Completing the assignment

The assignment

Task: The Sandra and Henry Blake case study — Superannuation benefit payments

Read the case study and fact finder, then:

• answer the six (6) questions your clients have about superannuation benefit payments

• document the strategy you would recommend them

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

Task: Benefit payments

The Sandra and Henry Blake case study — Superannuation benefit payments

Henry and Sandra Blake have decided that they need some financial planning advice as Henry has recently had to commence a new job at a much reduced income level. As their financial planner they have told you that they are concerned that the new income may not be adequate to meet their current lifestyle requirements. Henry has taken on this new job so that he can look after Sandra. Sandra has been diagnosed with a serious but not terminal illness and will need to be cared for, for a period of time. Following due protocol, you met and provided them with the information they needed, and then in a second meeting you collected information on their current financial situation and their needs and objectives. Table 2 records your clients’ personal details.

***Note:*** Full details of their financial situation are at Appendix 2. You will need to refer to that data to answer the questions for this task.

Table Personal details

|  |  |  |
| --- | --- | --- |
|  | Client 1 | Client 2 |
| Title | Mr | Mrs |
| Surname | Blake | Blake |
| Given & preferred names | Henry | Sandra |
| Home address | 20 Bannockburn Dr, Beaumont Hills, NSW. | 20 Bannockburn Dr, Beaumont Hills, NSW. |
| Business address | n.a. | n.a. |
| Contact phone | (02) 5544 7766 | (02) 5544 7766 |
| Date of birth | 18 December 1951 | 12 June 1956 |
| Sex | 🗶 | Male |  | Female |  | Male | 🗶 | Female |
| Smoker |  | Yes | 🗶 | No |  | Yes | 🗶 | No |
| Expected retirement age | When Sandra reaches age 65 | Age 65 |

The cash flow tables

Based on the information they provided, you completed a fact finder and then developed the two (2) cash flow statements on the following pages to document the couple’s change in financial situation.

***Note:*** You can verify the accuracy of the two (2) cash flow statements by referencing the full details of your clients’ financial situation in Appendix 2. You will need to refer the data presented there to answer the questions for this task.

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

Income, tax and cash flow — Henry’s previous employment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Tax calculation | Client 1 | Client 2 | Combined | Comments |
| **Income from employment** |
| Salary or Income from employment | $145,000 | $71,000 | $216,000 |  |
| Salary sacrifice |  |  |  |  |
| **Salary after salary sacrifice** | **$145,000** | **$71,000** | **$216,000** |  |
| Rental income |  |  |  |  |
| Unfranked dividends |  |  |  |  |
| Franked dividends | $5,022 | $5,022 | $10,044 | Distribution from tax effective share fund |
| Franking (imputation) credits | $1,663 | $1,663 | $3,326 |  |
| 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** | **$151,685** | **$77,685** | **$229,370** |  |
| Deductible expenses | $250 | $250 | $500 | Accountant’s fees |
| Donations | $610 | $610 | $1,220 | $1200 p.a. to the National Breast Cancer Foundation$20 bucket donation |
| Income Protection Insurance |  |  |  |  |
| Business Overheads Insurance |  |  |  |  |
| Other |  |  |  |  |
| **Taxable income** | **$150,825** | **$76,825** | **$227,650** |  |
| **Tax on taxable income** | **$43,752** | **$16,515** | **$60,267** |  |
| Non-refundable tax offsets (e.g. LITO/SAPTO) |  |  |  |  |
| Medicare levy | $3,017 | $1,537 | $4,554 |  |
| Medicare levy surcharge |  |  |  |  |
| Franking rebate | $1,663 | $1,663 | $3,326 |  |
| Refundable rebates and offsets |  |  |  |  |
| **Total tax** | **$45,106** | **$16,389** | **$61,495** |  |

