superannuation savings helps you save for retirement.
* You can claim a 100% personal tax deduction for the Concessional Contributions to you make to superannuation.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment. In addition:
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* The concessional tax rate treatment helps your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules and are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Making concessional contributions to super will incur 15% contributions tax on the contribution.

Include if Earning Over $250,000* As your total income is expected to exceed $250,000, your concessional contributions (up to your concessional contributions cap) will incur an additional 15% contributions tax.
* Concessional contributions are limited to $25,000 per annum. Excess concessional contribution can be refunded. These amounts will be added to your assessable income and taxed at your marginal tax rate (less 15%) plus penalties.
* In order to claim a tax deduction for this contribution, you will need to complete a ‘Section 290’ notice. This needs to be completed within a specified timeframe and you should work with your tax adviser to ensure these requirements are met. If you do not fulfil these requirements, you will not be able to claim the tax deduction.
 |

Personal Non-Concessional Contributions to SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Personal Non-Concessional Contributions to SMSF |
| Explanation | [Client] [and [Partner]], we recommend you make a Non-Concessional Contribution (after-tax contribution) of $[\_\_\_,\_\_\_] this financial year into your SMSF. This contribution will be sourced from [source eg. your cash reserves] . |
| In your Best Interest |  |
| Further Detail | Typically making a non-concessional contribution to superannuation meets your needs/objectives for the following reasons:* Increasing your superannuation savings helps you save for retirement.
* Contributions made with after tax dollars will form part of the tax-free component of your super, and will be tax-free upon withdrawal.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.

In addition:* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Legislation limits non-concessional contributions to $100,000 per financial year or, if eligible, at a maximum of $300,000 over a period of three financial years. Amounts contributed in excess of the limit will be subject to penalties.
* Non-concessional contributions cannot be claimed as tax deductions.
 |

Personal Non-Concessional Contributions to SMSF& Government Co-Contribution

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Personal Non-Concessional Contributions and Government Co-Contribution to SMSF |
| Explanation | [Client] [and [Partner]], we recommend you make a Non-Concessional (After-Tax) Contribution of $[\_,\_] per annum into your [SMSF Name] in order to qualify for the Government Co-contribution. |
| In your Best Interest |  |
| Further Detail | Typically, making a non-concessional contribution to superannuation meets your needs/objectives for the following reasons:* Based on your assessable income of $[\_\_\_,\_\_\_], we estimate you will be eligible to a Co-contribution of $[\_\_\_,\_\_\_].
* Increasing your superannuation savings helps you save for retirement.
* Contributions made with after tax dollars will form part of the tax-free component of your super, and will be tax-free upon withdrawal.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment. In addition:
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Legislation limits non-concessional contributions to $100,000 per financial year or, if eligible, at a maximum of $300,000 over a period of three financial years. Amounts contributed in excess of the limit will be subject to tax at the top marginal rate 45%.
* Non-concessional contributions cannot be claimed as tax deductions.
 |

Salary Sacrifice Contributions to SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Salary Sacrifice Contributions to SMSF |
| Explanation | [Client] [and [Partner]], we recommend you [each] Salary Sacrifice $[\_\_\_,\_\_\_] per annum into your [SMSF Name]. We recommend you continue these contributions until [period / retirement]. |
| In your Best Interest |  |
| Further Detail | Please note that you Salary Sacrifice contributions incur contributions tax of 15%, which equates to $[\_\_\_,\_\_\_]. Therefore, after the deduction of contributions tax the net superannuation contribution will be $[\_\_\_,\_\_\_].Typically, the benefits of this recommendation are:* You accelerate your accumulation of wealth within the superannuation environment for retirement planning purposes.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.

In addition:* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Typically, the risks associated with recommended strategy are:* Your future Superannuation Guarantee contributions (SG) may decrease in line with your reduction in salary. You will need to consult your HR department in this regard.
* Like Superannuation Guarantee (SG), the law categorises salary sacrifice payments as ‘Employer’ contributions that are not mandatory but are requested by the employee in an agreement made in advance of the first payment. This helps to explain why salary sacrifice is more formally known as Reportable Employer Superannuation Contributions (RESC).

It also helps to explain why RESC amounts can legally be substituted to reduce an employer’s mandatory minimum superannuation liability (SG). So, when a request to salary sacrifice is made, it should be made clear that the employee’s SG payments are not to be reduced as this will reduce the overall employee salary ‘package’ entitlement. * Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Concessional contributions are limited to $25,000 per annum.
* Excess concessional contributions can be refunded. These amounts will be added to your assessable income and taxed at your marginal tax rate (less 15%) plus penalties.
 |

Splitting Superannuation Contributions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Splitting Superannuation Contributions |
| Explanation | [Client], [Salary Sacrifice][make a concessional contribution] of $[\_\_\_,\_\_\_] to [retail superannuation fund] OR [to your SMSF <Name>]. Apply to the trustee of <Client Fund’s Name> to split to [Partner]. |
| In your Best Interest |  |
| Further Detail | The net amount contributed (and transferred) to your partner’s superannuation account will be $[\_\_\_,\_\_\_] after contributions tax of 15%.Typically splitting your superannuation contributions meets your needs/objectives for the following reasons:* Increasing your superannuation savings helps you save for retirement.
* By splitting your super contributions into [Spouse]'s super account, you may both be able to benefit from tax-free withdrawals of up to $205,000 (where eligible) if you decide to withdraw a lump sum amount before age 60.
* Implementing a super splitting strategy can provide tax benefits when [Spouse] commences a retirement income stream. Pension payments will be tax free from age 60.
* Superannuation assets are only assessed for social security purposes once a person reaches Age Pension age. By splitting your super benefits to your spouse, you will potentially reduce the amount of super benefits being assessed and thus increase Centrelink entitlements once you reach Age Pension age.
* We estimate that your Centrelink entitlements would increase to $[\_\_\_,\_\_\_] as a result of this recommendation.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment. In addition:
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Superannuation contribution splitting can only be made to a spouse who is either under preservation age or between preservation age and 65 years of age and has not yet met a condition of release (for example, retirement).
* The maximum amount you can split with your spouse each financial year is the lesser of 85% of your taxed splittable contributions and your concessional contribution cap.
* An application to have your contributions split can be made either at the time that an account is being closed, or at the end of the relevant financial year. Normally, the split of funds is implemented after the end of a financial year in which the contribution took place.
 |

Spouse Contribution \_ SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Spouse Superannuation Contributions \_ SMSF |
| Explanation | [Client] [and [Partner]], make a Spouse Contribution of $[\_\_\_, \_\_\_] per annum into [SMSF Name]. The funds will be sourced from your surplus income. |
| In your Best Interest |  |
| Further Detail | Typically making a spouse contribution to superannuation meets your needs/objectives for the following reasons:* Based on [Spouse name]’s estimated assessable income this financial year, it is expected that you will receive a tax offset of approximately $[\_\_\_,\_\_\_]. Currently the maximum tax offset is $540.
* Increasing your superannuation savings helps you save for retirement.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.
* In addition:
* [The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.]
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Note that in order to implement the strategy, the receiving spouse must be under age 70 and met the work test or work test exemption..Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Legislation limits non-concessional contributions to $100,000 per financial year or, if eligible, at a maximum of $300,000 over a period of three financial years. Amounts contributed in excess of the limit will be subject to penalties.
* Non-concessional contributions cannot be claimed as tax deductions.
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Directing Your Superannuation Guarantee (SG) Contributions to Your SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Direct your Superannuation Guarantee (SG) Contributions to your Fund |
| Explanation | Your employer is currently making your SG contributions into your [Retail Fund Name]. We recommend implementing your Superannuation Choice and request that your employer direct all future SG contributions to your SMSF. |
| In your Best Interest |  |
| Further Detail |  |

## SMSF Property - Limited Recourse Borrowing Arrangement (LRBA)

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Limited Recourse Borrowing |
| Explanation | It is recommended that you use the funds available in your self-managed superannuation fund to purchase [asset] with the use of the Limited Recourse Borrowing Arrangements. Based on the recommended amounts to be rolled over it has been estimated that you purchase [asset type][asset class] up to $[\_\_\_,\_\_\_].Prior to settlement of any property, it is recommended that you speak with [our office] [your bank] [mortgage broker] with regards to sourcing a suitable loan from the banks to fund the balance of the property purchased via a SMSF Limited Recourse Loan. |
| In your Best Interest |  |
| Further Detail | Please refer to estimated cash flow for the purchase of a [asset] and information on Limited Recourse Borrowing Arrangements.As a general rule superannuation funds have previously been restricted from borrowing to acquire direct property assets. Amendments made to The Superannuation Industry (Supervision) Act now provide those that have a SMSF with an exception to this general rule.Limited recourse borrowing arrangements generally provide funding of a certain percentage of the value of the underlying investment and even though the investor does not fully own the investment they are entitled to the full level of income that flows through.Effectively the issuer makes a loan to the purchaser for the amount of the remaining value with the interest in the asset being held as security. Ownership is able to fully transfer to the holder upon payment of the final loan instalment.Typically, this arrangement may meet your needs as:* It is estimated that the proposed property to be purchased will be cash flow positive after [Date]
* The income from the property, that is received by your superannuation fund, will incur tax at a lower tax rate (15%) while in accumulation phase. This is less than your marginal rate(s) of tax if the property was purchased in your personal name(s).
* The borrowing can be for a short period or for a period of up to 30 years (depending on the financing arrangement) allowing it to be structured to the underlying circumstances of the fund members
* Members and related businesses can act as lenders providing that all lending is at arm’s length
* It increases the flow of non-contributions funds into the SMSF thereby circumventing the excess contributions tax rules
* All capital gains whilst fund in accumulation phase will be taxed at 10% compared to your marginal tax rates if you had purchased the property in your personal names
* Capital Gains whilst in pension phase will incur zero tax.
* You will be able to borrow the funds using the property to be purchased as security
* The borrowings will be in the name of your super fund and not you personally
* With the rent to be received from the property and with the employer contributions to be made there will be sufficient funds to meet the mortgage expenses, and
* Based on the calculation prepared it has been estimated that you will have an Loan to Value Ratio of [XX] %.

The typical risks of using the Limited Recourse Borrowing Arrangements:* The risk with property investments is mostly in the cyclical nature of property markets, which is why most property investments need to be held over a period of at least 5 years.
* The prospect of high interest rates creating payment pressures for poorly planned investments.
* The increased risk as compared to investing in the underlying asset. Just as leverage provides the potential to make higher percentage returns, it also carries a risk of making large percentage losses.
* The use of a trust structure can be quite problematic and care is needed to avoid potential double stamp duty on the first purchase of the assets by the trust and the second purchase of it under the instalment arrangement.
* Distribution from the trust on final payment of the instalment can give rise to capital gains tax event. However, assuming the fund has absolute entitlement to the investment, the transfer will not trigger capital gains tax.
* You may be required to provide a personal guarantee for the funds to be borrowed
* The interest rate for the funds to be borrowed will be at the standard residential variable rates; however, no discounts will apply to SMSF borrowings, and
* The bank may have additional conditions to be met prior to lending the funds to your super fund.
 |

**Further Detail continued**

**How does borrowing inside superannuation work?**

Borrowing through a super fund must be done via a limited recourse borrowing arrangement. The SMSF borrows the money from a Bank or another party (it could be themselves personally as the lender) and provides the money to a ‘holding’ trust (also known as a ‘security’, ‘custodial’ or previously ‘bare’ trust).

The holding trust owns the asset on behalf of the SMSF, which has a ‘beneficial’ interest. The SMSF receives all of the rent and pays all of the expenses. Once the last loan instalment payment has been made, the ownership of the asset can be transferred from the holding trust to the super fund or this transfer deferred to a later date.

Trustees of SMSF’s should consider and complete the following prior to purchase of the property under the limited recourse borrowing arrangement:

* Trustees of SMSF hold meeting to determine and approve use of borrowing exception under section 67 (A) together with completion of necessary minutes.
* Trustees should review the trust deed to be satisfied it expressly permits the limited recourse borrowing arrangement. You may need to seek advice and if required arrange for a deed upgrade.
* Trustees formulate and implement necessary changes to investment strategy, including risk management and limited recourse borrowing use.
* A trust needs to be established to hold the investment including identifying who is going to be the trustee of that trust.
* The SMSF trustees need to determine how the investment is to be financed and by which lender e.g. financial institution or related party, etc.
* Once these steps are completed you then have the ability to purchase the property.

