

# Financial Planning Strategies

That can improve your financial position



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# Agenda

- One-off opportunities before the 1st July 2007
- Centrelink planning before the 20<sup>th</sup> September 2007
- Financial planning strategies that can improve your financial position
- Case studies
- Summary



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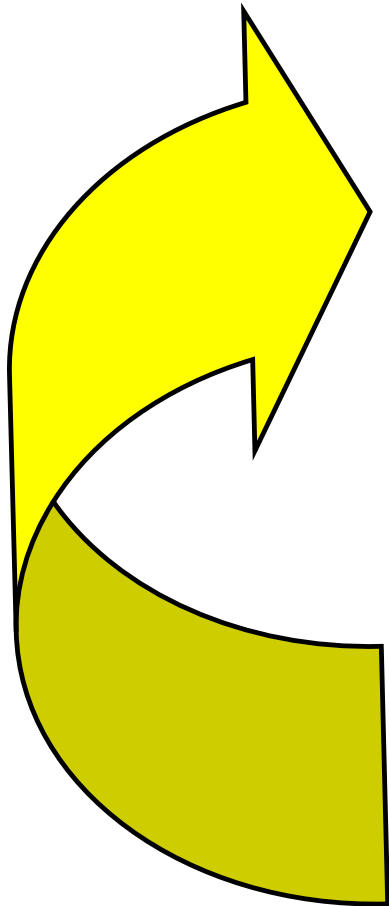


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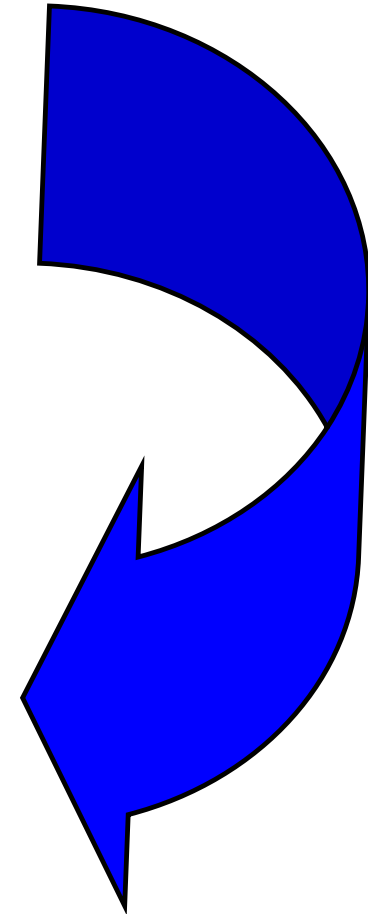


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# **Superannuation Reform**

**Paradigm Shift  
in our Thinking**



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# Types of Pensions

- Allocated Pension
- **Non-Commutable** Allocated Pension
- **Term** Allocated Pension