Cash flow — Henry’s previous employment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash flow | Henry | Sandra | Combined | Comment |
| **Salary less any salary sacrificed amount** | **$145,000** | **$71,000** | **$216,000** |  |
| **Non-taxable income** | **nil** | **nil** |  |  |
| Rental income | n.a. | n.a. |  |  |
| Dividends received | $5,022 | $5,022 | $10,044 |  |
| Interest | nil | nil |  |  |
| Other income (e.g. taxable benefits, trust income, investment income) | nil | nil |  |  |
| **Total income received before tax** | **$150,022** | **$76,022** | **$226,044** |  |
| Investment expenses | nil | nil |  |  |
| **Expenses** |
| Mortgage | nil | nil |  |  |
| School fees | nil | nil |  |  |
| Utilities | n.a. | n.a. |  | Paid as part of the expenses through credit card |
| Personal insurance | nil | nil |  |  |
| Car insurance | $1,600 | $1,600 | $3,200 |  |
| Home building and contents insurance | $750 | $750 | $1,500 |  |
| Health insurance | $2,520 | $2,520 | $5,040 | $420 per month |
| Living expenses | $51,000 | $51,000 | $102,000 | $8500 per month through credit card |
| Holidays | $10,000 | $10,000 | $20,000 |  |
| 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 |
|  | $250 | $250 | $500 | Accountant’s fees |
|  | $12,000 | $12,000 | $24,000 | $2000 per month investment |
|  |  | $6,720 | $6,720 | $560 per month out of pocket medical expenses |
| **Total expenses** | **$78,730** | **$85,450** | **$164,180** |  |
| **Total income received before tax less total expenses** | **$71,292** | **–$9,428** | **$61,864** |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash flow | Henry | Sandra | Combined | Comment |
| Total tax payable from tax table above | $45,106 | $16,389 | $61,495 |  |
| **Total net cash flow** | **$26,186** | **–$25,817** | **$369** |  |

Income, tax and cash flow — Henry’s new employment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Tax calculation | Client 1 | Client 2 | Combined | Comments |
| **Income from employment** |
| Salary or Income from employment | $73,000 | $71,000 | $144,000 |  |
| Salary sacrifice |  |  |  |  |
| **Salary after salary sacrifice** | **$73,000** | **$71,000** | **$144,000** |  |
| Rental income |  |  |  |  |
| Dividends | $5,022 | $5,022 | $10,044 | Distribution from tax effective share fund |
| Franking (imputation) credits | $1,663 | $1,663 | $3,326 |  |
| 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** | **$79,685** | **$77,685** | **$157,370** |  |
| Deductible expenses | $250 | $250 | $500 | Accountant’s fees |
| Donations | $610 | $610 | $1,220 | $1200 p.a. to the National Breast Cancer Foundation$10 bucket donation |
| Income Protection Insurance |  |  |  |  |
| Business Overheads Insurance |  |  |  |  |
| Other |  |  |  |  |
| **Taxable income** | **$78,825** | **$76,825** | **$155,650** |  |
| **Tax on taxable income** | **$17,165** | **$16,515** | **$33,680** |  |
| Non-refundable tax offsets (e.g. LITO/SAPTO) |  |  |  |  |
| Medicare levy | $1,577 | $1,537 | $3,114 |  |
| Medicare levy surcharge |  |  |  |  |
| Franking rebate | $1,663 | $1,663 | $3,326 |  |
| Refundable rebates and offsets |  |  |  |  |
| **Total tax** | **$17,079** | **$16,389** | **$33,468** |  |

Cash flow — Henry’s new employment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash flow | Henry | Sandra | Combined | Comment |
| **Salary less any salary sacrificed amount** | **$73,000** | **$71,000** | **$144,000** |  |
| **Non-taxable income** | **nil** | **nil** |  |  |
| Rental income | n.a. | n.a. |  |  |
| Dividends received | $5,022 | $5,022 | $10,044 |  |
| Interest | nil | nil |  |  |
| Other income (e.g. taxable benefits, trust income, investment income) | nil | nil |  |  |
| **Total income received before tax** | **$78,022** | **$76,022** | **$154,044** |  |
| Investment expenses | nil | nil |  |  |
| **Expenses** |
| Mortgage | nil | nil |  |  |
| School fees | nil | nil |  |  |
| Utilities | n.a. | n.a. |  | Paid as part of the expenses through credit card |
| Personal insurance | nil | nil |  |  |
| Car insurance | $1,600 | $1,600 | $3,200 |  |
| Home building and contents insurance | $750 | $750 | $1,500 |  |
| Health insurance | $2,520 | $2,520 | $5,040 | $420 per month |
| Living expenses | $51,000 | $51,000 | $102,000 | $8500 per month through credit card |
| Holidays | $10,000 | $10,000 | $20,000 |  |
| 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 |
|  | $250 | $250 | $500 | Accountant’s fees |
|  | $12,000 | $12,000 | $24,000 | $2000 per month investment |
|  |  | $6,720 | $6,720 | $560 per month out of pocket medical expenses |
| **Total expenses** | **$78,730** | **$85,450** | **$164,180** |  |
| **Total income received before tax less total expenses** | **–$708** | **–$9,428** | **–$10,136** |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Cash flow | Henry | Sandra | Combined | Comment |
| Total tax payable from tax table above | **$17,079** | **$16,389** | **$33,468** |  |
| **Total net cash flow** | **–$17,787** | **–$25,817** | **–$43,604** |  |