Listed below are the steps to follow when borrowing to purchase a property via your SMSF:

* SMSF trustees find a property to purchase in accordance with the investment strategy of the fund.
* Trustees of the Holding Trust arrange for exchange of contract and sign the contract to purchase the property.
* SMSF trustees arrange for payment of the property deposit.
* SMSF trustees should take out a cover note to insure the property from the date of the contract.
* SMSF trustees are responsible for ensuring all documentation is completed and ready for the property settlement.
* SMSF trustee arranges financing from a lender. Where the lender is not a related party and is a major financial institution then it is likely that they will have their own mortgage documentation for completion.
* At settlement, the lender and SMSF trustees will provide their proportion of the purchase price amount.

**Trust Deed**

Many SMSF Trust Deeds will not allow this investment to be entered into as most prohibit borrowings. Even if the investment is allowable under the various regulations it is in breach of the Deed if the Deed has not been appropriately drafted. There needs to be a number of other aspects considered also, not just an ability to borrow.

The deed should have express terms giving the fund trustees the:

* Power to borrow.
* Ability to hold assets via a nominee.
* Ability to borrow in excess of the loan to valuation ratio limitations imposed by the various Acts relating to borrowing limitations for Trustees generally.
* Ability to distribute the proceeds of life insurance payouts received at the discretion of the trustees and not be restricted to crediting them to the deceased member's account.

**Fund Trustee**

The Fund Trustee arranges the borrowing for the Fund.

Though there is no requirement under Superannuation Law an external financier will regard it as mandatory that the fund trustee be a constitutional corporation. They will not lend to a fund with individual trustees as it is much easier for a lender to enforce a breach upon a corporation than an individual in the event the loan goes into default.

A prudent trustee would generally favour a corporate trustee in any case.

**Nominee Trustee**

The Nominee Trustee holds the asset on behalf of the SMSF trustees. It is highly advisable that this trustee is also a constitutional corporation though this is not a legal requirement and also not a requirement of most lenders. It must not be the same entity as the Fund trustee as this would mean that no trust exists at law and the arrangement fails.

**The Role of the Holding/Nominee Trustee**

The holding/nominee trustee holds the asset on behalf of the SMSF until the loan has been paid. The Nominee Trustee should act in this capacity ONLY.

This inability to act independently characterises a ‘bare’ trust but the terminology has fallen out of favour for other reasons eg. meeting GST exemptions

The holding trust should not collect rent, pay rates, lodge GST returns, etc. All of these transactions should occur directly within the SMSF.

Importantly, the holding trust

* may have no powers included in its trust deed that enable autonomous action independent of the SMSF
* trustee, typically a nominee company, may not be the same trustee as the SMSF
* trustee is not recommended to be re-used for another holding trust in another borrowing arrangement
* cannot be shared by two, or more, unrelated SMSFs for purchasing an asset
* establishment costs are not eligible as a deduction to the SMSF
* establishment costs do not form part of the cost base of the acquired asset

Should the holding/nominee Trustee be involved in "administering" the asset then, on the eventual transfer of title to the SMSF, there may be adverse stamp duty, GST and capital gains tax implications.

**The Lender**

There is no barrier to the lender being an associate of the SMSF.

A member can be the lender if required. Though the ATO are wary of this arrangement being used to provide a solution to the limitations provided by the contributions caps they realise that there are many bona fide reasons why such a borrowing may be reasonable. They do require all dealings to be on an arm's length basis however.

This means that the fund must pay the lender the rate of interest applicable to a non-recourse loan.

**‘Safe Harbour’ guidelines have been provided by the Australian Taxation Office.**

If the lender is institutional or arm's length, the documentation they provide should be carefully checked to ensure it complies.

**Loan Conditions and Use**

The terms of the loan can be extremely varied.

Where a loan is being made by an associated private company, then expert advice or a private ruling should be sought to ensure that the Australian Tax Office does not regard the loan as a Division 7A loan or deemed dividend. The terms and conditions should be properly documented.

**‘Safe Harbour’ guidelines have been provided by the Australian Taxation Office.**

The loan must be a limited recourse loan meaning the lender's recourse to the assets of the fund is limited to recovering the secured real property asset only. The lender has no rights to pursue a loss against any other of the fund's assets but lender documentation should be checked in this regard as it may invalidate the whole legality of the arrangement and lay the fund’s trustee(s) open to serious taxation penalties.

A SMSF can use borrowed funds to fund expenses related to the asset purchase such as conveyancing, stamp duty or the lender’s establishment fees.

**Loan to Value Ratio; Interest Rate; Repayment terms**

Where an associated party, such as a member, lends to the SMSF the size of the loan, the rate of interest and the repayment terms applied should not advantage the lender at the expense of Trustee responsibilities to SMSF beneficiaries.

For example, a loan interest rate that is too high to be ‘commercial’ can arguably circumvent Preservation rules. A rate that is too low to be commercial is not allowable under the non-arm’s length income (NALI) provisions.

**‘Safe Harbour’ guidelines have been provided by the Australian Taxation Office.**

**Multiple Draw Downs**

Each limited recourse borrowing arrangement is distinct and relates to a single loan. If there is to be any increase to the loan in the future, it will constitute a new arrangement.

**Tenants in Common**

A limited recourse borrowing arrangement is allowable when taken over an asset as ‘tenants in common’. ‘Joint’ ownership is not allowed.

**Property Development**

A limited recourse borrowing arrangement can only be used to acquire the property on completion. It cannot be used to fund a property development.

However, an important exception is the purchase of a legitimate ‘house and land’ off-the-plan ‘package’; incorporating in one contract both site purchase and development.

**Re-financing Loans**

The fund can refinance with a commercial lender, extinguish the original arrangement and pay the associated costs.

**Personal Guarantees**

Many commercial lenders require them and refuse to lend on any other basis. However, the Taxation office says that guarantees are not required but, by implication, not forbidden.

In seeking potential recompense for a loan default, the guarantor can only establish rights (recourse) to the asset being acquired under the borrowing.

**Interest Tax Deductibility**

Any surplus interest, after reduction of income received from the asset, is tax deductible to the fund to the extent that the fund is a taxable complying fund.

If the loan is applied to an accumulation interest, then the interest is deductible against other taxable income of the fund and will generate a tax credit accordingly.

If the fund has retirement-phase pension interests solely, then no tax deduction is available to those interests.

If the fund contains both pension and accumulation accounts and the investment is part of the un-segregated fund assets then the deduction is calculated pro-rata to the value of the accumulation balances as determined by an actuary.

If the fund contains both segregated accumulation and pension accounts but the limited recourse borrowing arrangement is wholly attributable to the accumulation members, or accumulation reserves, then the interest will be fully deductible.

**What happens on the Death of a Member?**

If the fund has sufficient other assets to pay out the value of the deceased member’s death benefit, then the property can be maintained (subject to the Fund’s investment strategy) and the existing LRBA can continue.

If the property must be sold then the limited recourse borrowing arrangement cannot continue.

The property may be sold at fair value to anyone; including a related party of the fund.

Any number of other considerations may arise:

* Other assets of the Fund may be liquidated for the deceased’s death benefit and the proceeds used to pay out the loan and the property retained unencumbered
* A new LRBA arrangement can be entered into by the remaining fund members.

**Acquiring a Property**

Most generally, no asset currently owned by the fund can be acquired under a LRBA. Any other asset allowable under the fund’s trust deed and superannuation law is acceptable. Any desired tax deductibility of LRBA interest to the fund implies that an income producing property would appropriate.

Superannuation Law restrictions apply:

* prohibiting the purchase of a property from a related party [1] unless it is business real property
* prohibiting the use of residential property, purchased from a non-related party, for the personal benefit of members
* requiring purchased property to be valued at arm’s-length both at initial purchase and ongoing.

[1] The acquisition of an asset from a member or associate realises a capital gains tax event even though the beneficial ownership may not appear to change.

It is important that arms-length considerations be applied at all times. If, in purchasing a commercial property from an associated party the SMSF acquires the property at less than arms-length or, receives greater or less than arms-length rental or acquires the asset under a warrant arrangement involving finance from an associated party at less than market interest then the whole of the income generated by the property could be taxed at 45%, any interest discount could be counted against contribution caps and/or the arrangement could breach the sole purpose test.

**Transfer Balance Cap**

The aggregate value of any member’s eligible Retirement Income Stream interests, with any one or more of these interests having property assets backing exempt pension income, cannot exceed one’s applicable personal Transfer Balance Cap (TBC).

Some income streams are not Retirement Income Streams under the TBC provisions.

**Total Superannuation Balance**

When an SMSF has refinanced a Limited Recourse Borrowing Arrangement (LRBA) after 1 July 2018 and the original borrowing occurred before 1 July 2018, the refinanced amount will not be counted towards the determination of the member’s TSB.

**Transfer Balance Account**

If a superannuation provider, after 1 July 2017, made an LRBA loan payment that increased a pension interest at the expense of an accumulation interest, that payment is credited to the member’s TBA.

**Ongoing maintenance of a Property asset**

Ongoing management and maintenance of the property is the responsibility of SMSF trustees; not the holding trust trustees. All rental/lease income should be banked into the SMSF bank account, and all expenses in relation to the property paid by the SMSF.

All accounting requirements in relation to the limited recourse borrowing arrangement will be carried out within the SMSF by the accountant/administrator who is responsible for the year end accounting, compliance and audit work.

**Reasons for recommendation**

* Achieve leveraged returns within the superannuation environment.
* Diversify your portfolio into the direct property market or sector.
* Earn rental income with taxation benefits.
* Access potential capital growth.
* Access to gearing without the risk of a margin call.
* There is no CGT on transfer of the property to the investor.
* Ability to acquire real business property for lease to a related business operation.
* Potentially up to 100% tax advantaged investment depending on your circumstances\*.
* As SMSF’s cannot borrow to fund property, many have trouble adding property to their portfolio. A Limited Recourse Loan allows SMSF’s to invest in property immediately.
* Property investments via Limited Recourse Loans suit your portfolio within your SMSF as they build long term wealth in a tax effective manner and offer you leveraged gearing without margin calls.

**Stamp Duty**

Stamp duty laws are State based, vary widely and will be applied accordingly. This cost should be ascertained prior to proceeding.

**Please refer to the appendices section of this Statement of Advice for additional information with regards using the Limited Recourse Borrowing Arrangements.**

**Further Detail continued**

We can liaise with the loan provider once it has been confirmed the purchase of the property will be proceeding.

The general lending criteria for this arrangement is as follows:

* Banks will only lend between 60% to 70% on Commercial Properties and between 70% to 80% for residential (with use of a Corporate Trustee) of the property’s purchase price (not including GST or Stamp Duty).
* They will only offer a maximum loan term between 1 to 30 years.
* They offer Principal & Interest and Interest only repayments.
* They also offer variable and fixed interest options.
* Some banks charge an establishment fee for these loans – this will be confirmed once a suitable product has been sourced.
* There will be additional legal fees as the banks use an external supplier to review your SMSF Trust Deed, Corporate Trustee Document and Custodian Trustee Documents.
* The banks also would like clients to be aware that it is not the banks responsibility for ensuring that the loan and the acquisition of the security property complies with the relevant legal and tax requirements.
* That you understand the risks with gearing into investments.
* That regular repayments are made on the loan.
1. By using bank funding to fund the balance of the property, the bank will be able to lend the funds to your super fund at commercial bank rates, which are based on the current residential variable interest rate.
2. The interest expense from the funds used will be classified as deductible debt for which your superannuation fund can claim a tax deduction.

Fees and Charges

Please refer to the *Fees, Charges & Other Interests* section of this Statement of Advice for more information.

**Seek expert Advice in relation to a suitable SMSF Limited Recourse Loan to fund the balance of the property to be purchased.**

## Limited Recourse Borrowing Arrangement (LRBA) \_ Safe Harbour Steps

An LRBA used to acquire real property, or to refinance a borrowing used to acquire real property, is consistent with an arm's length dealing if the terms of the borrowing are established and maintained throughout the LRBA as set out below:

**For a Property**

|  |  |
| --- | --- |
| Interest Rate | Reserve Bank of Australia Indicator Lending Rates for banks providing standard variable housing loans for investors.From June 2020 for FY 20-21: 5.10% |
| Fixed/Variable | Interest rate may be variable or fixed.* Variable - uses the applicable rate (as set out above) for each year of the LBRA
* Fixed - trustees may choose to fix the rate at the commencement of the arrangement for a specified period, up to a maximum of 5 years. The rate (as set out above) is used when a fixed rate is being set in FY 2020-2021.
 |
| Term of the Loan | * Variable interest rate loan (original) - 15 year maximum loan term (for both residential and commercial)
* Variable interest rate loan (re-financing) - maximum loan term is 15 years less the duration(s) of any previous loan(s) relating to the asset (for both residential and commercial)
* Fixed interest rate loan - a new LRBA commencing may involve a loan with a fixed interest rate set at the beginning of the arrangement. The rate may be fixed for a maximum period of 5 years and must convert to a variable interest rate loan at the end of the nominated period. The total loan term cannot exceed 15 years.
 |
| Loan to Market Value ratio (LVR) | Maximum 70% LVR for both commercial and residential property* If more than one loan is taken out to acquire (or refinance) the asset, the total amount of all those loans must not exceed 70% LVR.