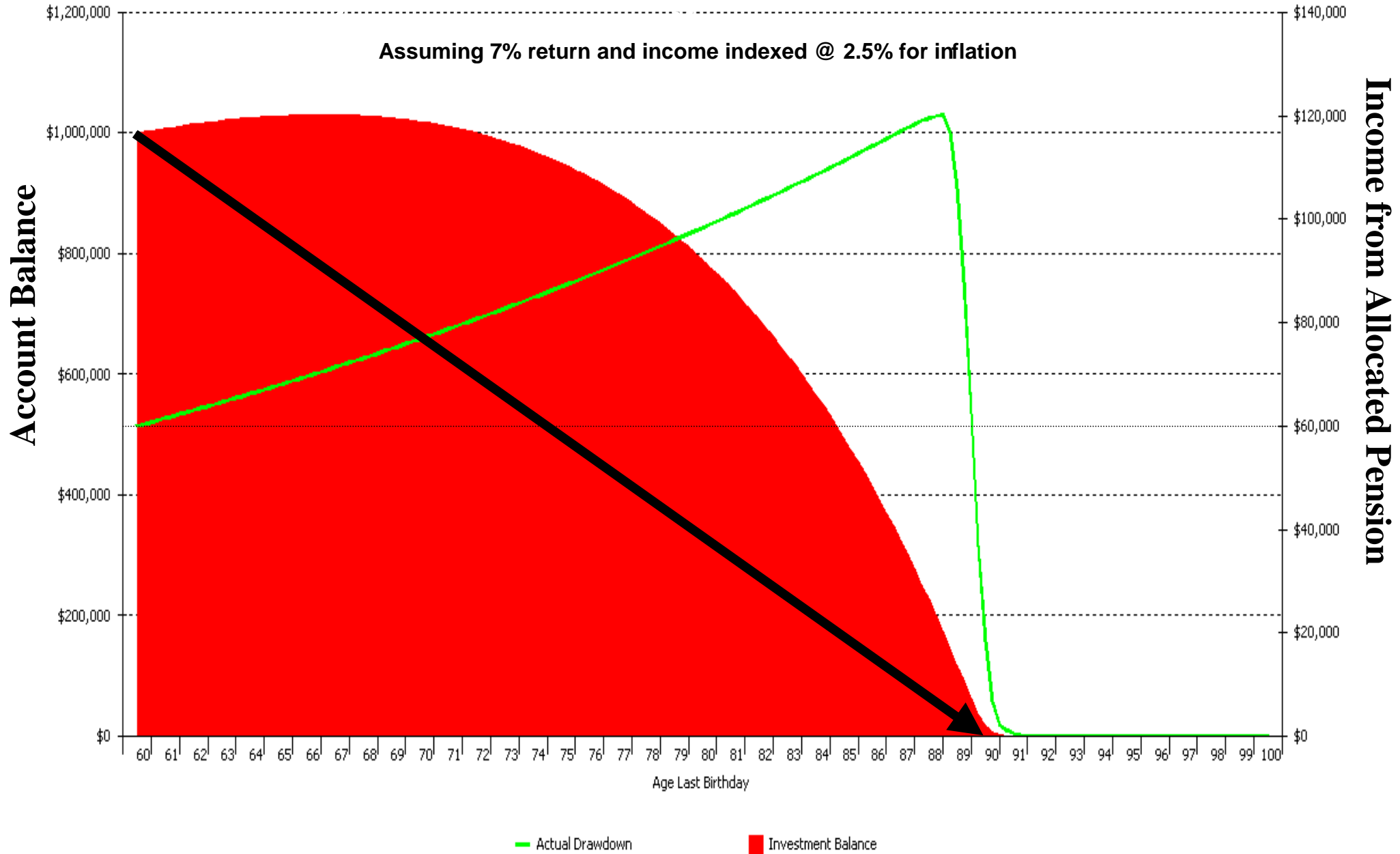
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# Allocated Pension Projections



# One off opportunity before 1 July 2007

- \$1,000,000 per person\* into superannuation for contributions that you do not claim a tax deduction for
- A lot of press about this
- Not an issue for most people
- After 30 June 2007, the limit (cap) on contributions that you do not claim a tax deduction for, will be \$150,000 p.a for those over 65# or \$450,000 averaged over 3 years for those under 65
- There are more significant issues and opportunities for most people

\* Contribution rules apply

# A work test applies



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## Case Study – Noel

# Transition to retirement, including a Term Allocated Pension (TAP)

- Aged 61 and still working
- Salary \$65,000
- Living expenses \$25,000
- \$300,000 in shares with debt of \$200,000
- Owns home \$500,000
- Superannuation of \$290,000 in two funds
- Other assets for Centrelink - \$15,000
- Age Pension Age = 65



