Completing the assignment

The assignment

Task: The Carlos and Rosa Alesi case study — Superannuation contributions

Read the case study and fact finder, then:

• answer the six (6) questions they have about superannuation contributions

• document the strategy you would recommend them

• complete a cash flow table documenting their financial position should they take your advice.

Task: Superannuation contributions

The Carlos and Rosa Alesi case study — superannuation contributions

Carlos and Rosa Alesi have been doing their own research into superannuation contributions and have recently attended a client seminar covering superannuation contributions hosted by your licensee, EANWB Financial Planning. Following this seminar they spoke with you, a financial planner, about their concerns that they may not have enough money in superannuation to fund their retirement.

During your initial meeting with them, you provided them with some basic information including a fact finder for them to fill out and then organised a second meeting in which you collected more information on their current financial situation and their needs and objectives. You documented all this information in their fact finder and risk profile from page 6.

Table Personal details

|  |  |  |
| --- | --- | --- |
|  | Client 1 | Client 2 |
| Title | Mr | Mrs |
| Surname | Alesi | Alesi |
| Given & preferred names | Carlos | Rosa |
| Home address | 1 Galbraith Grove, Stanhope Gardens, NSW. | 1 Galbraith Grove, Stanhope Gardens, NSW. |
| Business address | n.a. | n.a. |
| Contact phone | (02) 6655 4477 | (02) 6655 4477 |
| Date of birth | 18 December 1961 | 12 June 1963 |
| Sex | 🗶 | Male |  | Female |  | Male | 🗶 | Female |
| Smoker |  | Yes | 🗶 | No |  | Yes | 🗶 | No |
| Expected retirement age | Age 65 | When Carlos retires |

Fact finder — Carlos and Rosa Alesi

|  |
| --- |
| This is a copy of the fact finder that you gave to Carlos and Rosa, which they completed to the best of their ability and brought along with them to your second meeting. During the course of that meeting you are able to fill in the remainder of the relevant sections, including ‘needs and objectives’. |

Important notice to customers

Your planner must act in your best interest when making any superannuation and retirement recommendations. Therefore, before making a recommendation, the planner must ask you about your investment objectives, financial situation and your particular needs.

The information requested in this form will be used strictly for that purpose.

Warning

The planner could make inappropriate recommendations or give inappropriate advice if you fail to fully and accurately complete this form.

Personal and employment details

|  |
| --- |
| Personal details |
|  | Client 1 | Client 2 |
| Title | Mr | Mrs |
| Surname | Alesi | Alesi |
| Given & preferred names | Carlos | Rosa |
| Home address | 1 Galbraith Grove, Stanhope Gardens, NSW. | 1 Galbraith Grove, Stanhope Gardens, NSW. |
| Business address | n.a. | n.a. |
| Contact phone | (02) 6655 4477 | (02) 6655 4477 |
| Date of birth | 18 December 1961 | 12 June 1963 |
| Sex | 🗶 | Male |  | Female |  | Male | 🗶 | Female |
| Smoker |  | Yes | 🗶 | No |  | Yes | 🗶 | No |
| Expected retirement age | Age 65 | When Carlos retires. |

|  |
| --- |
| Dependants (children or other) |
| **Name** | **Date of birth** | **Sex** | **School** | **Occupation** |
| Emmanuel | 18 April 1997 | M | Yes |  |
| Isabella | 20 March 1999 | F | Yes |  |

|  |
| --- |
| Employment details |
|  | **Carlos Alesi** | **Rosa Alesi** |
| Occupation | Sales Representative | Marketing Consultant |
| Employment status |  | Self employed | 🗶 | Employee | 🗶 | Self employed | 🗶 | Employee |
|  |  | Not employed |  | Pensioner |  | Not employed |  | Pensioner |
|  | 🗶 | Permanent |  | Part time |  | Permanent |  | Part time |
|  |  | Casual |  | Contractor |  | Casual | 🗶 | Contractor |
|  |  | Other |  | Government |  | Other |  | Government |
| Business status |  | Sole proprietor |  | Partnership | 🗶 | Sole proprietor |  | Partnership |
|  |  | Private company |  | Trust |  | Private company |  | Trust |
| Notes |
| Any other person to be contacted? E.g. accountant, banker, solicitor, etc. |
| Rosa is primarily a self-employed sole trader but is also an employed contractor. |