The market value of the asset is to be established when the loan (original or re-financing) is entered into. |
| Security  | A registered mortgage over the property is required |
| Personal Guarantee | Not required |
| Nature and Frequency of Repayments | Each repayment is of both principal and interest.Repayments are monthly. |
| Loan Agreement | A written and executed loan agreement is required. |

## SMSF Property - Joint Venturing

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | SMSF Property - Joint Venturing |
| Explanation | I recommend that the Trustee, enter into a Joint Venture with [name] under sections 13.22C,D of the Superannuation Industry Supervision Regulations to purchase [ property asset ].To enable this, purchase $[\_\_\_,\_\_\_] of units valued at $[\_\_\_,\_\_\_] at [ date ] using a fixed[1] trust that will be used to purchase and hold the required residential or commercial property.**OR**To enable this, purchase $[\_\_\_,\_\_\_] of shares valued at $[\_\_\_,\_\_\_] at [ date ] using a special purpose, off-the-shelf company. The private company will be used to purchase and hold the required residential or commercial property. |
| In your Best Interest |  |
| Further Detail | [1] It is recommended that you have your Unit Trust deed examined by experts to ensure that identified Unit Holders can purchase only a strictly ‘Fixed’ entitlement to income and capital distributions from the trust.You have indicated that you are:* interested to receive advice on borrowing options available to you using a SMSF

and/or* ‘intending to’ or ‘considering the’ purchase of an investment property using SMSF assets
 |

## Wind-up your SMSF

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Winding Up the Fund |
| Explanation | I recommend that you wind up the [Fund Name] SMSF. |
| In your Best Interest |  |
| Further Detail | The [Trustee Company] / [Individual Trustees] of [SMSF Name], require that [SMSF Name] be wound up and fund’s member account balances to be distributed to [member] [or] [members]. ORThe [Trustee Company] [or] [Individual Trustees] wants guidance in understanding the wind-up process.The following process would apply:* Review any provisions of the SMSF's Trust Deed that reference winding up
* Seek advice from an experienced SMSF solicitor to ensure the wind-up references in the Trust Deed are understood and any anticipated future actions are appropriate.
* All Trustee resolutions must be recorded by Minute
* Have interim SMSF accounts prepared so that member balances can be determined
* Ensure all of the SMSF's assets have been sold and the contributions of the members dealt with in accordance with the SMSF's trust deed and superannuation rules.

Ensure that all of the proper steps are taken to transfer ownership and title of liquidated/transferred assets.* Pay any outstanding third-party fund liabilities; withhold any necessary taxation that may need to be remitted
* Once all of the SMSF's assets have been determined, then the trustee(s) must either pay out or rollover the member(s) benefits

Trustees must observe any superannuation legislation/regulations that restrict member benefits. As necessary, benefits to be rolled over must only be paid to a complying super fund* Prepare and lodge any outstanding Tax returns from previous periods
* Arrange for an approved auditor to conduct a final audit of the SMSF. This audit must be completed before the final tax return can be lodged
* Lodge the SMSF's final annual tax return
* Notify the ATO, in writing, within 28 days of the SMSF being wound up, with the following information:
* Name and ABN of the SMSF;
* Date the SMSF was wound up,
* Details of a contact person including their name, phone number and fax number.
* If the SMSF has a corporate trustee, decide whether they wish to deregister (or wind-up and deregistration) the company with the Australian Securities and Investments Commission.
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##

## Social Security

## Aged Care

Home Care

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Aged Care at Home |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information outlined, we estimate you will be liable for the following amounts if you implement a home care package:* A basic daily care fee of $[\_\_\_,\_\_\_] per day, $[\_\_\_,\_\_\_] per annum.
* An income tested daily care fee of $[\_\_\_,\_\_\_] per day, $[\_\_\_,\_\_\_] per annum.

Therefore, we estimate your total home care package costs of living requirements will be approximately $[\_\_\_,\_\_\_] per annum.Please refer the Appendix section titled ‘Aged Care – Home Care Packages’ for more information. |

Residential Care

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Residential Aged Care |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information outlined, we estimate you will be liable for the following amounts if you move into institutional care:* An initial accommodation payment of $[\_\_\_,\_\_\_] [when client is paying a RAD, RAC]
* A basic daily care fee of $[\_\_\_,\_\_\_] per day, $[\_\_\_,\_\_\_] per annum.
* A means tested fee of $[\_\_\_,\_\_\_] per day, $[\_\_\_,\_\_\_] per annum.
* An accommodation payment of $[\_\_\_,\_\_\_] per day. [when client is paying a DAP, DAC]

Therefore, we estimate your total cost of living requirements after moving into the residential care will be approximately $[\_\_\_,\_\_\_] per annum.Please refer the Appendix section titled ‘Aged Care - Residential Care’ for more information.  |

Age Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Age Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Centrelink determines your Age Pension entitlement based on an income and asset test. They apply the result of the test which gives you the lowest pension entitlement. As such your Age Pension entitlement will be determined under the [assets][income] test.We estimate your entitlement will be $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum), including Pharmaceutical Allowance.Please refer the appendix projection titled ‘Centrelink Entitlements’ for a detailed calculation.  |

Carer Allowance

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Carer Allowance |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | We estimate that [Client Name] would be entitled to the Carer Allowance due to the fact that [he][she] provides daily care and attention for [name].The basic rate for the Carer Allowance is $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum).In addition, a:Child Disability Assistance payment $[\_\_,\_\_\_] is paid annually for each child under the age of 16.Carer Supplement payment $[\_\_,\_\_\_] is paid annually on 1 July for each eligible child.The Carer Allowance is not subject to tax. The Carer Allowance may also be paid in addition to other Centrelink support payments. ***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information on the Carer Allowance.*** |

Carer Payment

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Carer Payment |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Centrelink determine your Carer Payment entitlement based on the test which will result in the lowest payment. As such your carer payment entitlement will be determined under the [assets][income] test.We estimate your entitlement will be $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum), including Pharmaceutical Allowance. |

Child Support Payment

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Child Support Payment |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | We estimate that if you reduce your taxable income by $[\_\_\_,\_\_\_] through salary sacrifice into superannuation, you may be entitled to a reduction of child support payments of approximately $[\_\_\_,\_\_\_] in the first financial year. |

Disability Support Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Disability Support Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Centrelink determine your entitlement based on the test which will result in the lowest payment. As such your Disability Support Pension entitlement, will be determined under the [assets][income] test.We estimate your entitlement will be $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum), including Pharmaceutical Allowance.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information in relation to Disability Support Pension.*** |

Family Tax Benefit Part A

|  |  |
| --- | --- |
|  |  |
|  |  |
|  |  |
|  |  |
|  | We estimate your taxable income is approximately $[\_\_,\_\_\_]. Therefore, we determine that you should be entitled to a Family Tax Benefit Part A of $[\_\_,\_\_\_] per fortnight $[\_\_,\_\_\_] per annum – including the Family Tax Benefit Part A supplement). However, we recommend you consult your local Centrelink office in this regard.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information in relation to Family Tax Benefit Part A.*** |

Family Tax Benefit Part B

|  |  |
| --- | --- |
|  | We estimate you will be entitled to a Family Tax Benefit Part B payment of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum). However, we recommend you consult your local Centrelink office in this regard.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information in relation to Family Tax Benefit Part B.*** |

Funeral Bonds & Social Security

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Funeral Bonds and Social Security |
| Explanation | [Client] [and [Partner]], invest $[\_\_,\_\_\_] into a funeral bond. The funds will be sourced from [insert source of funds]. |
| In your Best Interest |  |
| Further Detail | The typical benefits of this recommendation are:* Your funeral expenses will be pre-paid and therefore organised.
* These investments are exempt from Centrelink’s Assets Test, up to the limit of $13,500 each (however, you can each purchase a funeral bond, reducing your Centrelink assessable assets by a combined amount of $27,000).
* We estimate that this will increase your Centrelink Age Pension by approximately $[\_\_,\_\_\_] per annum.

The typical risks associated with this recommendation are:* Immediate access to the capital invested may result in taxation consequences.
* If investing cash savings, you will lose the government bank guarantee on amounts under $250,000.
* Historically poor investment returns.
 |

Gifting

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Gifting |
| Explanation | [Client] [and [Partner]], a gift $[\_\_,\_\_\_] is recommended from your [cash/shares in specie] to [Name], which will result in a reduction of your Centrelink assessable assets by $[\_\_,\_\_\_] and a reduction in your Centrelink assessable income of $[\_\_,\_\_\_] |
| In your Best Interest |  |
| Further Detail | Based on our information, you have not gifted in excess of the rules. Consequently, you should not be assessed for any deprived assets. If you are aware of additional gifts you have made which may be considered to be within the gifting rules, please advise us prior to making any further gifts.* We estimate that this will increase your Centrelink [Benefit Name] by approximately $[\_\_,\_\_\_] per annum.

***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information on Gifting and the Gifting rules.*** |

Newstart Allowance

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Newstart Allowance |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information we have been provided, we estimate you will be entitled to a Newstart Allowance of $[\_\_,\_\_\_] per fortnight $[\_\_,\_\_\_] per annum).***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for a detailed calculation.*** |

Parenting Payment

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Parenting Payment |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information we have been provided, we estimate you will be entitled to a Parenting Payment of $[\_\_,\_\_\_] per fortnight $[\_\_,\_\_\_] per annum).***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to Parenting Payments.*** |

Pension Bonus Scheme

|  |  |
| --- | --- |
|  | Based on the information we have been provided, we estimate you will be entitled to a Pension Bonus Scheme payment of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum).***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to the Pension Bonus Scheme.*** |

Sickness Allowance

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Sickness Allowance |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information we have been provided, we estimate you will be entitled to a Sickness Allowance of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum).***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to Sickness Allowance.*** |

Widow Allowance

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Widow Allowance |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information we have been provided, we estimate you will be entitled to a Widow Allowance of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum).***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to Widow Allowance.*** |

Youth Allowance

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Youth Allowance |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on the information we have been provided, we estimate you will be entitled to a Youth Allowance of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum).***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to Youth Allowance.*** |

DVA Disability Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | DVA Disability Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | From the information that we have been provided, we have determined that you will be eligible for a DVA Disability Pension of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum).However, you will need to consult with your local Department of Veteran Affairs office for an official determination of your DVA entitlements.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to the DVA Disability Pension.*** |

DVA Age Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | DVA Age Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | From the information that we have been provided, we have determined that you will be eligible for the Age Pension paid through the DVA. We estimate that your entitlement to the Age Pension is $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum), including Pharmaceutical Allowance.However, you will need to consult with your local Department of Veterans' Affairs office for an official determination of your DVA entitlements.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to the Pension.*** |

DVA Invalidity Service Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | DVA Invalidity Service Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | From the information that we have been provided, we have determined that you will be eligible for an Invalidity Service Pension. We estimate that your entitlement to the Invalidity Service Pension is $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum), including Pharmaceutical Allowance.However, you will need to consult with your local Department of Veterans' Affairs office for an official determination of your DVA entitlements.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to the Invalidity Service Pension.*** |

DVA Partner Service Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | DVA Partner Service Pension |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | From the information that we have been provided, we have determined that you will be eligible for a Partner Service Pension. We estimate that your entitlement to the Partner Service Pension is $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum), including Pharmaceutical Allowance.However, you will need to consult with your local Department of Veterans' Affairs office for an official determination of your DVA entitlements.***Please refer to the appendix projection titled ‘Centrelink Entitlements’ for more information relating to the Partner Service Pension.*** |

DVA War Widows Pension & Income Support Supplement

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | DVA War Widows Pension & Income Support Supplement |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | You are currently receiving War widow pension of $[\_\_,\_\_\_] per fortnight ($[\_\_,\_\_\_] per annum). Your entitlement based on the test which will result in the lowest payment. As such your Income Support Supplement will be determined under the [assets][income] test.However, you will need to consult with your local Department of Veterans’ Affairs office for an official determination of your DVA entitlements. |

Commonwealth Seniors Health Card

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Commonwealth Seniors Health Card |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on our calculations, you will be entitled to a Commonwealth Seniors Health Card. |

Health Care Card

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title |  |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on our calculations, you will be entitled to a Health Care Card. |

Pensioner Concession Card

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title |  |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | Based on our projections, you will be entitled to a Pensioner Concession Card as you are a recipient of a Centrelink pension. |

##

## Entity Structuring

Company

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Establish a Company |
| Explanation | We recommend you consider establishing a Company\_ [Company Name] to own [investment]The structure should be: [proprietary limited], [unlimited], [limited by guarantee], [limited liability partnership] |
| In your Best Interest |  |
| Further Detail | A Company is a separate legal entity which has the right to sue and be sued in its own name and the right to hold, deal and dispose of assets. Ownership of a Company is held by way of shares that accord voting rights, and shareholders have the right to elect directors who formulate company policy.The typical benefits of using a company structure are:* A Company’s income is taxed at a relatively low flat rate of 30%.
* A Company can be established with limited liability. However, it should be noted that, if a breach of director’s duties occurs, the director may become personally liable.
* Shareholders can receive franked dividends. This may provide a significant tax benefits if the dividends are paid in a year where shareholders have a lower marginal tax rate (i.e. retirement).
* A Company can claim a full tax deduction for employee superannuation contributions
* A Company can stream pre-tax income by the payment of reasonable salaries.
* A Company can stream post-tax income through the use of different classes of shares. This allows franked dividends to be distributed to shareholders who can best utilise franking credits (i.e. those on the lowest marginal tax rate).
* A Company that carries on a business and has shareholders with a significant interest can make maximum use of the CGT small business concessions.
* A Company can provide fringe benefits to its employees, including directors, which allows employees to take advantage of concessionally taxed fringe benefits (e.g. company cars, mobile phones, lap top computers).