# Case Study – Noel

## Transition to retirement, including a Term Allocated Pension (TAP)

<b>NO SALARY PACKAGING</b>	<b>Noel</b>
Salary	<b>\$65,000</b>
Add income from investments	\$7,500
Less tax deductible interest on loan	-\$15,000
Taxable Income	\$57,500
Less Tax + Medicare*	-\$12,712
Less Living Expenses	-\$25,000
<b>Surplus</b>	<b>\$19,788</b>
<b>SALARY PACKAGING</b>	
Salary	<b>\$65,000</b>
Add income from investments	\$7,500
Less tax deductible interest on loan	-\$15,000
<b>Less Salary Packaging to super#</b>	<b>-\$29,500</b>
Taxable Income^	\$28,000
Less Tax + Medicare*	-\$2,970
Less Living Expenses	-\$25,000
<b>Surplus</b>	<b>\$30</b>

\*Tax Rates 2007/2008 announced in Budget 8<sup>th</sup> May 2007  
including medicare levy

Not including imputation credits or other offsets

# 15% Superannuation Tax Applies



^Target \$28,000, for maximum Government  
Co-Contribution



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## Case Study – Noel

### Transition to retirement, including a Term Allocated Pension (TAP)

- Noel is a member of the  superannuation fund, with a balance of approximately \$215,000. Noel has \$185,000 in the defined benefit fund and \$30,000 in the accumulation plan
- \$75,000 in another super fund
- Noel takes our advice and borrows \$170,000 against his home to purchase a TAP before 20/9/2007
- Will now has  $\$170,000 + \$290,000 = \$460,000$  in superannuation
- Noel converts all of his  defined benefit fund into the accumulation plan (now \$215,000 in the accumulation plan) to start a NCAP
- Noel starts a TAP with \$245,000

## Case Study – Noel

# Transition to retirement, including a Term Allocated Pension (TAP)

	Before Pensions
<b>Salary</b>	<b>\$65,000</b>
Investment Income	\$7,500
NCAP (TAX FREE) ^	Nil
TAP (TAX FREE) !	Nil
<b>TOTAL INCOME</b>	<b>\$72,500</b>
Less Superannuation (Salary Packaging)	\$0
Less tax deductible loan repayments	-\$15,000
Less non tax deductible loan repayments	\$0
Taxable Income	\$57,500
Less Income tax*	-\$12,712
Less Living Expenses	-\$25,000
<b>SURPLUS</b>	<b>\$19,788</b>

\*Tax Rates 2007/2008 announced in Budget 8<sup>th</sup> May 2007 including medicare levy  
Not including imputation credits or other offsets  
# 15% Superannuation Tax Applies

^ Maximum pension is 10% of a/c balance  
! The term determines the pension payment.  
This can be adjusted by + or - 10%



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# Case Study – Noel

## Transition to retirement, including a Term Allocated Pension (TAP)

	Before Pensions	After Pensions
<b>Salary</b>	<b>\$65,000</b>	<b>\$65,000</b>
Investment Income	\$7,500	\$7,500
NCAP (TAX FREE) ^	Nil	\$21,500
TAP (TAX FREE) !	Nil	\$18,250
<b>TOTAL INCOME</b>	<b>\$72,500</b>	<b>\$110,251</b>
Less Superannuation (Salary Packaging)	\$0	-\$29,500
Less tax deductible loan repayments	-\$15,000	-\$15,000
Less non tax deductible loan repayments	\$0	-\$14,154
Taxable Income	\$57,500	\$28,000
Less Income tax*	-\$12,712	-\$2,970
Less Living Expenses	-\$25,000	-\$25,000
<b>SURPLUS</b>	<b>\$19,788</b>	<b>\$23,627</b>

\*Tax Rates 2007/2008 announced in Budget 8<sup>th</sup> May 2007 including medicare levy  
 Not including imputation credits or other offsets  
 # 15% Superannuation Tax Applies

^ Maximum pension is 10% of a/c balance  
 ! The term determines the pension payment.  
 This can be adjusted by + or - 10%



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## Case Study – Noel

# Transition to retirement, including a Term Allocated Pension (TAP)

What if, Noel starts a TAP now?

What if, Noel does not start a TAP now?

What about Centrelink Age Pension entitlements at age 65?