Income, tax and cash flow

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Tax calculation | Client 1 | Client 2 | Combined | Comments |
| **Income from employment** |
| Salary or Income from employment | $140,000 | $70,600 | $210,600 | Rosa — $65,000 net business income and $5600 from employer |
| Salary sacrifice |  |  |  |  |
| **Salary after salary sacrifice** | **$140,000** | **$70,600** | **$210,600** |  |
| Rental income |  |  |  |  |
| Unfranked dividends |  |  |  |  |
| Franked dividends |  |  |  |  |
| Franking (imputation) credits |  |  |  |  |
| Interest |  |  |  |  |
| Other income (e.g. taxable benefits, trust income, investment income) |  |  |  |  |
| Capital gains < 1 yr |  |  |  |  |
| Capital gains > 1 yr |  |  |  |  |
| Tax-free component of capital gains |  |  |  |  |
| **Assessable income** | **$140,000** | **$70,600** | **$210,600** |  |
| Deductible expenses | $150 | $350 | $500 | Accountant’s fees |
| Donations | $610 | $610 | $1,220 | $1200 p.a. to the National Breast Cancer Foundation$20 bucket donation |
| Income protection insurance | $1,884 | $420 | $2,304 |  |
| Business overheads insurance |  | $972 | $972 |  |
| Other |  |  |  |  |
| **Taxable income** | **$137,356** | **$68,248** | **$205,604** |  |
| **Tax on taxable income** | **$38,768** | **$13,727** | **$52,495** |  |
| Non-refundable tax offsets (e.g. LITO/SAPTO) |  |  |  |  |
| Medicare levy | $2,747 | $1,365 | $4,112 |  |
| Medicare levy surcharge |  |  |  |  |
| Franking rebate |  |  |  |  |
| Refundable rebates and offsets |  |  |  |  |
| **Total tax** | **$41,515** | **$15,092** | **$56,607** |  |

| Cash flow | Carlos | Rosa | Combined | Comment |
| --- | --- | --- | --- | --- |
| **Salary less any salary sacrificed amount** | **$140,000** | **$70,600** | **$210,600** | Includes for Rosa income net of business expenses and income from employment as above |
| **Non-taxable income** | **nil** | **nil** |  |  |
| Rental income | n.a. | n.a. |  |  |
| Unfranked dividends received | nil | nil |  |  |
| Franked dividends received | nil | nil |  |  |
| Interest | nil | nil |  |  |
| Other income (e.g. taxable benefits, trust income, investment income) | nil | nil |  |  |
| **Total income received before tax** | **$140,000** | **$70,600** | **$210,600** |  |
| Investment expenses | nil |  |  |  |
| **Expenses** |
| Mortgage | nil | nil |  |  |
| School fees | $3,500 | $3,500 | $7,000 |  |
| Utilities | n.a. | n.a. |  | Paid as part of the expenses through credit card |
| Personal insurance | $5,496 | $3,564 | $9,060 | Carlos’ annualised premiums: $3612 trauma, $1884 income protectionRosa’s annualised premiums:$2172 trauma, $420 income protection, $972 business overheads |
| Car insurance | $1,600 | $1,600 | $3,200 |  |
| Home building and contents insurance | $750 | $750 | $1,500 |  |
| Health insurance | $1,422 | $1,422 | $2,844 |  |
| Living expenses | $45,000 | $45,000 | $90,000 | $7500 per month through credit card |
| Holidays | $5,000 | $5,000 | $10,000 |  |
| House maintenance | n.a. | n.a. |  | Paid as part of the expenses through credit card |
| Motor vehicle | n.a. | n.a. |  | Paid as part of the expenses through credit card |
| Other |  |  |  |  |
|  | $610 | $610 | $1,220 | Donations |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash flow | Carlos | Rosa | Combined | Comment |
|  | $150 | $350 | $500 | Accountant’s fees |
| **Total expenses** | **$63,528** | **$61,796** | **$125,324** |  |
| **Total income received before tax less total expenses** | **$76,472** | **$8,804** | **$85,276** |  |
| Total tax payable from tax table above | $41,515 | $15,092 | $56,607 |  |
| **Total net cash flow** | **$34,957** | **–$6,288** | **$28,669** |  |