Current superannuation, rollovers, insurances, etc.

|  |
| --- |
| Superannuation |
| Member | Henry | Sandra |
| Fund name | EANWB Retail Super Fund | EANWB Retail 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 | $567,000 | $332,000 |
| Amount of death and disability cover | $710,000 | $520,000 |
| Is there provision for you to top up or salary sacrifice? | 🗶 | Yes |  | No | 🗶 | Yes |  | No |

|  |
| --- |
| Superannuation taxation details |
|  | Henry | Sandra |
| Current value | $567,000 | $332,000 |
| Tax free component | $175,000 | $178,000 |
| *Taxable component:* |
| Taxed element | $392,000 | $154,000 |
| Untaxed element | $0 | $0 |
| *Preservation:* |
| Preserved | $567,000 | $332,000 |
| 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 |

***Note:*** The fund rules of the EANWB Retail Super Fund will allow a member to be in accumulation and pension phase at the same time.

|  |
| --- |
| Life insurance details |
| Life insured | Owner | Policy type | Company | Policy number | Death benefit | Comments | Annual premium |
| Henry | EANWB Retail Super Fund | Life | EANWB | 234u024 | $710,000 | Within superannuation | $8400 |
| Henry | EANWB Retail Super Fund | TPD | EANWB | 234u024 | $710,000 | Within superannuation any occupation | $18,000 |
| Sandra | EANWB Retail Super Fund | Life | EANWB | 45276 | $520,000 | Within superannuation | $1440 |
| Sandra | EANWB Retail Super Fund | TPD | EANWB | 45276 | $520,000 | Within superannuation any occupation | $3060 |

|  |
| --- |
| Nominated beneficiaries: |
| Name | Binding | Non-binding(Yes/No) | Trustee discretion(Yes/No) |
| Yes/No | Amount |
| Henry — Beneficiary is Sandra | Yes | 100% | No | No |
| Sandra — Beneficiary is Henry | 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 |  |
|  |
|  |
|  |

Needs and objectives

|  |  |
| --- | --- |
| Details | Comments |
| Maintain previous net income level | To maintain their net income levels at the level prior to Henry commencing his new role. |
| Maintain superannuation balances | If possible, to try and maintain superannuation balances. However, willing to reduce superannuation balances to maintain previous net income level. |
| Reduce taxation |  |
| Implications on TPD | If Sandra becomes TPD due to her current illness, both now and in the future. |
| Proposed superannuation balances | Estimate of Henry and Sandra’s superannuation balances when Sandra reaches age 65. |

Task questions

Henry and Sandra had a number of questions in regard to superannuation benefit payments. 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 Henry and Sandra, providing the correct information and an answer to their question.

***Note***: Full details of their financial situation are in Appendix 2. You will need to refer to that data to answer the questions for this task.

Henry and Sandra’s questions

Question 1

Sandra asks,

*‘What are our options for accessing our superannuation if we are still working?’*

Sandra comments,

*‘We would also like the flexibility of being able to take a lump sum now or in the future’.*

Question 2

Sandra then asks,

*‘How much can we take out of our superannuation to supplement our income?’*

*‘What is the difference if we take our superannuation as an income stream or lump sum?’*

Question 3

Henry asks,

*‘As I understand it, if we are able to withdraw our funds from superannuation we will be heavily taxed. What are the tax implications for Sandra and I for receiving a one off payment?’*

Question 4

Sandra asks,

*‘If Henry and I both commence income streams why are they different in the amounts of income we can receive and the tax payable?’*