<b>At Age 65 (Age Pension Age)</b>	<b>No TAP</b>	<b>With TAP</b>
Projected Total Assets	\$676,500	\$676,500
Projected Centrelink Assessable Assets	\$676,500	\$554,000
Projected Asset Limit for Part Age Pension	\$580,200	\$580,200
Over/Under Asset Test Limit	OVER	UNDER
Age Pension Payable Under the Asset Test	NIL	\$900*

\* By being entitled to a part age pension you are also entitled to various concessions for pharmaceuticals, household rates, telephone, utilities, dental, hearing, home care, optical, taxi fares, drivers licence, public transport, rail concessions, etc.



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# Term Allocated Pensions – Practical Issues

- From the 20<sup>th</sup> September 2007, you will not get 50% Asset test exemption from Centrelink anymore
- Consider a TAP if you are older than 58
- Does your superannuation fund allow you to start a TAP?
  - A lot of superannuation funds do not. E.g:  
  - Consider rolling over your superannuation into a fund that does allow a TAP
  - Consider getting a short term loan to start a TAP
- You can only ever get a pension income from a TAP. i.e: No lump sums
  - Rule of thumb. Only put about 50% of your funds into a TAP
- A combination of a TAP and an AP, provides the best result most of the time



# Non-Commutable Allocated Pensions – Practical Issues

- Consider a NCAP if you are 55 or older and still working
- Does your superannuation fund allow you to start a NCAP?
  - Some superannuation funds do not
  - Consider rolling over your superannuation into a fund that does allow a NCAP
  - Consider getting a short term loan to start a NCAP
- Issues with converting defined benefit funds to accumulation plans
- Consider salary packaging more of your taxable salary once you start a NCAP
- A combination of a TAP and an AP, provides the best result most of the time



## Case Study – Samantha

- Aged 43
- Earns \$56,000 p.a
- Started work 31/12/1994
- Contributing to the defined benefit fund within QSuper
- Samantha contributes 5% p.a
- Employer contributes 12.75% of salary p.a
- Salary expected to go up by 3% p.a



## Case Study – Samantha

In a QSuper Defined benefit account your superannuation benefits are calculated as a multiple of your annual salary. This multiple is calculated in line with your service and chosen contribution rate.

The employer takes ALL the investment risk. Regardless of what investment markets do, your future benefit is defined by a formula.



## Case Study – Samantha

A QSuper Accumulation account is like a bank account.

You the member take ALL the investment risk. If the markets go down, your balance goes down.



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## Case Study – Samantha

At age 55, Samantha's superannuation is estimated to be:-

DEFINED BENEFIT SCHEME		ACCUMULATION PLAN	
Balance @ Start of Year	\$280,567	Balance @ Start of Year	\$327,333
		Add Employer Contributions	\$14,480
Superannuation Salary	\$77,517	Less Employer Contributions Tax	-\$2,172
Accrued Multiple	3.938	Add Earnings @ 7% (Net of Tax)	\$22,913
Balance @ End of Year	<b>\$305,262</b>	Balance @ End of Year	<b>\$362,554</b>



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## Case Study – Samantha

<b>DEFINED BENEFIT SCHEME</b>	1	2	3	4	5	6
Age at end of year	44	45	46	47	48	49
Year ending	30/06/2008	30/06/2009	30/06/2010	30/06/2011	30/06/2012	30/06/2013
Balance @ Start of Year	\$79,408	\$91,168	\$106,016	\$121,672	\$138,173	\$155,554
Superannuation Salary	\$56,000	\$57,680	\$59,410	\$61,193	\$63,028	\$64,919
Accrued Multiple	1.628	1.838	2.048	2.258	2.468	2.678
Balance @ End of Year	\$91,168	\$106,016	\$121,672	\$138,173	\$155,554	<b>\$173,854</b>