The typical disadvantages of a company structure are:* A Company has higher set up costs than other structures.
* Generally, a Company can be set up for approximately $1,000 if purchasing an existing company from an accountant and takes approximately 24 hours to obtain (the Company will not have previously traded – it established exactly for this purpose).
* A company allows the deferral of tax, but ultimately a dividend must be paid to access the funds inside the company. Additional tax may be payable at that time.
* Ongoing administrative requirements. Need to lodge a separate tax return and maintain a separate bank account.
* Losses incurred are trapped within the Company. Only the Company can carry these losses forward.
* A Company cannot utilise the general 50% CGT discount on assets held for 12 months or more.
 |

Trust

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Establishing a Trust  |
| Explanation | We recommend you consider establishing a Trust to own [investment] The structure should be: [fixed trust], [discretionary trust], [family discretionary trust], [hybrid trust]A [Family] Discretionary Trust allows allocation of income and capital gains in the most tax effective manner. The beneficiaries of the trust should be [insert beneficiaries]. |
| In your Best Interest |  |
| Further Detail | Typically, the benefits of establishing a discretionary family trust are:* Flexibility in relation to income splitting (can take advantage of lower tax rates of beneficiaries and the company tax rate of 30% where a corporate beneficiary is established).
* Flexibility to stream different types of income to different beneficiaries.
* Availability of the general 50% CGT discount on assets held for 12 months or more.
* Ability to utilise the Small Business CGT Concessions.
* Can make employer superannuation contributions on behalf of employees (within the relevant caps).
* Protection of assets.
* Because the assets are owned by the trust and not by any of the beneficiaries, the assets owned by a trust are typically protected in the event of any of the beneficiaries being sued or becoming bankrupt.
* Greater control over estate planning.
* Assets owned by a trust continue to be owned by the trust in the event of death, the trust continues to be controlled by the trustee.

The typical disadvantages of a trust structure are as follows:* Can be complicated to understand.
* Moderate set-up costs.
* Administration Costs. Need to lodge a separate tax return and maintain a separate bank account.
* Tax losses are quarantined within the trust.
 |

Partnership

|  |  |
| --- | --- |
|  | A Partnership is a contractual relationship between the partners. It is not a separate legal entity and not a taxpaying entity, which the tax liability falls directly on the partners. It is a simple structure with low establishment and ongoing administration costs.The benefits of structuring the business as a Partnership are:* Losses incurred by the Partnership can be transferred to the individual partner, which can be used to offset against other income of a partner.
* Allows some income splitting between the partners. It must be split in accordance to each partner’s interest in the partnership agreement.
* Individual partners can claim a 100% tax deduction for superannuation contributions in their personal tax returns.
* Can use the 50% discount on capital gains.
* Can also utilise the small business CGT concessions.

The disadvantages of establishing a Partnership are:* Difficult and complicated to calculate the CGT liability upon the sale or transfer of an interest in a Partnership. Each partner must determine their own CGT liability based upon their share of proceeds of the sale.
* The partners have unlimited liabilities for all debts and obligations of the Partnership incurred.
* No asset protection available for individual partners.
* It cannot provide fringe benefits to partners because they are not employees.
 |

## Superannuation

Work Test Exemption

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Work Test Exemption  |
| Explanation | [Client], we recommend that you make a contribution of $[\_\_\_,\_\_\_] this financial year to the [fund name].  |
| In your Best Interest |  |
| Further Detail | A person who has not reached his/her 75th birthday may make voluntary superannuation contributions to superannuation without meeting the Work TestThe work test typically requires gainful employment of 40 hours in 30 continuous days in the year that a contribution will be made and this still applies to those aged 67 and olderTo qualify for an Exemption from that work test:* The work test must have been satisfied in the previous financial year
* Total Superannuation balance was less than $300,000 at the end of the previous financial year.
* Nil previous contribution under this exemption has been made

Voluntary non-concessional contributions are subject to the non-concessional contributions cap but can validly trigger bring-forward caps given the usual bring-forward rules.Voluntary concessional contributions are subject to the concessional contribution cap but are eligible as catch-up concessional contributions given the usual catch-up rules. |

Downsizer Contributions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Downsizer Contribution |
| Explanation | [Client], make a contribution of $[\_\_,\_\_] this financial year to [fund name]. |
| In your Best Interest |  |
| Further Detail | Individuals aged 65 years or older may contribute up to $300,000 each of the proceeds of the sale of a dwelling (home).For a couple, each qualify for this contribution separately irrespective of whether only one member of the couple owned that dwelling.The dwelling must have been occupied for 10 years by the individual or that individual’s former spouse. |

Transfer Balance Cap

|  |  |
| --- | --- |
|  | The Government has legislated a cap of $1.6m upon the amount that can be invested in retirement income streams:* account based pensions
* market linked income streams
* pensions that are ‘inherited’ (reversion) upon the death of another person
* capped defined benefit income streams

In aggregate, the sum of any existing (valued at 30 June of the preceding year), or new pensions, cannot exceed $1.6m. Amounts in excess must be withdrawn from the superannuation system or rolled back into a superannuation accumulation account. In the calculation of the superannuation balance versus the Transfer Balance Cap, the following do not count:* Transition to Retirement Pensions
* Movements of pension balances due to earnings or investment losses

The Transfer Balance Cap (TBC) is expected to index and will increase in $100,000 increments; anyone receiving an initial pension will be subject to the indexed limit of the TBC that applies at that time.When indexation occurs, the opportunity for an individual with a pre-existing pension(s) to increase their aggregate pension balance may arise.  |

Transfer Balance Account

|  |  |
| --- | --- |
|  | Once an individual receives a pension, the retirement income stream balance is tracked ongoing. This is called a Transfer Balance Account (TBA).For a person commencing their first pension, the individual’s TBA would be equal to the Transfer Balance Cap (TBC) $1.6m.Otherwise, a person’s TBA can alter:Increase:* as new pensions commence or are inherited

Decrease:* when a special lump sum capital payment (commutation) is made
* by family law splits, repayments of fraudulent or otherwise voided contributions as they occur
* by the amount of retirement stream capital funded from a structured settlement
 |

Total Superannuation Balance (TSB)

|  |  |
| --- | --- |
|  | An individual’s Total Superannuation Balance is the sum of:* superannuation interests in accumulation
* account balances of Transition to Retirement pensions
* the balance of the Transfer Balance Account

It is determined for the new financial year at 30th June of the preceding financial year.It excludes any lump sum amounts received by a superannuation fund from a structured settlement |

Low Income Superannuation Tax Offset (LISTO)

|  |  |
| --- | --- |
|  | This payment effectively offsets the contibutions tax on Concessional Contributions paid by low income earners with adjusted taxable income not exceeding $37,000. The amount of payment cannot exceed $500 and eligibility is limited to those for whom 10% or more of their income is from business or employment. |

High Income Earners – Contributions Tax

|  |  |
| --- | --- |
|  | High Income Earners pay an additional 15% contribution tax on concessional contributions made to superannuation. This extra payment is driven by Division 293 of the Tax Act.Those earning $250,000 per annum or more will be affected by this tax. |

Superannuation Guarantee (SG)

|  |  |
| --- | --- |
|  | The Superannuation Guarantee (SG) is a Commonwealth Government program that requires all employers to make minimum contributions to a complying superannuation fund for their employees. An employer includes the public and private sector, tax exempt organisations and family companies or trusts if they pay salary or wages.The rate of SG for the 2020/2021 financial year is equal to 9.5% of Ordinary Time Earnings (required to be paid at least quarterly). An employer is not required to contribute beyond an employee’s concessional contributions cap. Employers have 28 days after the end of the quarter to pay the required SG amount for employees, if they do not do so, then they are required to pay the Superannuation Guarantee Charge (SGC). |

Spouse Contributions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Spouse Superannuation Contributions |
| Explanation | [Client], we recommend that you make a spouse contribution of $[\_\_\_,\_\_\_] this financial year to the [fund name].  |
| In your Best Interest |  |
| Further Detail | A Spouse Contribution is a non-concessional contribution made by one spouse to their spouse’s superannuation fund for the benefit of building retirement assets.The main income earner generally makes a Spouse Contribution to their non-working or low-income earning spouse’s superannuation fund.Where the assessable income of the recipient spouse is less than $37,000, the contributing spouse is entitled to receive a tax offset up to 18%. The value of the offset reduces to zero when the receiving spouse earns $40,000 or more.The tax offset can only be claimed on the first $3,000 contributed, therefore the maximum tax offset the contributing spouse may be entitled to is $540.Note that in order to implement the strategy, the receiving spouse must be under age 67, or aged 67-74 and met the work test or work test exemption.. |

Redundancy Payment

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Redundancy Payment |
| Explanation | * We recommend you utilise these funds [recommendation]
 |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], you have received a genuine redundancy payment of $[\_\_\_,\_\_\_], consisting of the following components:

|  |  |
| --- | --- |
| Component | Value |
| Tax Free Amount | $\_\_\_,\_\_\_ |
| Employment Termination Payment | $\_\_\_,\_\_\_ |
| Tax Free Component | $\_\_\_,\_\_\_ |
| Taxable Component | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |

We estimate you will incur tax of $[\_\_\_,\_\_\_], resulting in a net redundancy payment of $[\_\_\_,\_\_\_].  |

Retain Your Existing Superannuation Fund

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Existing Superannuation - Retain |
| Explanation | As your current asset allocation is in line with your risk profile, our recommendation is to maintain your current investment option of [investment option] within your [product] superannuation fund. |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], you currently have $[\_\_\_,\_\_\_] invested in your [product] superannuation fund.Your investment option within your current employer sponsored [product] superannuation fund is invested as follows:

|  |  |
| --- | --- |
| Investment Option | Allocation |
| <Underlying Investment Option> | X.XX% |
| <Underlying Investment Option> | X.XX% |
| <Underlying Investment Option> | X.XX% |
| <Underlying Investment Option> | X.XX% |
| Total | 100% |

The typical benefit of this recommendation is that all your assets are invested in accordance with your investment risk profile to achieve your financial goals. |

Rollover Your Existing Superannuation Fund

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Existing Superannuation \_ Rollover |
| Explanation |  |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], rolling over your [product] superannuation fund into the [product] superannuation fund, can typically have the following benefits:* The recommended fund offers a much wider range of managed investment options and access to direct shares.
* The recommended fund offers lower ongoing fees than your existing fund.
* You consolidate your superannuation benefits to reduce the total ongoing management fees charged on your total superannuation benefits.
* You consolidate your superannuation benefits for ease of administration.
* Your superannuation benefits will be invested in accordance with your risk profile to achieve your financial goals.

Before proceeding you should note the following:* In rolling over your existing superannuation, there are a number of considerations and implications you need to be aware of, including:
* Upfront, ongoing and exit fees;
* Buy/Sell costs;
* Time out of the market; and
* Loss of insurance, bonuses and auto acceptance.