Question 5

Henry has noticed on his and Sandra’s superannuation statements that they have taxable and tax-free components. Henry asks,

*‘If Sandra and I can take any amounts from our superannuation from the tax free portions, and not pay tax on them, what happens to the taxable portions’.*

Question 6

Henry asks,

*‘If we are able commence an income stream part way through the year how does the minimum income stream amount work?’*

 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 Henry and Sandra have the following needs and objectives:

• maintain their previous net income level

• if possible to maintain their superannuation balances

• reduce taxation

• proposed superannuation balances when Sandra reaches age 65

• implications if Sandra becomes TPD now or in the future

• the flexibility of being able to take a lump sum from their superannuation benefits in the future.

You must provide the following information to Henry and Sandra addressing these objectives:

(a) How to maintain their previous net income level.

(b) If possible, how to maintain their superannuation balances.

(c) How to reduce taxation.

(d) What are the proposed superannuation balances for Henry and Sandra when Sandra reaches age 65?

(e) How this strategy maintains flexibility of achieving what they require from their superannuation fund in the future.

Use the templates on the following pages to provide your responses.

**Additional information:**

Each one of these needs and objectives must be addressed and justified in the strategies used. Further, if it is recommended that these can be satisfied by using the superannuation benefits of one member of the couple, the report must also include why the second member of the couple’s superannuation benefit is untouched or retained as is.

For the projections of their superannuation balances when Sandra reaches age 65 you are to assume a realistic rate of return of a balanced fund based on your recommendations as if your strategies were adopted.

Current and previous tax and cash flow statements have been provided as part of the case study. For your discussion with Henry and Sandra, you must also produce a similar cash flow statement that shows their tax and cash flow situation if your strategies were adopted.

Given the state of Sandra’s health, she is interested in finding out what the implications would be if she received the superannuation benefit as a lump sum and an income stream now or in the future as a disability superannuation benefit. You can give her this information and include it as an appendix to your recommendations.

This information will include all calculations and taxation implications based on the current benefits Sandra has within her superannuation fund. You will need to make sure you have considered her insurance benefit as well.

***Note***: Full details of their financial situation are in Appendix 2. You will need to refer to that data to answer the questions for this task.

(a) Use the space below to communicate to your clients how they can maintain their previous net income level.

 (b) Communicate to your clients how they might be able to maintain their superannuation balances.

 (c) Explain to your clients how they might be able to reduce their taxation including the taxation implications for Sandra if she receives her superannuation benefits now, or in the future, after satisfying a condition of release, including if she receives her benefit as a disability superannuation benefit as a lump sum or income stream.

 (d) What the proposed superannuation balances might be for when Sandra reaches age 65.

 The cash flow table

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 (e.g. rental repairs) |  |  |  |
| **Taxable income** |  |  |  |
| Income tax on taxable income |  |  | (state tax rates and year applied) |
| less tax offsets (e.g. LITO/SAPTO) |  |  |  |
| 15% superannuation and annuity tax offset |  |  |  |
| 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 |
| Cash flow calculation: |
| Salary less any salary sacrificed amount |  |  |  |  |
| Non-taxable income (e.g. income from a superannuation income stream 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 |  |  |  |  |
| Living expenses |  |  |  |  |
| Other expenses |  |  |  |  |
| **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— Henry and Sandra Blake

The first meeting

Henry and Sandra arrive at your office for the meeting. After greeting and offering them a cup of tea 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 in assisting them with their planning needs. You make sure that Henry and Sandra are comfortable with that information before you proceed to the next step.

Collecting the data

During the meeting, you learn the following information about Henry and Sandra 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

Henry, born 18 December 1951, is married to Sandra, born 12 June 1956. Henry and Sandra have two children, a son named Arthur, age 28, and a daughter Chloe, age 26, both of whom are independent.

Henry and Sandra own their own home, valued at $600,000, and do not have any outstanding mortgage, which was paid out eight years ago.

Sandra is employed full-time as a marketing manager earning $71,000 p.a. plus superannuation guarantee (SG) paid into a retail superannuation fund that she has chosen. She has some health issues, potentially serious but not terminal. Her out of pocket health expenses are on average $560 per month.