<b>ACCUMULATION PLAN</b>	1	2	3	4	5	6
Age at end of year	44	45	46	47	48	49
Year ending	30/06/2008	30/06/2009	30/06/2010	30/06/2011	30/06/2012	30/06/2013
Opening Balance	\$79,408	\$93,858	\$109,587	\$126,692	\$145,276	\$165,454
Add Employer Contributions	\$10,461	\$10,775	\$11,098	\$11,431	\$11,774	\$12,127
Less Employer Contributions Tax	-\$1,569	-\$1,616	-\$1,665	-\$1,715	-\$1,766	-\$1,819
Add Earnings @ 7% (Net of Tax)	\$5,559	\$6,570	\$7,671	\$8,868	\$10,169	\$11,582
Closing Balance	\$93,858	\$109,587	\$126,692	\$145,276	\$165,454	<b>\$187,343</b>



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## Case Study – Samantha

<b>DEFINED BENEFIT SCHEME</b>	7	8	9	10	11	12
Age at end of year	50	51	52	53	54	55
Year ending	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Balance @ Start of Year	\$173,854	\$193,112	\$213,368	\$234,667	\$257,051	\$280,567
Superannuation Salary	\$66,867	\$68,873	\$70,939	\$73,067	\$75,259	\$77,517
Accrued Multiple	2.888	3.098	3.308	3.518	3.728	3.938
Balance @ End of Year	\$193,112	\$213,368	\$234,667	\$257,051	\$280,567	<b>\$305,262</b>

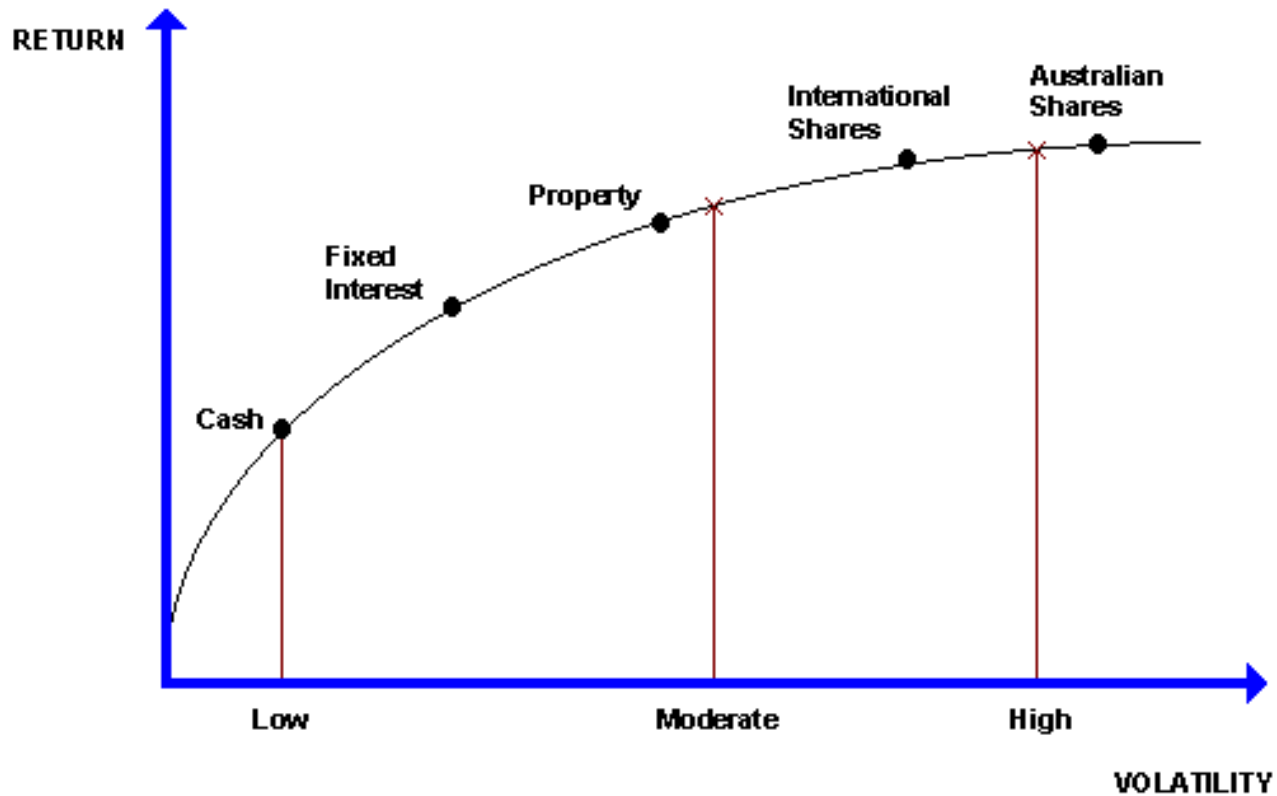
<b>ACCUMULATION PLAN</b>	7	8	9	10	11	12
Age at end of year	50	51	52	53	54	55
Year ending	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018	30/06/2019
Opening Balance	\$187,343	\$211,075	\$236,786	\$264,625	\$294,750	\$327,333
Add Employer Contributions	\$12,491	\$12,866	\$13,252	\$13,649	\$14,059	\$14,480
Less Employer Contributions Tax	-\$1,874	-\$1,930	-\$1,988	-\$2,047	-\$2,109	-\$2,172
Add Earnings @ 7% (Net of Tax)	\$13,114	\$14,775	\$16,575	\$18,524	\$20,633	\$22,913
Closing Balance	\$211,075	\$236,786	\$264,625	\$294,750	\$327,333	<b>\$362,554</b>