***Please refer to the Replacement of Product Information section of this advice, for further information.*** |

Underlying Investment Switch within Your Existing Superannuation Fund

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Existing Superannuation Fund \_ Investment Switch |
| Explanation | We recommend you switch your superannuation benefits to the following investment options within your [product] superannuation fund:

|  |  |  |  |
| --- | --- | --- | --- |
| Redeemed Fund | Value | Recommended Fund | Value |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |  | $\_\_\_,\_\_\_ |

 |
| In your Best Interest |  |
| Further Detail | Your current asset allocation is not in line with your personal investment risk profile.We have determined that your entire investment portfolio, including your current and future superannuation benefits should be in line with your [assessed risk profile] risk profile.Upon switching from your current investment options within your superannuation fund a switching fee of $[\_\_\_,\_\_\_] will be incurred. The switching fee will be deducted from your superannuation benefits. |

Underlying Investment Switch within Your Existing Superannuation Pension Fund

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Existing Pension Fund \_ Investment Switch |
| Explanation | We recommend you switch your superannuation benefits to the following investment options within your [product] superannuation Pension fund:

|  |  |  |  |
| --- | --- | --- | --- |
| Redeemed Fund | Value | Recommended Fund | Value |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |  | $\_\_\_,\_\_\_ |

 |
| In your Best Interest |  |
| Further Detail | Your current asset allocation is not in line with your personal investment risk profile.We have determined that your entire investment portfolio, including your current and future superannuation benefits should be in line with your [assessed risk profile] risk profile.Upon switching from your current investment options within your superannuation fund a switching fee of $[\_\_\_,\_\_\_] will be incurred. The switching fee will be deducted from your superannuation benefits. |

Consolidate Existing Superannuation Accounts into Accumulation

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Consolidate your existing Superannuation  |
| Explanation | We recommend you transfer these superannuation accounts into the [Super Accumulation Account]:

|  |  |
| --- | --- |
| Redeemed Fund | Value |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |

 |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], consolidating superannuation funds into the one superannuation fund, can typically have the following benefits:* The recommended fund offers a much wider range of managed investment options and access to direct shares.
* The recommended fund offers lower ongoing fees than your existing fund.
* You consolidate your superannuation benefits to reduce the total ongoing management fees charged on your total superannuation benefits.
* You consolidate your superannuation benefits for ease of administration.
* Your superannuation benefits will be invested in accordance with your risk profile to achieve your financial goals.

Before proceeding you should note the following:* In rolling over your existing superannuation, there are a number of considerations and implications you need to be aware of, including:
* Upfront, ongoing and exit fees;
* Buy/Sell costs;
* Time out of the market; and
* Loss of insurance, bonuses and auto acceptance.

***Please refer to the Replacement of Product Information section of this advice, for further information.*** |

Consolidate Existing Superannuation Accounts into a new Pension

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Consolidate your existing Superannuation  |
| Explanation | We recommend you transfer these superannuation accounts into a new [Super Pension Account]:

|  |  |
| --- | --- |
| Redeemed Fund | Value |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |

 |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], consolidating funds into the one new superannuation pension, can typically have the following benefits:* More investment capital grows in a tax-free earnings environment.
* The recommended fund offers a much wider range of managed investment options and access to direct shares.
* The recommended fund offers lower ongoing fees than your existing fund.
* You consolidate your superannuation benefits to reduce the total ongoing management fees charged on your total superannuation benefits.
* You consolidate your superannuation benefits for ease of administration.
* Your superannuation benefits will be invested in accordance with your risk profile to achieve your financial goals.
* In rolling over your existing superannuation, there are a number of considerations and implications you need to be aware of, including:
* Fresh monies cannot be added into a pre-existing pension. Consequently, monies in a pre-existing pension must first be rolled back to accumulation superannuation before a new pension is commenced.
* Upfront, ongoing and exit fees;
* Buy/Sell costs;
* Time out of the market; and
* Loss of insurance, bonuses and auto acceptance.

***Please refer to the Replacement of Product Information section of this advice, for further information.*** |

Withdrawal & Re-Contribution Strategy

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Withdrawal and Re-contribution |
| Explanation | [Client] [and [Partner]], we recommend you implement a withdrawal and re-contribution strategy as follows:* Withdraw sufficient funds from your [product] super fund in order to utilise the low rate cap amount of $215,000 (amounts within this limit can be withdrawn tax free). Specifically, we recommend a total withdrawal of $[\_\_\_,\_\_\_], consisting of a taxable component of $[\_\_\_,\_\_\_] and a tax free component of $[\_\_\_,\_\_\_].
* Re-contribute $[\_\_\_,\_\_\_] back into super as a Non-Concessional Contribution[1]. These funds will subsequently make up the tax free component of the superannuation fund.

Notes:

|  |  |
| --- | --- |
| [1] | The recommended Non-Concessional Contribution is within the maximum cap $100,000 per year or $300,000 averaged over 3 years). |

 |
| In your Best Interest |  |
| Further Detail | Typically, the benefits of this recommendation are:* You minimise the level of income tax incurred on your prospective retirement income stream.
* In the event of death, a higher tax free amount reduces the tax payable on lump sums received by non-dependant beneficiaries. The taxable component of a death benefit is taxed at 15% plus any applicable medicare levy when distributed to non-dependants, compared to nil tax on the tax free component.

Typically, the risks associated with this recommendation are:* A taxable component of up to $215,000 can be withdrawn tax free, the amount is still included in your assessable income (a tax offset is received to ensure the amount is tax free). This may result in:
* An increase in your tax liability as you may lose your entitlement to various tax offsets which you may otherwise have received.
* The loss of your entitlement to the Government Co-contribution.
* The loss of your partner’s entitlement to a rebate on Spouse Contributions.
 |

Personal Concessional Contributions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Personal Concessional Contributions |
| Explanation | [Client] [and [Partner]], we recommend you make a Concessional Contribution of $[\_\_\_,\_\_\_] this financial year into your [super fund]. This contribution will be sourced from [source eg. your cash reserves]. |
| In your Best Interest |  |
| Further Detail | Please note that Concessional Contributions incur contributions tax of 15%. Therefore, your net contribution to superannuation will be $[\_\_\_,\_\_\_].We believe that making a concessional contribution to superannuation typically meets your needs/objectives for the following reasons:* Increasing your superannuation savings helps you save for retirement.
* You can claim a 100% personal tax deduction for the Concessional Contributions to you make to superannuation.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.
* In addition:
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Making concessional contributions to super will incur 15% contributions tax on the contribution.
* Concessional contributions are limited to $25,000 per annum. Excess concessional arising from contributions can be refunded. These amounts will be added to your assessable income and taxed at your marginal tax rate (less 15%) plus penalties.
* In order to claim a tax deduction for this contribution, you will need to complete a ‘Section 290’ notice. This needs to be completed within a specified timeframe and you should work with your tax adviser to ensure these requirements are met. If you do not fulfil these requirements, you will not be able to claim the tax deduction.
* As your total income (including taxable superannution contributions) is expected to exceed $250,000, your concessional contributions (up to your concessional contributions cap) will incur an additional 15% contributions tax.
 |

Personal Non-Concessional Contributions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Personal Non-Concessional Contributions |
| Explanation | [Client] [and [Partner]], we recommend you make a Non-Concessional Contribution of $[\_\_\_,\_\_\_] this financial year into your [super fund]. This contribution will be sourced from [source eg. your cash reserves]. |
| In your Best Interest |  |
| Further Detail | We believe that making a non-concessional contribution to superannuation typically meets your needs/objectives for the following reasons:* Increasing your superannuation savings helps you save for retirement.
* Contributions made with after tax dollars will form part of the tax-free component of your super, and will be tax-free upon withdrawal.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.
* In addition:
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Legislation limits non-concessional contributions to $100,000 per financial year or, if eligible, at a maximum of $300,000 ‘bring forward’ over a period of three financial years.
* Amounts contributed in excess of the limit will be subject to tax at 45% plus medicare levy if an election is not made to have the excess refunded. If an election to refund is made, then penalty taxation will be imposed on an amount of notional earnings.
* No NCC can be made unless one’s Total Super Balance (TSB) at 30 June 2018 is less than $1.6m.

|  |  |  |
| --- | --- | --- |
| Total Superannuation Balance prior to relevant 30 June  | NCC for First financial year of the Bring Forward Period | Total Bring Forward Period to make this Contribution |
| Less than $1.4 million | $300,000 | 3 years |
| Between $1.4 million to $1.5 million | $200,000 | 2 years |
| Between $1.5 million to $1.6 million | $100,000 | 1 year(effectively not a bring forward) |
| More than $1.6 million | Nil | N/A |

* Non-concessional contributions cannot be claimed as tax deductions.
 |

Personal Non-Concessional Contributions & Government Co-Contribution

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Personal Non-Concessional Contributions and Government Co-Contribution |
| Explanation | [Client] [and [Partner]], we recommend you make a Non-Concessional Contribution of $[\_\_.\_\_] per annum into your [super fund] in order to qualify for the Government Co-contribution. |
| In your Best Interest |  |
| Further Detail | We believe that making a non-concessional contribution to superannuation typically meets your needs/objectives for the following reasons:* Based on your assessable income of $[\_\_\_,\_\_\_], we estimate you will be eligible to a Co-contribution of $[\_\_\_,\_\_\_].
* Increasing your superannuation savings helps you save for retirement.
* Contributions made with after tax dollars will form part of the tax-free component of your super, and will be tax-free upon withdrawal.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.

In addition:* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. I n this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.

Before proceeding you should note the following:* Funds invested within the superannuation environment are subject to preservation rules are not generally accessible until you satisfy a condition of release such as retirement or reaching age 65.
* Legislation limits non-concessional contributions to $100,000 per financial year or, if eligible, at a maximum of $300,000 over a period of three financial years. Amounts contributed in excess of the limit will be subject to tax at 45% plus medicare levy if an election is not made to have the excess refunded. If an election to refund is made, then penalty taxation will be imposed on an amount of notional earnings.
* No NCC can be made unless one’s Total Super Balance (TSB) at 30 June 2018 is less than $1.6m.

|  |  |  |
| --- | --- | --- |
| Total Superannuation Balance prior to relevant 30 June  | NCC for First financial year of the Bring Forward Period | Total Bring Forward Period to make this Contribution |
| Less than $1.4 million | $300,000 | 3 years |
| Between $1.4 million to $1.5 million | $200,000 | 2 years |
| Between $1.5 million to $1.6 million | $100,000 | 1 year(effectively not a bring forward) |
| More than $1.6 million | Nil | N/A |

* Non-concessional contributions cannot be claimed as tax deductions.
 |

Salary Sacrifice Contributions

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Salary Sacrifice Contributions |
| Explanation | [Client] [and [Partner]], we recommend you Salary Sacrifice $[\_\_\_,\_\_\_] per annum into your [superannuation fund]. We recommend you continue these concessional contributions until retirement. |
| In your Best Interest |  |
| Further Detail | Please note that you Salary Sacrifice contributions incur contributions tax of 15%, which equates to $[\_\_\_,\_\_\_]. Therefore, after the deduction of contributions tax the net superannuation contribution will be $[\_\_\_,\_\_\_].Typically, the benefits of this recommendation are:* You accelerate your accumulation of wealth within the superannuation environment for retirement planning purposes.
* Within the superannuation environment, any income and future capital gains derived from the transferred asset will be taxed at a maximum rate of 15%, rather than at your marginal tax rates. This will enhance the overall value of your retirement and you will be accumulating wealth in a more tax effective environment.
* The Fund will be entitled to a refund of excess franking credits (if any), which can also improve the tax effectiveness of the investments in your Fund.
* Any capital gains arising from the sale of an asset that has been held for at least 12 months will be concessionally taxed. In this case, only two thirds of the gain is taxable at 15%. This effectively reduces the capital gains tax rate to 10%.
* These concessional tax rates will help your overall superannuation savings grow faster.
* Those earning adjusted taxable income above $250,000 incur contributions tax of 30%. Adjusted taxable income includes taxable income, reportable fringe benefits, total net investment losses and non-excess concessional contributions.