Assets and liabilities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Asset | Owner | Value | Liabilities | Net value | Notes |
| Personal assets |
| Family home | Carlos/Rosa | $600,000 | $0 | $600,000 |  |
| Home contents | Carlos/Rosa | $150,000 | $0 | $150,000 | Insured value |
| Car | Carlos/Rosa | $11,000 | $0 | $11,000 | 2007 Ford Focus |
| Car | Carlos/Rosa | $16,000 | $0 | $16,000 | 2007 Ford Falcon XR6 |
| **Total** |  | **$777,000** | **$0** | **$777,000** |  |
| Superannuation |
| Employer superannuation | Carlos | $270,000 | n.a. | $270,000 |  |
| Employer superannuation | Rosa | $99,000 | n.a. | $99,000 |  |
| **Total** |  | **$369,000** |  | **$369,000** |  |
| Other Assets |
| Savings account | Carlos/Rosa | $350,000 | Nil | $350,000 | Transaction account |
| **Total** |  | **$350,000** | **Nil** | **$350,000** |  |
| **Net worth** |  | **$1,496,000** | **$0** | **$1,496,000** |  |

|  |
| --- |
| Liabilities |
| Loan | Current debt | Percentage tax deductible | Interest only | Repayment |
| Home loan | n.a. | n.a. |  |  |
| Investment property | n.a. | n.a. |  |  |
| Investment loan | n.a. | n.a. |  |  |
| Personal loan | n.a. | n.a. |  |  |
| Other | n.a. | n.a. |  |  |
| Total | $0 | $0 |  |  |

Needs and objectives

|  |  |
| --- | --- |
| Details | Comments |
| Save for retirement | Concerned that their current savings may not have enough funds to finance their retirement |
| Use excess income for retirement |  |
| Invest $350,000 tax effectively | Excess from an inheritance and not have access until retirement |
| Reduce overall tax liability |  |
| Other |  |

Estate planning

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Do you have a will? | 🗶 | Yes |  | No |
| When was it last updated: | October 2009 |
| Do you have powers of attorney? | 🗶 | Yes |  | No |

Current superannuation, rollovers, insurances and investments

|  |
| --- |
| Superannuation |
| Member | Carlos | Rosa |
| Fund name | ASSF Super Fund | CISF Super Fund |
| Date of joining fund | 1 July 1992 (service date) | 1 July 1992 (service date) |
| Type of fund | 🗶 | Accumulation |  | Defined benefit | 🗶 | Accumulation |  | Defined benefit |
|  |  | Pension |  | Pensioner |  | Pension |  | Pensioner |
| Contribution (e.g. 5% of salary) | SG | By employer |  | By yourself | SG | By employer |  | By yourself |
| Current value of your superannuation fund | $270, 000 | $99,000 |
| Amount of death and disability cover | $720,000 | $720,000 |
| Is there provision for you to top up or salary sacrifice? | 🗶 | Yes |  | No |  | Yes | 🗶 | No |