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# The Greater the return the Greater the risk

## Risk Return Trade - Off



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## Case Study – Tony & Mary

- Both aged 47
- Have two children, aged 11 & 9
- Earn \$65,000 p.a and \$30,000 p.a
- Salaries expected to go up by 3% p.a
- Mortgage of \$300,000 @ 7.49% interest rate. Making minimum repayments of \$1,020 p.f
- Living expenses of \$40,000 increasing by 2.5% p.a
- Employer contributes 9% p.a of salary to superannuation
- Current superannuation balances of \$60,000 and \$20,000 earning 7.49%
- Want to retire at age 55



# Case Study – Tony & Mary

At age 55, their financial position is estimated to be:-

	Option A What if, all excess cash flow went to repay home loan?
Principal residence (Growth of 3% p.a)	\$506,708
Superannuation	<b>\$225,991</b>
Mortgage Owing	<b>-\$137,317</b>
<b>Total Assets at end of year</b>	<b>\$595,382</b>
<b>Difference compared to Option A</b>	N/a
<b>Present Day Value Total Assets</b>	\$488,658
<b>Difference compared to Option A</b>	N/a



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# Case Study – Tony & Mary

At age 55, their financial position is estimated to be:-

	Option A What if, all excess cash flow went to repay home loan?	Option B What if, all excess cash flow went to salary package into super for Tony. Super earning <b>7.49%</b> ?
Principal residence (Growth of 3% p.a)	\$506,708	\$506,708
Superannuation	<b>\$225,991</b>	<b>\$372,623</b>
Mortgage Owing	<b>-\$137,317</b>	<b>-\$255,710</b>
<b>Total Assets at end of year</b>	<b>\$595,382</b>	<b>\$623,622</b>
<b>Difference compared to Option A</b>	N/a	<b>\$28,240</b>
<b>Present Day Value Total Assets</b>	\$488,658	\$511,835
<b>Difference compared to Option A</b>	N/a	<b>\$23,177</b>



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# Case Study – Tony & Mary

At age 55, their financial position is estimated to be:-

	<b>Option A</b> What if, all excess cash flow went to repay home loan?	<b>Option B</b> What if, all excess cash flow went to salary package into super for Tony. Super earning <b>7.49%</b> ?	<b>Option C</b> What if, all excess cash flow went to salary package into super for Tony. Super earning <b>9%</b> ?
Principal residence (Growth of 3% p.a)	\$506,708	\$506,708	506,708
Superannuation	<b>\$225,991</b>	<b>\$372,623</b>	<b>401,180</b>
Mortgage Owing	<b>-\$137,317</b>	<b>-\$255,710</b>	<b>-255,710</b>
<b>Total Assets at end of year</b>	<b>\$595,382</b>	<b>\$623,622</b>	<b>652,178</b>
<b>Difference compared to Option A</b>	N/a	<b>\$28,240</b>	<b>\$56,796</b>
<b>Present Day Value Total Assets</b>	\$488,658	\$511,835	535,273
<b>Difference compared to Option A</b>	N/a	<b>\$23,177</b>	<b>\$46,615</b>