Before proceeding you should note the following:* Your future Superannuation Guarantee contributions (SG) may decrease in line with your reduction in salary. You will need to consult your HR department in this regard.
* You will not be able to access your superannuation benefits until you meet a condition of release (this will generally occur at retirement after reaching preservation age or upon reaching 65 years of age).
* Concessional contributions are limited to $25,000 per annum.
* Excess concessional arising from contributions can be refunded. These amounts will be added to your assessable income and taxed at your marginal tax rate (less 15%) plus penalties.
 |

Superannuation Guarantee (SG) Contributions – Choice of Fund

|  |  |
| --- | --- |
|  | Your employer is currently making your SG into your [existing superannuation fund]. As a result of our recommendation to rollover your existing Superannuation account into [recommended superannuation fund], you will need to advise your employer to direct all your future SG entitlements to this new Superannuation Account. |

## Insurance Recommendations

## Summary of Risk Recommendations

We recommend the following insurance products:

|  |  |  |
| --- | --- | --- |
| [Underwriter][Product] | Owner: [Name]Insured: [Life Insured] | Premium: [Premium Amount] [Premium Frequency] |
| Cover Type | Cover Amount | Additional Information | Type of Recommendation |
| Life | $[\_\_\_,\_\_\_] |  | [Retain] [Replace] [Purchase] |
| TPD | $[\_\_\_,\_\_\_] |  | [Retain] [Replace] [Purchase] |
| Trauma | $[\_\_\_,\_\_\_] |  | [Retain] [Replace] [Purchase] |
| Income Protection | $[\_\_\_,\_\_\_] | Waiting Period of [XX] | [Retain] [Replace] [Purchase] |
| Business Expense | $[\_\_\_,\_\_\_] |  | [Retain] [Replace] [Purchase] |

Notes:

|  |  |
| --- | --- |
| [1] | **Premium Amounts:** Please note that the premium amounts provided above are based on the life insurance company accepting you as a “standard” risk. Should the underwriters determine anything from your personal medical history requires a higher risk premium an offer will be made to you of amended terms. Because of this, any personal insurance currently in place should not be cancelled until after the new insurances recommended have had policies issued in their place. |
| [2] | **Duty of Disclosure:** Before you enter into a policy of insurance you have a duty under the Insurance Contracts Act 1984 to disclose to the insurance company every matter that you know, or could reasonably be expected to know, is relevant to their decision whether to accept the risk of the insurance and, if so, on what terms. The same duty applies before the Policy is extended, varied or reinstated. The duty however does not require disclosure of a matter a) that diminishes the risk b) that is of common knowledge c) that we know, or in the ordinary course of our business, ought to know; or d) in respect of which we have waived compliance.If the duty is not complied with and the insurance company would not have entered into the contract on any terms had they been aware of the relevant matter, they may avoid the Policy. This is subject to certain conditions and varies according to the individual insurance company. |

## Duty of Disclosure

|  |  |
| --- | --- |
|  | **Duty of utmost good faith**The foundation of the insurance Contract between insured and insurer is that parties deal with each in the ‘utmost good faith’. This means that the insured will pay agreed benefits to an insured who has fairly disclosed all relevant information required by the insurer.This principle in found in the Insurance Contracts Act 1984.**Duty of Disclosure**A person seeking insurance declares health details together with work and non-work activities (eg. sports) that could potentially result in a Claim upon the policy.In practice, such client disclosures can be imperfect due to:* Supplying incomplete information
* Misrepresentation that was accidental or insignificant
* Deliberate significant misrepresentation that is fraudulent

**Remedies available to the Insurer**If customer disclosures are:* Incomplete or incorrect but, if all facts had been disclosed properly at the outset, the insurer would have gone ahead with the policy anyway on the same terms, the insurer is bound under ‘utmost good faith’ to honour the payment of benefits
* Incomplete or incorrect but, if all facts had been disclosed properly at the outset, the insurer would have still offered the policy but with different terms or demanded a higher premium, then the insurer can reduce the benefit.

The reduction in the benefit is to be sufficient to place the insurer in a position it would have been in if the information failure had not occurred. However, there is a three-year window for the insurer. If this window elapses and the information failure has gone undetected, the insurer is bound under ‘utmost good faith’ to honour the payment of benefits* Seriously incomplete or incorrect due to fraud, the insurer can ‘avoid’ the contract at any time after the contract was entered into.

The insurer can choose not to outright avoid a contract but instead reduce the insured benefit amount so that the insurer is placed in a position it would have been in if the failure had not occurred or the fraudulent misrepresentation had not been made. |

## General Information about Insurance

|  |  |
| --- | --- |
|  | The objective of having insurance cover over your life and your assets is to protect yourself and your family from financial distress in the event of death, illness or accident. Where such an event occurs, there is often considerable emotional distress. Financial planning aims to remove the financial distress at such a time.There are two ways you can manage this type of risk:* Self-insurance

or* Transfer the risk to an insurance company.

In the long term, you can self-insure by planning and actively setting aside funds for your family’s protection in the event of death, illness or accident. However, this can take many years and a significant pool of assets to achieve. As your current assets are not sufficient to self-insure, we recommend that you recognise your family’s risk of financial loss and evaluate how much protection you require, and then transfer that risk to an insurance company.We have calculated the level of cover you require based on the information you provided in the current situation. We have then researched the policies available to you with careful consideration of:* The broadest range of benefits that will suit your needs.
* A quality insurer with a proven record when it comes time to make a claim.
* Value for money - The premium cost versus the features and benefits.
* How the research providers rate the insurer and the policy in respect to the competing policies.

The insurance policies recommended were made after careful consideration of the benefits the policies would provide you and how much these benefits will cost you. It is important that we provide you a recommendation not purely driven by the premium, but a policy that will provide you with the all-round cover you require. It is important to understand that whilst the more fully featured policies are normally more expensive it is important to make sure that the benefits and features within the policies are going to provide you with the most suitable level of cover. We believe that all policies recommended are the most appropriate policies to meet your needs and objectives. |

## Personal Insurance Recommendations

Life Insurance Cover

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Life Insurance |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Life Cover [Full Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended Life Insurance cover typically meets your needs/objectives for the following reasons:* Currently, if you were to die, your family would not have sufficient funds to allow them to maintain their current lifestyle.
* Ideally life insurance cover will allow the family to be debt free and remain in their current home without the surviving spouse having to seek additional income during a time in which the loss of a loved one can be stressful enough.

**Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.**Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.Before proceeding with the recommended Life Insurance, you should consider the following:* You may not be able to claim under the recommended policy in the event of death by suicide for a period of 13 months from the commencement of the policy.
* If a claim is made on your Term Life policy and the insurer agrees to pay the claim, the lump sum will be paid either to:

(1) your nominated beneficiary (and not form part of your Estate) or (2) your Estate and be distributed in accordance with the instructions in your Will. |

TPD Insurance Cover

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Total and Permanent Disability Cover |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Total and Permanent Disability cover [Full Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended TPD Insurance cover meets your needs/objectives for the following reasons:* Total and Permanent Disability (TPD) insurance cover provides a lump sum to provide for your family in the event you are so severely disabled you will never be able to return to work.
* The lump sum payment of a TPD benefit can be used for any purpose but would normally be structured to supplement any other income payments that may be received, as well as for any costs that may be required to allow for the ongoing care of the disabled person. Because of this, a TPD benefit is normally calculated as being equal to or slightly less than one’s life insurance benefit requirement.

**Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.**Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.**Any Occupation:** We have recommended the Any Occupation definition because:* This TPD definition is designed to be paid provided you meet certain parameters that deem you will never again be able towork in any occupation.
* Given the Own Occupation definition is a much narrower definition of ability to work the cost for this type of cover is much greater than for cover under an Any Occupation contract. Also, an Own Occupation definition is not available for all occupations.
* [Insert reason]
* [Insert reason].

**Own Occupation:** We have recommended the Own Occupation definition because:* This TPD definition is designed to be paid provided you meet certain parameters that deem you will never again be work in your own occupation.
* Although ‘any occupation’ cover is cheaper than ‘own occupation’ cover, it is also more restrictive as you have to meet the criteria of not being able to perform any job that you are reasonably qualified or trained for.
* [Insert reason].
* [Insert reason].

**Non Working:** We have recommended the Non Working definition because:* [Insert reason].
* [Insert reason].

**Buy Back Period:** Applicable where TPD and/or Trauma is to be linked to life cover. This feature allows the policy holder to buy back, after a certain period of time, the life cover that is reduced following a TPD and/or Trauma claim at standard rates.Before proceeding with the recommended TPD Insurance, you should consider the following:* You will not be able to claim under the recommended policy in the event of becoming totally and permanently disabled due to a suicide attempt.
* If a claim is made on your TPD policy and the insurer agrees to pay the claim, the benefit will be paid direct to you (i.e. it cannot be paid to a nominated beneficiary).
* The TPD cover we have recommended is linked to your Life Cover. This means that if you suffer a TPD event and receive a payout, your Life Cover will be automatically reduced by the amount of the TPD payout.
 |

Trauma Insurance Cover

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Trauma Cover |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Trauma cover [Full Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended Trauma Insurance cover typically meets your needs/objectives for the following reasons:* In the event of a traumatic medical event that is covered by your Trauma Insurance, you will receive a lump sum benefit that you can use to pay for any necessary medical procedures or lifestyle needs your family may have. This helps you prevent incurring a significant financial loss at this stressful time, and protecting your assets is one of your financial goals.
* Owning trauma insurance in your own name means that the proceeds from a successful claim can be paid direct to you as a tax-free lump sum and you have control over the policy.

**Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.**Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.**Basic Cover:** Provides you with the most basic cover available.**Comprehensive Cover:** Provides you with the most comprehensive cover available.**Buy Back Period:** Applicable where TPD and/or Trauma is to be linked to life cover. This feature allows the policy holder to buy back, after a certain period of time, the life cover that is reduced following a TPD and/or Trauma claim at standard rates.**Critical Illness Benefit:** A critical illness benefit will typically provide 6months of benefits (regardless as to whether the injured is totally disabled or not) in the event that the Insured suffers one of the specified trauma events. Some policies may provide this benefit in addition to the usual monthly benefit.* [Insert reason].
* [Insert reason].

Before proceeding with the recommended Trauma Insurance, you should consider the following:* You may not be able to claim under the recommended policy for any trauma or self inflicted injury (direct or indirect) due to a suicide attempt.
* Trauma premiums are not tax deductible to the person insured but, in return, the proceeds are tax-free.
* Some insurers have a “qualifying” or “exclusion” period – typically the first three to six months - on stated conditions. For example: heart attack; other heart conditions; stroke; cancer (Carcinoma In Situ); severe diabetes.
* Trauma cover cannot be held within superannuation.
 |

Income Protection Insurance Cover

|  |  |
| --- | --- |
| Title | Income Protection Insurance  |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Income Protection cover [Full Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended Income Protection Insurance cover meets your needs/objectives for the following reasons:* One of your goals is to protect your income in the case that you are unable to work due to illness or injury. In this case, your income protection insurance would pay you a monthly benefit which would allow you to maintain your lifestyle needs and obligations and would reduce financial stress on your family.
* In order to protect from such a situation, we recommend the placement of Income Protection insurance cover. Such cover is payable should an illness or disability see you are unable to work for a period of time greater than the waiting period provided under the contract. Payment of such benefits can be selected for a time frame of one year or up to age 65.

The cost of such cover is determined by what waiting and benefit periods are selected:* Based on your current available liquid assets, we recommend a waiting period of [XX] days, and a benefit period of [XX].
* With regard to the benefit payable, normally maximum amount that can be insured for is 75% of income (including packaged benefits such as superannuation and other items seen to have a dollar benefit). We recommend we insure for 75% of your overall package which would see a monthly insurance benefit payment of $\_\_,\_\_\_. Note though that tax will be deducted from the benefit amount.

**OR*** With regard to the benefit payable, as a self-employed business owner the amount that can be insured for is normally calculated as being 75% of your earnings after expenses, plus any expenses that benefit you personally. We calculate that we can base an insurance benefit as 75% of $\_\_,\_\_\_ which would provide a monthly benefit of $\_\_,\_\_\_. Note though that tax will be deducted from the benefit amount.

Please also be aware that premiums paid for an income protection policy are usually tax deductible. If the policy is owned in the name of the person insured, premiums can be paid for by the business as a business expense.**Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.**Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.**Waiting Period:** The waiting period specifies the period of time that the Insured must be totally or partially disabled prior to becoming eligible for the monthly benefit amount.**Benefit Period:** The benefit period specifies the period of time that the Insured may be entitled to receive the monthly benefit for a disability arising from the one cause or a number of related causes.**Basic Cover:** Provides you with the most basic cover available.**Comprehensive Cover:** Provides you with the most comprehensive cover available.**Agreed Value:** With agreed value, you are paid a monthly sum settled at the time you take out insurance. Indemnity cover is about 20 per cent cheaper than agreed value, but it's also probably about 20 per cent riskier, particularly if you are self-employed.**Indemnity:** With indemnity cover, the income paid is determined at the time the claim is made. This could work in your favour, but it can equally work against you. If your health has been steadily declining and your customers – and in turn your income – have been declining too, you will only be paid on your reduced income.**Increasing Claims Benefit:** In the event of a long-term payment, the payment will be increase according to CPI.**Day [X] Accident Benefit:** accident benefit may waive the waiting period in the event that the Insured is totally disable due to injury.Before proceeding with the recommended Income Protection, you should consider the following:* Only up to 75% of your regular monthly income may be covered by an Income Protection policy.
* Up to 100% of your employer super contributions may also be covered by an Income Protection policy.
* The waiting period is the minimum amount of time that you will have to wait before you begin to receive payments under the policy. You should also note that some payments are made in arrears so this may extend your waiting period. This is why having cash in the bank or sick leave due from your employer can be beneficial.
* The benefit period is the maximum amount of time that you will be paid under the policy (subject to policy conditions).
* For an Indemnity policy, the income replacement benefit paid by the insurer is based on the life insured's average earnings in any 1 to 2 year period prior to the time of claim.
 |

Death Insurance Cover – Inside Superannuation

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Life Insurance funded from Superannuation |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Life cover [Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended Death Insurance cover typically meets your needs/objectives for the following reasons:* One of your goals is to protect your family’s assets in the case of your early passing. Currently, if you were to die, your family would not have sufficient funds to allow them to maintain their current lifestyle.
* Ideally Death cover will allow the family to be debt free and remain in their current home without the surviving spouse having to seek additional income during a time in which the loss of a loved one can be stressful enough.

**Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.**Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.* Owning the policy within the superannuation environment provides the following benefits:
* Tax deductibility of premiums. Where insurance is arranged inside a superannuation fund there is the opportunity to pay premiums from employer contributions (including Salary Sacrifice) which means you can pay the premiums from pre-tax funds.
* Improved cash flow outside of superannuation.
* The superannuation fund can use the proceeds of the policy to commence tax effective superannuation pensions or lump sums to your dependants.
* The risks associated with owning insurance policies through superannuation are:
* The subsequent closure of your super account could mean that your insurance cover will be lost, unless you are eligible, and wish to transfer, your insurance cover to a separate policy outside of the super environment.
* Reduction in retirement savings where no additional contributions are made to the superannuation fund to meet premiums.
* The insurance claim proceeds will form part of your Superannuation balance.
* Unless you have a binding death benefit nomination in place the Superannuation fund trustee may decide who is to receive your death benefits (including the insurance proceeds). This may not be in line with your objectives. If disputes occur the timeframe to resolve can be lengthy which could place financial stress on your family.
* Inability to pay the benefit directly to certain non-dependant beneficiaries.
* If the ultimate beneficiary does not meet the criteria for tax concessions lump sum tax up to 30% (plus Medicare) may be payable.
 |

TPD Insurance Cover – Inside Superannuation

|  |  |
| --- | --- |
| Title | Total and Permanent Disability Insurance funded from Superannuation |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Total and Permanent Disability cover [Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended Death & TPD Insurance cover typically meets your needs/objectives for the following reasons:* One of your goals is to protect your family from financial loss in the case of your early passing or disability. Currently, if you were to die, your family would not have sufficient funds to allow them to maintain their current lifestyle.
* Ideally Death cover will allow the family to be debt free and remain in their current home without the surviving spouse having to seek additional income during a time in which the loss of a loved one can be stressful enough.
* Total and Permanent Disability (TPD) insurance cover provides a lump sum to provide for your family in the event you are so severely disabled you will never be able to return to work.
* The lump sum payment of a TPD benefit can be used for any purpose but would normally be structured to supplement any other income payments that may be received, as well as for any costs that may be required to allow for the ongoing care of the disabled person. Because of this, a TPD benefit is normally calculated as being equal to or slightly less than one’s life insurance benefit requirement.

**Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.**Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.**Any Occupation:** We have recommended the Any Occupation definition because:* This TPD definition is designed to be paid provided you meet certain parameters that deem you will never again be able to work in any occupation.
* Given the Own Occupation definition is a much narrower definition of ability to work the cost for this type of cover is much greater than for cover under an Any Occupation contract. Also, an Own Occupation definition is not available for all occupations.
* [Insert reason].
* [Insert reason].

**Buy Back Period:** Applicable where TPD and/or Trauma is to be linked to life cover. This feature allows the policy holder to buy back, after a certain period of time, the life cover that is reduced following a TPD and/or Trauma claim at standard rates.* Owning the policy within the superannuation environment provides the following benefits:
* Tax deductibility of premiums. Where insurance is arranged inside a superannuation fund there is the opportunity to pay premiums from employer contributions (including Salary Sacrifice) which means you can pay the premiums from pre-tax funds.
* Improved cash flow outside of superannuation.
* The superannuation fund can use the proceeds of the policy to commence tax effective superannuation pensions or lump sums to your dependants.
* Before proceeding with the recommended TPD Insurance, you should consider the following:
* You will not be able to claim under the recommended policy in the event of becoming totally and permanently disabled due to a suicide attempt.
* If a claim is made on your TPD policy and the insurer agrees to pay the claim, the benefit will be first paid direct to the superannuation Trustee (i.e. it cannot be paid to a nominated beneficiary). You will need to meet the Superannuation fund’s definition of permanent incapacity to access the benefits. The Trustee will then pay you. Tax may be payable on the benefit if you are under age 60.
* The definition of eligible employment under an 'own occupation' TPD policy is restricted to the role you were employed in at the time of your insurance claim.
* Although ‘any occupation’ cover is cheaper than ‘own occupation’ cover, it is also more restrictive as you have to meet the criteria of not being able to perform any job that you are reasonably qualified or trained for.
* The TPD cover we have recommended is linked to your Life Cover. This means that if you suffer a TPD event and receive a payout, your Life Cover will be automatically reduced by the amount of the TPD payout.
* The risks associated with owning insurance policies through superannuation are:
* The subsequent closure of your super account could mean that your insurance cover will be lost, unless you are eligible, and wish to transfer, your insurance cover to a separate policy outside of the super environment.
* Reduction in retirement savings where no additional contributions are made to the superannuation fund to meet premiums.
 |

Income Protection /Salary Continuance Insurance – Inside Superannuation

|  |  |
| --- | --- |
| Title | [Income Protection][Salary Continuance] funded within Superannuation  |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of [Income Protection] [Salary Continuance] cover [Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail |  We believe that implementing the recommended [Income Protection] [Salary Continuance] Insurance cover meets your needs/objectives for the following reasons:* One of your goals is to protect your income in the case that you are unable to work due to illness or injury. In this case, your income protection insurance would pay you a monthly benefit which would allow you to maintain your lifestyle needs and obligations and would reduce financial stress on your family.
* In order to protect from such a situation we recommend the placement of [Income Protection] [Salary Continuance] insurance cover. Such cover is payable should an illness or disability see you are unable to work for a period of time greater than the waiting period provided under the contract.

If Salary Continuance:* Payment of such benefits can be selected for a time frame of one to two years.

If Income Protection:* Payment of such benefits can be selected for a time frame of one year or up to age 65.
* The cost of such cover is determined by what waiting and benefit periods are selected:
* Based on your current available liquid assets, we recommend a waiting period of [XX] days, and a benefit period of [XX].
* With regard to the benefit payable, normally the maximum amount that can be insured for is 75% of income (including packaged benefits such as superannuation and other items seen to have a dollar benefit). We recommend we insure for 75% of your overall package which would see a monthly insurance benefit payment of $[\_\_,\_\_\_]. Note though that tax will deducted from the benefit amount.

**OR*** With regard to the benefit payable, as a self-employed business owner the amount that can be insured for is normally calculated as being 75% of your earnings after expenses, plus any expenses that benefit you personally. We calculate that we can base an insurance benefit as 75% of $[\_\_,\_\_\_] which would provide a monthly benefit of $[\_\_,\_\_\_]. Note though that tax will deducted from the benefit amount.

Please also be aware that premiums paid by a superannuation fund are not tax deductible to an individual. They are a deduction to the super fund. Level Premiums: We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.Stepped Premiums: We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.Waiting Period: The waiting period specifies the period of time that the Insured must be totally or partially disabled prior to becoming eligible for the monthly benefit amount.Benefit Period: The benefit period specifies the period of time that the Insured may be entitled to receive the monthly benefit for a disability arising from the one cause or a number of related causes.Indemnity: With indemnity cover, the income paid is determined at the time the claim is made. This could work in your favour, but it can equally work against you. If your health has been steadily declining and your customers – and in turn your income – have been declining too, you will only be paid on your reduced income.Increasing Claims Benefit: In the event of a long term payment, the payment will be increased according to CPI.* Owning the policy within the superannuation environment typically provides the following benefits:
* Tax deductibility of premiums. Where insurance is arranged inside a superannuation fund there is the opportunity to pay premiums from employer contributions (including [Income Protection] [Salary Continuance]) which means you can pay the premiums from pre-tax funds.
* Improved cash flow outside of superannuation.
* If Salary Continuance:
* Before proceeding with the recommended Salary Continuance Insurance, you should consider the following:
* Only up to 75% of your regular monthly income may be covered by a Salary Continuance policy.
* If Income Protection:
* Up to 100% of your employer super contributions may also be covered by an Income Protection policy.
* The **waiting period** is the minimum amount of time that you will have to wait before you begin to receive payments under the policy. You should also note that some payments are made in arrears so this may extend your waiting period. This is why having cash in the bank or sick leave due from your employer can be beneficial.
* The **benefit period** is the maximum amount of time that you will be paid under the policy (subject to policy conditions).
* For an **Indemnity policy,** the income replacement benefit paid by the insurer is based on the life insured's average earnings in any 12 consecutive months of income over the past 36 months prior to the time of claim.
* The risks associated with owning insurance policies through superannuation are:
* The subsequent closure of your super account could mean that your insurance cover will be lost, unless you are eligible, and wish to transfer, your insurance cover to a separate policy outside of the super environment.
* Reduction in retirement savings where no additional contributions are made to the superannuation fund to meet premiums.
* For any insurance benefits paid into super, there may be assessments for super lump sum tax. The Superannuation fund may deduct PAYG instalments from the amount payable.
* Access to benefit payments can be slow.
* As the income protection policy is owned by your Superannuation fund, claim proceeds are paid to your Superannuation fund. Technically, you then need to meet the payment conditions within the fund to receive the monthly income payments which will be taxable at your marginal rate. The Superannuation fund may deduct PAYG instalments from the amount payable.
 |

## Business Expense Insurance Cover

|  |  |
| --- | --- |
| Title | Business Expense Cover |
| Explanation | It is recommended that you apply for $[\_\_,\_\_] of Business Expense cover [Product Name] with [Provider].The insurance will have the following terms:* [Term]
* [Term]
 |
| In your Best Interest |  |
| Further Detail | We believe that implementing the recommended Business Expense Insurance cover typically meets your needs/objectives for the following reasons:* Should you become ill or disabled and unable to run your business, the business will continue to require cash to meet its expenses. The purpose of business expense cover is to ensure that the business can pay its bills while your disability is assessed and you determine your position with the business moving forward.
* By covering your expenses for one year you will see your business retain its value should you decide that you will be unable to return to the business and wish to sell it. Should you decide to retain the business it also allows time to recruit staff that will meet your business requirements.
* **Level Premiums:** We have recommended level premiums because they are more cost effective than stepped premiums as long as your policy is held for an extended period. Level premiums are more expensive than stepped premiums initially, but as level premiums only increase as your sum insured is indexed annually, level premiums may end up cheaper than stepped premiums over time.
* **Stepped Premiums:** We have recommended stepped premiums because they are lower and more cost effective for you than level premiums in the initial years. Stepped premiums are based on your age and will usually increase each year. Premiums may be higher than level premiums where the policy is held for an extended period.
* **Waiting Period:** The waiting period specifies the period of time that the Insured must be totally or partially disabled prior to becoming eligible for the monthly benefit amount.
* **Benefit Period:** The benefit period specifies the period of time that the Insured may be entitled to receive the monthly benefit for a disability arising from the one cause or a number of related causes.
* **Basic Cover:** Provides you with the most basic cover available.
* **Comprehensive Cover:** Provides you with the most comprehensive cover available.
* **Agreed Value:** With agreed value, you are paid a monthly sum settled at the time you take out insurance. Indemnity cover is about 20 per cent cheaper than agreed value, but it's also probably about 20 per cent riskier, particularly if you are self-employed.
* **Indemnity:** With indemnity cover, the income paid is determined at the time the claim is made. This could work in your favour, but it can equally work against you. If your health has been steadily declining and your customers – and in turn your income – have been declining too, you will only be paid on your reduced income.

**Increasing Claims Benefit:** In the event of a long-term payment, the payment will be increase according to CPI.Before proceeding, you should consider the following:* Your insurance needs should be reviewed regularly.
* The premiums quoted may vary depending upon your family history and personal situation.
* The insurer will require you to complete a personal statement. The insurer may also request additional information once the personal statement has been provided.
* There may be exclusions for specific activities or illnesses depending upon your family history or personal situation.
* Your insurance does not commence until the insurer has completed their assessment and issued the insurance policy.
 |

#

## Investment Recommendations

Consolidate Existing Investment Accounts

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Consolidate your existing Investments |
| Explanation | We recommend you transfer these investments into the [Investment Product]:

|  |  |
| --- | --- |
| Redeemed Fund | Value |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| <Fund> | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |

 |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], consolidating funds into the one platform, can typically have the following benefits:* The recommended fund offers a much wider range of managed investment options and access to direct shares.
* The recommended fund offers lower ongoing fees than your existing fund.
* Reduce the total ongoing management fees charged on your total benefits.
* You consolidate your superannuation benefits for ease of administration.
* Your aggregate benefits will be invested in accordance with your risk profile to achieve your financial goals.