|  |
| --- |
| Superannuation taxation details |
|  | Carlos | Rosa |
| Current value | $270, 000 | $99,000 |
| Tax free component | $0 | $0 |
| *Taxable component:* |
| Taxed element | $270,000 | $99,000 |
| Untaxed element | $0 | $0 |
| *Preservation:* |
| Preserved | $270,000 | $99,000 |
| Unrestricted non-preserved | $0 | $0 |
| Restricted non-preserved | $0 | $0 |
| *Previous years’ contributions:* |
| *Non-concessional contributions:* |
| Year 1 | $0 | $0 |
| Year 2 | $0 | $0 |
| Year 3 | $0 | $0 |
| Year 4 | $0 | $0 |
| *Concessional contributions:* |
| Year 1 | SG only | SG only |
| Year 2 | SG only | SG only |
| Year 3 | SG only | SG only |
| Year 4 | SG only | SG only |
| *Other contributions:* |
| Small business CGT Exempt contributions: | $0 | $0 |
| Personal injury payments | $0 | $0 |

|  |
| --- |
| Nominated Beneficiaries: |
| Name | Binding | Non-binding(Yes/No) | Trustee discretion(Yes/No) |
| Yes/No | Amount |
| Carlos – Beneficiary is Rosa | Yes | 100% | No | No |
| Rosa – Beneficiary Carlos | Yes | 100% | No | No |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| Is there any current flags or splits on a superannuation benefit of yours following a marriage breakdown?  | Yes/No | N | Details |  |
|  |
|  |
|  |
| Are you a beneficiary of any current flags or splits of a superannuation benefit following a marriage breakdown? | Yes/No | N | Details |  |
|  |
|  |
|  |

|  |
| --- |
| Life insurance details |
| Life insured | Owner | Policy type | Company | Policy number | Death benefit | Comments | Annual premium |
| DOES NOT WISH TO BE REVIEWED |

|  |
| --- |
| Disability insurance details |
| Life insured | Owner | Policy type | Company | Policy number | Death benefit | Comments | Annual premium |
| DOES NOT WISH TO BE REVIEWED |

|  |
| --- |
| Income protection insurance details |
| Life insured | Owner | Policy type | Company | Policy number | Benefit amount | Waiting period | Benefit payment period | Annual premium |
| DOES NOT WISH TO BE REVIEWED |

|  |
| --- |
| General insurance details |
| Item covered | Owner | Policy type | Company | Combined policy number | Cover amount | Other benefit | Annual premium |
| DOES NOT WISH TO BE REVIEWED |

|  |
| --- |
| Investment details |
| Investment type | Company | Purchase date | Units held/fixed rate | Current value | Owner |
| Savings account | East Antipodean National Wealth Bank | n.a. |  | $350,000 | Carlos and Rosa |

|  |
| --- |
| Acknowledgment |
| The information provided in this financial fact finder is complete and accurate to the best of my knowledge.I understand that a policy purchased without the completion of a fact finder, or following a partial or inaccurate completion, may not be appropriate to my needs. I also understand that a policy purchased that differs from that recommended by the planner may not be appropriate to my needs. I acknowledge that planner has provided me with the completed financial fact finder, signed by me. |
| Customer(s) signature(s) |
| Planner’s name |
| Planner’s signature |
| Date |

Task questions

Carlos and Rosa had a number of questions in regard to superannuation contributions following their research and the seminar they attended. You are to answer the questions, as their financial planner, taking into account their personal details. Remember, many clients may not be familiar with the superannuation system and may ask questions that are technically incorrect. You are to determine if the question asked is incorrect and if it is you are to correct Carlos and Rosa, providing the correct information and an answer to their question.

***Note:*** Full details of their financial situation are in Appendix 1. You will need to refer to that data to answer the questions for this task.