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# Case Study – Tony & Mary

At age 55, their financial position is estimated to be:-

	Option A What if, all excess cash flow went to repay home loan?	Option B What if, all excess cash flow went to salary package into super for Tony. Super earning <b>7.49%</b> ?	Option C What if, all excess cash flow went to salary package into super for Tony. Super earning <b>9%</b> ?	Option D What if, home loan is increased to about 80% of home valuation (for 4 years) to salary package more into super for Tony. Super earning <b>9%</b> ?
Principal residence (Growth of 3% p.a)	\$506,708	\$506,708	506,708	\$506,708
Superannuation	<b>\$225,991</b>	<b>\$372,623</b>	<b>401,180</b>	<b>\$558,947</b>
Mortgage Owing	<b>-\$137,317</b>	<b>-\$255,710</b>	<b>-255,710</b>	<b>-\$365,983</b>
<b>Total Assets at end of year</b>	<b>\$595,382</b>	<b>\$623,622</b>	<b>652,178</b>	<b>\$699,674</b>
<b>Difference compared to Option A</b>	N/a	<b>\$28,240</b>	<b>\$56,796</b>	<b>\$104,292</b>
<b>Present Day Value Total Assets</b>	\$488,658	\$511,835	535,273	\$574,255
<b>Difference compared to Option A</b>	N/a	<b>\$23,177</b>	<b>\$46,615</b>	<b>\$85,597</b>



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## Case Study – Tony & Mary

- If they use any and all excess cash flow to **repay their mortgage.**

At age 55, their financial position is estimated to be:-

End of year	1	2	3	4	5	6	7	8
Age at end of year	48	49	50	51	52	53	54	55
<b>ASSETS</b>								
Principal residence (Growth of 3% p.a)	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621	\$491,950	\$506,708
Superannuation (Earning 7.49% p.a)	\$93,260	\$107,730	\$123,509	\$140,701	\$159,420	\$179,785	\$201,929	<b>\$225,991</b>
Mortgage Owing	-\$287,546	-\$273,208	-\$256,808	-\$238,152	-\$217,030	-\$193,251	-\$166,760	<b>-\$137,317</b>
<b>Total Assets</b>	\$217,714	\$258,882	\$303,792	\$352,753	\$406,099	\$464,155	\$527,118	<b>\$595,382</b>
<b>Present Day Value Total Assets</b>	\$212,404	\$246,408	\$282,101	\$319,577	\$358,932	\$400,240	\$443,446	\$488,658



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## Case Study – Tony & Mary

- If they use any and all excess cash flow to **salary package into super** for Tony. At age 55, their financial position is estimated to be:-

End of year	1	2	3	4	5	6	7	8
Age at end of year	48	49	50	51	52	53	54	55
<b>ASSETS</b>								
Principal residence (Growth of 3% p.a)	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621	\$491,950	\$506,708
Superannuation (Earning 7.49% p.a)	\$103,502	\$130,121	\$160,135	\$193,848	\$231,585	\$273,701	\$320,576	<b>\$372,623</b>
Mortgage Owing	-\$295,801	-\$291,275	-\$286,399	-\$281,143	-\$275,479	-\$269,376	-\$262,798	<b>-\$255,710</b>
<b>Total Assets</b>	\$219,702	\$263,206	\$310,827	\$362,908	\$419,815	\$481,946	\$549,728	<b>\$623,622</b>
<b>Present Day Value Total Assets</b>	\$214,343	\$250,523	\$288,634	\$328,777	\$371,055	\$415,580	\$462,467	\$511,835