Before proceeding you should note the following:* Upfront, ongoing and exit fees;
* Buy/Sell costs;
* Time out of the market; and

***Please refer to the Replacement of Product Information section of this advice, for further information.*** |

Investment Bond

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Purchase an investment bond  |
| Explanation | [Client] [and [Partner]], we recommend you:* invest an amount of $[\_\_,\_\_] in an investment bond with [Provider].
* maintain your investment bond for a minimum of [XX] years
* make additional investments of $[\_\_,\_\_] <<no more than 125% of the amount invested in the prior year>>
* invest the capital held in this bond in the underlying investments outlined later in this document
* review your situation on a regular basis to confirm the suitability of further investment in this bond and to confirm the underlying investments remain appropriate
 |
| In your Best Interest |  |
| Further Detail | Our recommendations provide the following benefits: << be specific>>* We estimate the recommended initial investment AND/OR and the recommended regular investments will be worth approximately $[\_\_,\_\_] at maturity in 10 years. This capital can then be used to fund [purpose or planned expense].
* Tax effective long-term investment provided that rules for making contributions and withdrawals are followed (see below).
* Tax is paid within the structure so does not need to be included in the assessable income of the investment owner. In addition, investment bonds are not normally subject to capital gains tax.
* Flexibility to select underlying investments aligned to your preferred investment strategy and risk profile.
* Accessibility to withdraw funds at any stage although potential tax consequences if your investment is withdrawn before the 10 year anniversary.
* An alternative to superannuation; when you are unable make further contributions due to your age, or when you have reached your contribution limits.
* Support for your estate planning goals as a beneficiary can be nominated to receive the proceeds of the bond in the event of death. In some cases, it may be possible for a death benefit payment to be made without incurring tax liabilities in the hands of the recipient.

Our recommendations present the following risks: * Lack of control over investment decisions as underlying investments may be professionally managed
* There may be a minimum balance that must be maintained (check with the recommended provider)
 |

Investment bonds (also known as insurance bonds) are a type of managed investment offered by life insurance companies and friendly societies. They are used for a wide range of strategies including tax management, wealth accumulation, education funding, early retirement and estate planning.

They are subject to a number of rules, including the 10 year rule and 125% rule which are covered in more detail below.

**10 year rule**

If the bond is held for 10 years without any withdrawals being made, earnings on the bond are tax free to the bond holder. This is because tax is paid on earnings at 30% within the bond before being re-invested into the bond. Withdrawals can be made at any time, but may be subject to tax if made before the 10 year period is up.

If you make a withdrawal within the first 10 years, the tax rate will depend on when the withdrawal was made:

| YEAR WITHDRAWAL MADE | TAX TREATMENT  |
| --- | --- |
| Withdrawals within 8 years | 100% of the earnings on the investment bond included in assessable income and 30% tax offset applies |
| Withdrawals in the 9th year | 2/3 of earnings on investment included in assessable income and 30% tax offset applies |
| Withdrawals in the 10th year | 1/3 of earnings on investment included in assessable income and 30% tax offset applies |
| Withdrawals after the 10th year | All earnings tax free and do not need to be included in assessable income |

**125% rule**

After the first year, the maximum an investor can invest in any one anniversary year is 125% of their investment in the previous year. As long as the contribution does not exceed 125% of the investment in the previous year it is considered part of the initial investment and does not need to be invested for the full 10 years to benefit from the full tax benefits applicable to the initial investment amount. If the investor does not make an investment in any one year, they can no longer add to their investment without triggering a restart of their 10 year tax period. If a contribution exceeds 125% of the previous years’ investment, the start date of the 10 year period is re-set.

Retain Your Existing Investment & Fund Provider

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Existing Investment Fund - Retain |
| Explanation | As your current [asset allocation is in line with your risk profile] or [your objectives can be met with your existing products], our recommendation is to maintain your current investment [investment option] within your [Provider] fund. |
| In your Best Interest |  |
| Further Detail | [Client] [and [Partner]], you currently have $[\_\_\_,\_\_\_] invested in your [product] fund.Your investment options within your current [product] fund is invested as follows:

|  |  |
| --- | --- |
| Investment Option | Allocation |
| <Underlying Investment Option> | X.XX% |
| <Underlying Investment Option> | X.XX% |
| <Underlying Investment Option> | X.XX% |
| <Underlying Investment Option> | X.XX% |
| Total | 100% |

The typical benefit of this recommendation can be:* all your assets remain invested in accordance with your investment risk profile to achieve your financial goals.
* avoid taxation of cashing investments
* retain your existing low product fees
 |

Underlying Investment Switch within Your Existing Investment Platform

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Existing Investment Fund \_ Investment Switch |
| Explanation | We recommend you switch your investments to the following investment options within your [Provider] fund:

|  |  |  |  |
| --- | --- | --- | --- |
| Redeemed Fund | Value | Recommended Fund | Value |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| <Mgd Fund> | $\_\_\_,\_\_\_ | <Mgd Fund> | $\_\_\_,\_\_\_ |
| Total | $\_\_\_,\_\_\_ |  | $\_\_\_,\_\_\_ |

 |
| In your Best Interest |  |
| Further Detail | Your current asset allocation is not in line with your personal investment risk profile.We have determined that your entire investment portfolio, including your current and future superannuation benefits should be in line with your [assessed risk profile] risk profile.Upon switching from your current investment options within your superannuation fund a switching fee of $[\_\_\_,\_\_\_] will be incurred. The switching fee will be deducted from your superannuation benefits. |

## Salary Packaging

|  |  |
| --- | --- |
| Recommendation #<Number> |  |
| Title | Salary Packaging |
| Explanation | [Client] [and [Partner]], we recommend that you salary package up to the maximum limit of $[\_\_\_,\_\_\_] per annum [each].  |
| In your Best Interest |  |
| Further Detail | We recommend that you direct this payment to [ relevant goal 1 ] and any remainder to [ relevant goal 2 ].Salary packaging is a flexible and tax-effective method of increasing your after-tax salary by “packaging” other benefits. This may allow you to accelerate debt reduction or accumulate wealth for retirement.Our calculations indicate that meeting these expenses by way of salary packaging should result in your after-tax income increasing by approximately $[\_\_\_,\_\_\_] per annum. |

Further Detail (continued)

|  |  |  |
| --- | --- | --- |
|  | **Without Salary Packaging** | **With Salary Packaging** |
| **Salary** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** |
| Amount Packaged | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| FBT | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| Administration Fee | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| **Net Salary** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** |
| Input Tax Credit | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| **Net Salary After Input Tax Credits** | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| Tax & Medicare | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| Amount Packaged | $[\_\_\_,\_\_\_] | $[\_\_\_,\_\_\_] |
| **Cash Salary** | **$[\_\_\_,\_\_\_]** | **$[\_\_\_,\_\_\_]** |
| **Net Benefit** |  | **$[\_\_\_,\_\_\_]** [1] |

[1] Please note that these calculations are an estimate only and we strongly recommend you seek your own personal taxation advice from a licensed tax adviser before making any financial decisions.

## Product Recommendations

AusPrac Super (Australian Practical Superannuation)

|  |  |
| --- | --- |
|  | * AusPrac Super offers a wide range of services and investment options. It offers:

\_ accumulation and pension accounts with the option for Transition to Retirement income streams \_ a Core or Full Menu, including managed funds, Term Deposits, Model portfolios and ASX listed securities.* Fees are paid directly from your cash hub or deducted from your investment returns.
* Clients can use this product to pay premiums on eligible Life, TPD and Income Protection Insurance policies & Group covers.

Default insurance cover is limited for the first twenty-four months of your membership. Any pre-existing illness or injuries are not covered during this time.**A secure online Portal allows you to:** * check your balance,
* obtain BPAY contribution information,
* view your contributions and Account transactions,
* view and vary your pension payments,
* vary your Group Life Insurance
* view and download various reports

**A cooling off period (14 days) applies;** allowing a simple cancellation of your new account. |

Investor1st IDPS

|  |  |
| --- | --- |
|  | Investor1st IDPS is a comprehensive investment service, offering access to a wide range of financial products and accesses a large selection of investment managers, as well as a diverse range of investment choices of managed portfolios or direct investment product structures, to suit your individual needs and objectives. The Service allows you to tailor an investment strategy from a range of available investment options. You can consider your goals and determine the investment and insurance strategy that’s right for you. The Operator manages all your investments, executes your instructions and provides consolidated tax and performance reporting from a single account. You can access information on your account at any time using the online InvestorHUB.Your cash account is used for all cash transactions. You must hold sufficient funds to cover any regular payment plan and/or insurance premiums as they fall due as well as a minimum balance of 0.75% of the total amount of investments held in your account at all times.**No cooling-off rights apply to your investments through the Service,** which is of importance for those investments that have only infrequent or restricted redemption windows. |

Investor 1st Super Service

|  |  |
| --- | --- |
|  | The Service is a comprehensive investment service, offering access to a wide range of financial products and provides you with access to a large selection of investment managers, as well as a diverse range of investment choices of managed portfolios or direct investment product structures, to suit your individual needs and objectives. The Service incorporates innovative features: * You remain the beneficial owner of the underlying securities in your account.
* Lower fees and fee transparency.
* Cost-effective management of trades.
* Comprehensive and transparent reporting.
* Online tools which provide visibility of the underlying securities.
* Improved tax efficiencies by parcel selection (e.g. to optimise the allocation of CGT to parcels of securities, ability to transfer securities in or out of your account without crystallising CGT).
* Diversification opportunities provided by:
	+ A wide choice of Managed Portfolios with investment strategies from professional managers;
	+ Approximately 900 managed Funds;
	+ Australian listed securities for selection in a customised portfolio; and
	+ A range of securities listed on a number of different international exchanges.
* Intuitive Online Platform: InvestorHUB - with 24/7 access.
* Portability of the Managed Portfolios – flexibility to change professional managers.
* Access simple, easy to understand valuation, tax and other reports

**A cooling off period (14 days) applies;** allowing a simple cancellation of your new account.You cannot exercise your cooling-off rights after you make any transaction on, or exercise any other rights, in relation to your account. |

Investment Products

The financial products I believe best meet your requirements to achieve your stated objectives and the associated strategies recommended are:

| Proposed Investment Products |
| --- |
| Owner | Product | Value |
| Owner | Product | $[\_\_\_,\_\_\_] |
| Owner | Product | $[\_\_\_,\_\_\_] |
| Owner | Product | $[\_\_\_,\_\_\_] |
| Owner | Product | $[\_\_\_,\_\_\_] |
| Owner | Product | $[\_\_\_,\_\_\_] |
|  | Total Lifestyle Assets | $[\_\_\_,\_\_\_] |

Provide a brief description of the product recommended.

The [Product] has the following features:

|  |  |
| --- | --- |
| ▪ | [Insert]. |
| ▪ | [Insert]. |
| ▪ | [Insert]. |

The specific investments I recommend be placed within this [wrap account][master fund] are:

| Proposed Underlying Investment Portfolio |
| --- |
| Investment | % | $ |
| Investment | % | $[\_\_\_,\_\_\_] |
| Investment | % | $[\_\_\_,\_\_\_] |
| Investment | % | $[\_\_\_,\_\_\_] |
| Investment | % | $[\_\_\_,\_\_\_] |
| Investment | % | $[\_\_\_,\_\_\_] |
| Total Lifestyle Assets | % | $[\_\_\_,\_\_\_] |

##

## Proposed Asset Allocation

### Proposed Asset Allocation for [Client Name]

[Insert Graph]

| Asset Allocation | Value | Weight | Target Value | Target Weight | Variance (Value) | Variance (Weight) |
| --- | --- | --- | --- | --- | --- | --- |
| Alternatives | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Cash | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Equity | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Fixed Interest | $\_\_, \_\_\_.00 | \_\_.\_\_% | $\_\_, \_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Property | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| International Equity | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| International Fixed Interest | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| International Property | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Grand Total: | $\_\_\_,\_\_\_.00 | 100.00% | $\_\_\_,\_\_\_.00 | 100.00% | $\_\_,\_\_\_.00 | -0.00% |

### Proposed Asset Allocation for [Partner Name]

[Insert Graph]

| Asset Allocation | Value | Weight | Target Value | Target Weight | Variance (Value) | Variance (Weight) |
| --- | --- | --- | --- | --- | --- | --- |
| Alternatives | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Cash | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Equity | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Fixed Interest | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Domestic Property | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| International Equity | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| International Fixed Interest | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| International Property | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% | $\_\_,\_\_\_.00 | \_\_.\_\_% |
| Grand Total: | $\_\_\_,\_\_\_.00 | 100.00% | $\_\_\_,\_\_\_.00 | 100.00% | $\_\_,\_\_\_.00 | -0.00% |