Carlos and Rosa Alesi’s questions

Question 1

Carlos and Rosa appear confused concerning the tax deductibility of superannuation contributions. They ask,

*‘Why is it that Rosa may be entitled to a tax deduction for her contributions to superannuation but Carlos is not, considering they are both employees?’*

Question 2

Carlos asks,

*‘As Rosa’s income from employment is $5600 what do I need to do to claim the spouse contributions tax offset?’*

Question 3

Rosa comments that as Carlos is the main salary earner they should consider using Carlos’s income to make contributions and asks,

*‘How does Carlos make tax-effective contributions to superannuation from his income if he cannot claim the contributions as a tax deduction?’*

Question 4

Rosa asks,

*‘If we can each make a contribution from our own money how is it possible for Carlos to split his contribution to my superannuation?’*

Question 5

Carlos is concerned about the excess funds they received from the inheritance and asks why would they contribute this if it is to be taxed at the highest marginal tax rate?

Question 6

Carlos asks,

*‘What would be the outcome if I salary sacrifice an amount equivalent to our excess income?’*

 Your strategy recommendations

As part of a statement of advice (SOA) a financial planner must justify their strategies by showing how they meet their clients’ needs and objectives.

In this case study Carlos and Rosa have the following needs and objectives:

• save for retirement as they are concerned that their current savings may not be adequate to meet their retirement needs

• to use excess income for retirement planning purposes

• invest the $350,000 excess from the inheritance from Rosa’s mother’s estate tax effectively and not have access to these funds until retirement

• reduce their overall tax liability.

You must provide a detailed report to Carlos and Rosa addressing each one of the needs and objectives, and justifying the strategies used. A field for your report is below.

In addition, you need to provide a tax and cash flow statement illustrating your clients’ financial position if your strategies were adopted. A template for the cash flow statement follows the report field.

***Note***: Full details of their financial situation are in Appendix 1. You will need to refer to that data to answer the questions for this task.

Use the space provided below to communicate to your clients your strategy recommendations.

Make sure you have addressed all their needs and objectives and that you have provided a rationale for your recommendations.

 To support your recommendations you will need to provide a cash flow statement that shows your clients financial position should they decided to take your advice.

Use the cash flow template provided below.

Financial position after implementation of strategy

***Note:*** The items listed in this template are indicative only and **must be adapted to your clients’ personal circumstances**. There may be other relevant income or expense items that are not included in this template. You should add, delete or substitute items where appropriate.

Accurately completed cash flows are essential in the financial planning process to support recommendations. They are key to demonstrating your competency.

|  |  |  |  |
| --- | --- | --- | --- |
| Tax calculation | Client 1 | Client 2 | Notes |
| **Income from employment** |
| Salary |  |  |  |
| Salary sacrifice |  |  | (state % if applicable) |
| **Salary after salary sacrifice** |  |  |  |
| **Other income** |
| Bank account interest |  |  | (state % return if applicable) |
| Interest from other investments |  |  | (state % return if applicable) |
| Share dividends |  |  | (state % return if applicable) |
| Imputation credits |  |  | (state % return if applicable) |
| Other income liable for tax (e.g. rental income) |  |  |  |
| Assessable capital gains |  |  |  |
| **Total assessable income** |  |  |  |
| Deductable expenses |  |  |  |
| Donations |  |  |  |
| Income protection insurance |  |  |  |
| Business overheads insurance |  |  |  |
| Other |  |  |  |
| **Taxable income** |  |  |  |
| Income tax on taxable income |  |  | (state tax rates and year applied) |
| Less non-refundable tax offsets (e.g. LITO/SAPTO) |  |  |  |
| plus Medicare levy |  |  |  |
| plus Medicare levy surcharge |  |  |  |
| less Imputation credits |  |  |  |
| less refundable tax offsets |  |  |  |
| **Net tax payable** |  |  |  |