**Henry has recently resigned from a national sales manager role** as the travel has stopped him from assisting Sandra with her health issues. However, he has commenced a new role as a full-time sales representative for another agricultural supplies company. His salary as a national sales manager was $145,000 p.a. and on taking the new role his salary dropped to $73,000 p.a. plus SG. His new employer pays SG contributions into a retail superannuation fund that he has chosen. Henry intends to remain in this role until Sandra retires in about eight years.

Henry and Sandra have full health insurance.

They have two cars, a 2007 Toyota Corolla, currently valued at $11,000 and a 2007 Volkswagen Golf valued at $16,000. Both vehicles are fully comprehensively insured.

Henry and Sandra have been making regular investments in an Australian tax effective share fund since the ‘tech-bubble’ of 2001. They initially made a $1000 investment and have been making regular investment of $100 each month until they repaid their mortgage. Since then they have been investing $2000 per month. They have not been making any reinvestments. The current value of the fund is $216,000 and they are happy to maintain it and do not want to touch their capital. However, due to their concerns with their income requirements they would consider stopping the $2000 per month investment.

Superannuation

Henry has $567,000 in his retail superannuation fund. The benefit if fully preserved and is made up of:

• $392,000 taxed element of the taxable component

• $175,000 tax-free component.

Henry’s service period commenced on 1 July 1992.

Sandra has $332,000 in her retail superannuation fund. Her benefit is fully preserved and is made up of:

• $154,000 taxed element of the taxable component

• $178,000 tax-free component.

Sandra’s service period commenced on 1 July 1992.

Both Henry and Sandra’s employers will allow salary sacrificing to superannuation without impacting on any other employee benefits and will maintain their SG contribution based on their pre-salary sacrifice income.

Both Henry and Sandra are invested in balanced funds within their superannuation funds.

Henry and Sandra 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

Henry and Sandra have their life insurance and total and permanent disability insurance owned by their superannuation funds. Henry’s sum insured is $710,000 of death and total and permanent disability (TPD) insurance and Sandra has $520,000 in death and TPD insurance. The total and permanent disability benefit on this policy is ‘any occupation’.

As mentioned above, Henry and Sandra’s cars are fully comprehensively insured with a total annual premium of $3200 p.a.

Henry and Sandra also have home building and contents insurance cover including legal liability cover for a premium of $1500 p.a.

Henry and Sandra have adequate family private health insurance cover with a premium of $420 per month. This premium includes any private health insurance rebate.

Henry and Sandra 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

The only investment Henry and Sandra have is their EANWB Australian Tax Effective Share Fund currently worth $216,000. They do not reinvest any of the distributions they receive. They receive $10,044 in distributions p.a. with franking credits of $3326.

They also make a regular $2000 per month investment into the EANWB Australian Tax Effective Share Fund.

Henry and Sandra are happy with their EANWB Australian Tax Effective Share Fund and to maintain their $216,000 investment. However, they would consider stopping the $2000 per month investment to assist with their income requirements.

Henry and Sandra also have a savings account with an average balance of $5000 that they use for emergencies. This ‘working account’, where their salary and wages are deposited does not earn any interest.

Other information

Henry and Sandra 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 monthly expenses are $8500 per month, which they repay within the interest-free period.

Henry and Sandra go on regular annual holidays spending about $20,000 per trip.

Other expenses include a donation to the National Breast Cancer Foundation of $100 per month, a tax deductible ‘bucket’ donation of $10 p.a. each to disaster relief funds, and accountant’s expenses of $500 p.a.

Needs and objectives

During your conversation with Henry and Sandra it becomes apparent that their main objective is to maintain their net income levels at the level they were prior to Henry commencing his new role. However, they would like to try and maintain their superannuation balances and reduce taxation but would be willing to reduce their superannuation balances to maintain their income needs.

Due to Sandra’s health they wish to know what the implications are for her superannuation benefit if she becomes totally and permanently disabled now or in the future.

Further, when they retire, they would like the flexibility of being able to take a lump sum from their superannuation benefits.

Finally, as they are within around seven years of their planned retirement date, they would like to know what would be the likely balance of their superannuation funds at the time Sandra reaches age 65.

Closing the interview

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

Henry and Sandra are curious about receiving their superannuation benefits and the options that may be available and have a number of questions that came to mind during your meeting.

You advise Henry and Sandra 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.

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