

# Austbrokers Countrywide Financial Services

## Financial Planning

### Client Case Studies

We are frequently asked about the benefits of financial planning advice. To explain the benefits we have developed three case studies. Each case study closely replicates advice we have provided. In each case, we have sat with the client to determine their requirements and provided the relevant advice to help them achieve their goals. After reading these case studies, the benefits of good financial planning will become clear. Our services are valuable across a range of client demographics – wealth accumulators, pre-retirees, and retirees. If you have any questions about the following case studies please do not hesitate to speak to one of our team members.

## Case Study 1: Wealth Accumulator

Jim (aged 32) and Karen (aged 33) are recently married. They own a house valued at \$450,000 with an outstanding mortgage of \$220,000. They are keen to repay their home loan as soon as possible and would like to start creating long term wealth.

Jim has an outstanding car loan valued at \$20,000 (interest rate of 14% pa) and Karen has a credit card debt of \$10,000 (interest rate of 19% pa).

They plan on starting a family in the next few years and wish to send their children to private school. They estimate they will need approx \$8,000 every year during the years 2020 – 2030 to fund their children's education.



### What we can do:

1. Employ a debt recycling strategy. Most people tend to wait until their home loan is repaid before they think about investing. A debt recycling strategy allows you to build long term wealth whilst repaying your home loan. In this particular case study, Jim and Karen could expect to repay their home loan in approximately 9 years whilst creating a substantial investment portfolio.
2. Create a protection plan using Insurance to ensure that there are minimal interruptions to their savings or lifestyle plans as a result of sickness, injury or death.
3. Assess their asset allocation within their investment portfolios (including superannuation) to ensure their growth potential is maximised given the level of risk they are willing to take.
4. Consolidate debts into home loan to reduce interest rate on credit card and car loan. This will provide a saving of \$2,000 in interest repayments each year.
5. Karen to make after tax contributions into super of \$1,000 to be eligible for the government co-contribution. This will top up Karen's super by \$2,500 each year she is eligible.
6. Utilise the funds within the investment portfolio to provide for children's education costs.
7. Advise Jim and Karen to update their wills, powers of attorney and binding death benefit nominations. This will ensure their assets and family are protected in the event of death or impairment.

## Case Study 2: Pre-retiree

Frank (age 52) and Jan (age 55) are planning for their retirement. They both wish to retire at Frank's age 60. Frank is currently working part time earning \$30,000 pa and Jan is working full time earning \$150,000 pa. Frank has accumulated superannuation of \$400,000 and Jane has accumulated superannuation of \$530,000. They have a self managed super fund.

They have advised they require \$50,000 pa to live from in retirement. They are not sure if they will be able to, but would like to holiday throughout retirement (\$8,000 every year until Frank is aged 80).



### What we can do:

1. Inform them that by utilising current strategies, they will not achieve their goals. They can retire at Frank's age 60 but will be unable to generate \$50,000 pa as well as holiday each year. They are also likely to run out of money at Frank's age 82.
2. Jan to implement a transition to retirement pension account and complement this with a salary sacrifice arrangement. This will reduce her marginal tax rate and eliminate earnings tax on her accumulated super without taking any additional risk. She will save approximately \$2,500 per year in tax.
3. Assess the asset allocation within their self managed superannuation fund to ensure their growth potential is maximised given the level of risk they are willing to take.
4. Frank to make after-tax contributions of \$1,000 into super whilst he is working, to collect the government co-contribution of \$1,500 pa. This will top up Frank's super by \$2,500 each year he is eligible.
5. Both Frank and Jan to utilise account based pensions at retirement to provide them with a tax effective income stream.
6. If these strategies are implemented, Frank and Jan can retire at Frank's age 60, spend \$50,000 per annum, and holiday each year of retirement (until Frank's age 85!). They will not run out of money.
7. Advise Frank and Jan to update their wills, powers of attorney and binding death benefit nominations. This will ensure their assets and family are protected in the event of death or impairment.

## **Case Study 3: Retiree**

Geoff (aged 66) and Mary (aged 67) have recently retired. Geoff has superannuation of \$450,000 and Mary has super of \$200,000. They have an outstanding mortgage of \$40,000 and an investment property valued at \$300,000 with an outstanding loan of \$50,000.

They wish to purchase a caravan for \$50,000 and travel around Australia for the next few years. They require \$40,000 per year to fund their retirement.



### **What we can do:**

1. Repay all debt in full with available superannuation monies. Debt held during retirement is generally inefficient debt given that income tax is avoided. This will save them considerable amounts of interest. There will also be no tax payable on their super withdrawals due to their respective ages.
2. Geoff and Mary to establish account based pensions with accumulated superannuation monies. This will provide them with a tax-free income stream. The earnings within the fund will also be tax free.
3. Manage their assets and income to maximise Centrelink entitlements (age pension) through the use of account based pensions.
4. Assess their asset allocation within their superannuation funds to ensure their growth potential is maximised given the level of risk they are willing to take.
5. Advise that they can afford to purchase a caravan immediately with a commutation from their account based pension.
6. Manage their cash flows to ensure they have enough money to live throughout retirement.
7. Advise Geoff & Mary to update their wills, powers of attorney and binding death benefit nominations. This will ensure their assets and family are protected in the event of death or impairment.
8. Inform them that they will be able to afford \$40,000 per year for the remainder of their lives and purchase the caravan for \$50,000... without having to sell their investment property. This information is invaluable to a couple that is making a lifestyle decision of this nature.

Case studies are based on real life scenarios, however personal details have been changed for privacy purposes. The information in these case studies is of a general nature and may not be appropriate for your individual needs and circumstances. We recommend you seek personal advice from a qualified financial planner. Austbrokers Countrywide Financial Services Pty Ltd incorporates APESMA Insurance & Superannuation Services and Member Advantage Insurance & Superannuation Services. Austbrokers Countrywide Financial Services Pty Ltd is a Corporate Authorised Representative of Millennium3 Financial Services Pty Ltd ABN 61 094 529 987 Australian Financial Services Licensee – License Number 244252 7/50 Borthwick Avenue, Murarrie, QLD, 4172.