| Family cash flow | Client 1 | Client 2 | Combined | Comment |
| --- | --- | --- | --- | --- |
| Salary less any salary sacrificed amount |  |  |  |  |
| Non-taxable income (e.g. income from a superannuation pension for a person aged over 60, Family Tax Benefits, etc.) |  |  |  |  |
| Interest income |  |  |  |  |
| Dividends received (excluding franking credits) |  |  |  |  |
| Other income |  |  |  |  |
| **Total income received before tax** |  |  |  |  |
| Investment expenses |  |  |  |  |
| **Expenses** |  |  |  |  |
| Mortgage |  |  |  |  |
| School fees |  |  |  |  |
| Utilities |  |  |  |  |
| Personal insurance |  |  |  |  |
| Car insurance |  |  |  |  |
| Home building and contents insurance |  |  |  |  |
| Health insurance |  |  |  |  |
| Living expenses |  |  |  |  |
| Holidays |  |  |  |  |
| House maintenance |  |  |  |  |
| Motor vehicle |  |  |  |  |
| Other |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| **Total expenses** |  |  |  |  |
| **Total income received before tax less expenses** |  |  |  |  |
| Net tax payable from tax table above |  |  |  |  |
| **Total net cash flow** |  |  |  |  |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Asset | Owner | Value | Liabilities | Net value | Notes |
| Personal assets |
| Family home |  |  |  |  |  |
| Home contents |  |  |  |  |  |
| Car 1 |  |  |  |  |  |
| Car 2 |  |  |  |  |  |
| Other |  |  |  |  |  |
| **Total** |  |  |  |  |  |
| Superannuation |
| Client 1 superannuation |  |  |  |  |  |
| Client 2 superannuation |  |  |  |  |  |
| **Total** |  |  |  |  |  |
| Investment assets |
| Investment property |  |  |  |  |  |
| Savings account |  |  |  |  |  |
| Term deposit |  |  |  |  |  |
| Shares |  |  |  |  |  |
| Other |  |  |  |  |  |
| **Total** |  |  |  |  |  |
| **Net worth** |  |  |  |  |  |

|  |
| --- |
| Liabilities |
| Loan | Current debt | Percentage deductible | Interest only | Repayment |
| Loan |  |  |  |  |
| Home loan |  |  |  |  |
| Investment property |  |  |  |  |
| Other |  |  |  |  |
| **Total** |  |  |  |  |

Appendix: Case study

Case study — Carlos and Rosa Alesi

The first meeting

Carlos and Rosa arrive at your office for the meeting. After greeting and offering them a cool drink you confirm that they received your package of documents and that they have completed them. You then take them through the key elements of the FSG and explain your role and capacity to assist them with their planning needs. You make sure that Carlos and Rosa are comfortable with that information before you proceed to the next step.

Collecting the data

At the next stage of the meeting, you learn the following information about Carlos and Rosa through a process of thorough and polite questioning. From time to time they provide you with a relevant document to confirm their financial situation.

Current situation

Carlos, born 18 December 1961, is married to Rosa, born 12 June 1963. Carlos and Rosa have two children, a son named Emmanuel, age 17, and a daughter Isabella, age 15.

Carlos and Rosa own their own home, valued at $600,000, and have recently received an inheritance from the estate of Rosa’s mother.

An amount equal to their outstanding mortgage was deposited into their mortgage offset account reducing the amount of the outstanding loan to nil. They still have access to these funds. However, they do not want to touch these funds and want to use it as an emergency account.

Carlos is a full-time sales representative for an agricultural supplies company. He has only recently commenced working for his present employer after administrators closed his previous employer’s business down. He earns $140,000 p.a. and receives additional superannuation guarantee (SG) contributions from his employer paid into the employer’s default fund.

Rosa is primarily a self-employed marketing consultant and has net business income of $65,000 p.a. She also works as a contracted employee in a mining engineering company earning $5600 p.a. plus SG into the employer’s default fund.

Emmanuel and Isabella attend the local private school and Carlos and Rosa pay $7000 p.a. in fees, uniforms, books, school trips, etc.

The family has full health insurance.

The only other assets they have are a 2007 Ford Focus currently valued at $11,000 and a 2007 Ford Falcon XR6 valued at $16,000. Both vehicles are fully comprehensively insured.

Superannuation

Carlos has $270,000 in his superannuation fund via his employer’s default fund. The benefit is fully preserved and is a 100% taxed element of the taxable component. Carlos’s service period commenced on 1 July 1992.

Rosa has $99,000 in her employer’s default superannuation fund. Her benefit is fully preserved and is a 100% taxed element of the taxable component. Rosa’s service period commenced on 1 July 1992.

Neither Carlos nor Rosa has made any additional contributions to their superannuation fund.

Carlos’s employer will allow salary sacrificing to superannuation without impacting on any other employee benefits. In addition, Carlos’s employer will maintain their SG contribution based on his pre-salary sacrifice income.

Rosa’s employer does not allow salary sacrificing to superannuation but does make SG contributions to Rosa’s superannuation fund.

Carlos and Rosa are happy with their current superannuation funds and the underlying investments they are invested in. They do not wish to receive advice in regard to changing their funds or investment profile.

Insurance

Carlos and Rosa have their life insurance and total and permanent disability insurance (TPD) owned by their superannuation funds.

Carlos has a self-owned trauma policy with a premium of $301 per month.

Rosa has a self-owned trauma policy with a premium of $181 per month.

Both Carlos and Rosa have income protection policies. Carlos’s premium is $157 per month and Rosa’s is $35 per month. Rosa also has business overheads insurance with a premium of $81 per month. This business overheads insurance premium is in addition to any other business expenses.

As mentioned above, Carlos and Rosa’s cars are fully comprehensively insured for $3200 p.a.

Carlos and Rosa also have home building and contents insurance cover including legal liability cover for $1500 p.a.

Carlos and Rosa have adequate family private health insurance cover with a premium of $237 per month. This premium includes any private health insurance rebate.

Carlos and Rosa are happy with their current insurance arrangements, including the premiums they are paying, the sums insured and the policy ownership structure. They have specifically requested that they do not require any advice on their insurance matters.

Investments

Carlos and Rosa do not have any investments. Excess income was used to pay-off their mortgage.

However, they do have $350,000 in their savings account that was left over from the inheritance from Rosa’s mother’s estate after paying off their mortgage. This savings account does not pay any interest.

Other information

Carlos and Rosa have a credit card with a limit of $30,000 that they use for all their general expenses and entertainment. However, they never spend up to their limit and their average expenses are $7500 per month, which they repay within the interest free period.

Carlos and Rosa go on regular annual holidays with their children and spend over $10,000 per trip.

Other expenses include a donation to the National Breast Cancer Foundation of $100 per month, a tax deductible ‘bucket’ donation of $20 p.a. to disaster relief funds, and accountant’s expenses of $500 p.a.

Needs and objectives

During your conversation with Carlos and Rosa it becomes apparent that their main objective is to save for their retirement. They are concerned that with their current savings they may not have enough funds to fund their retirement, which they would like to commence when Carlos is aged 65.

Carlos and Rosa are aware that as they do not owe anything on their mortgage they will now have excess income that they would like to use as part of their retirement planning.

They realise that their savings account is not the best place to invest their $350,000 and they want to make sure that it is invested tax effectively. Further, they want to make sure that they cannot have access to these funds until they retire.

In addition, they would also like to reduce their overall tax liability.

Closing the interview

Prior to concluding your meeting, you review the information provided by Carlos and Rosa to check that it is complete and accurate and ask if they have any questions.

Carlos and Rosa are curious about the superannuation contribution process and have a number of questions that sprang to mind after the recent seminar they attended.

You advise Carlos and Rosa of what happens next, and explain that with their agreement you will prepare a written report, based on the information they have just shared with you, which will include recommended strategies to assist them in achieving their financial goal of having adequate funds for retirement.

Carlos and Rosa agree to proceed to the next stage of the financial planning process and you make an appointment to present the plan in a fortnight.