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## Case Study – Tony & Mary

- If they use any and all excess cash flow to **salary package into super earning 9%** for Tony. At age 55, their financial position is estimated to be:-

End of year	1	2	3	4	5	6	7	8
Age at end of year	48	49	50	51	52	53	54	55
<b>ASSETS</b>								
Principal residence (Growth of 3% p.a)	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621	\$491,950	\$506,708
Superannuation (Earning 9% p.a)	\$104,710	\$133,001	\$165,239	\$201,829	\$243,211	\$289,871	\$342,334	<b>\$401,180</b>
Mortgage Owing	-\$295,801	-\$291,275	-\$286,399	-\$281,143	-\$275,479	-\$269,376	-\$262,798	<b>-\$255,710</b>
<b>Total Assets</b>	\$220,910	\$266,085	\$315,931	\$370,889	\$431,441	\$498,115	\$571,485	<b>\$652,178</b>
<b>Present Day Value Total Assets</b>	\$215,522	\$253,264	\$293,373	\$336,007	\$381,331	\$429,523	\$480,771	\$535,273



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## Case Study – Tony & Mary

- If they increase their home loan to about 80% of home valuation (in first 4 years) and **salary package more into super earning 9%** for Tony.

At age 55, their financial position is estimated to be:-

End of year	1	2	3	4	5	6	7	8
Age at end of year	48	49	50	51	52	53	54	55
<b>ASSETS</b>								
Principal residence (Growth of 3% p.a)	\$412,000	\$424,360	\$437,091	\$450,204	\$463,710	\$477,621	\$491,950	\$506,708
Superannuation (Earning 9% p.a)	\$128,418	\$183,068	\$244,569	\$313,595	\$365,036	\$422,660	\$487,074	<b>\$558,947</b>
Mortgage Owing	-\$313,411	-\$328,283	-\$344,736	-\$362,903	-\$363,589	-\$364,328	-\$365,125	<b>-\$365,983</b>
<b>Total Assets</b>	\$227,007	\$279,146	\$336,924	\$400,896	\$465,158	\$535,954	\$613,901	<b>\$699,674</b>
<b>Present Day Value</b>								
<b>Total Investments</b>	\$221,470	\$265,695	\$312,867	\$363,192	\$411,132	\$462,151	\$516,453	\$574,255



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## Case Study - Bill and Sue

- Aged 50 & 46 respectively
- Earn \$96,000 p.a and \$68,850 p.a respectively
- Pay about \$44,700 in tax combined
- Have three children. Twins aged 19 (at Uni) & 14 (at school)
- Need \$80,000 p.a for living expenses
- Own their home valued at \$500,000
- Have \$65,000 in the bank
- Only have tax deductible debt for investments (Property & Shares)
- Looking to work for about another 10 years



# Case Study - Bill and Sue

- Borrow \$2,000 (\$1,000 each)
- Pay \$1,000 into superannuation each
- Claim \$1,500 each from the Government
- Borrow \$2,000 and Invest \$5,000



## Case Study - Bill and Sue

SUMMARY:					
Government Co-Contribution	Year 1	Year 2	Year 3	Year 4	Year 5
Superannuation contributions	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Government Co-Contribution	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Superannuation Balance	\$5,000	\$10,400	\$16,232	\$22,531	\$29,333
Loan Owing	-\$2,000	-\$4,166	-\$6,513	-\$9,054	-\$11,807
Net Superannuation	\$3,000	\$6,234	\$9,719	\$13,477	\$17,526
SUMMARY:					
Government Co-Contribution	Year 6	Year 7	Year 8	Year 9	Year 10
Superannuation contributions	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Government Co-Contribution	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Rollover & Superannuation A/C	\$36,680	\$44,614	\$53,183	\$62,438	\$72,433
Loan Owing	-\$14,789	-\$18,019	-\$21,517	-\$25,306	-\$29,411
Net Superannuation	\$21,892	\$26,597	\$31,668	\$37,134	\$43,025

### Assumptions:

8% interest only loan

8% return on super

\$2,000 borrowed at the end of each financial year



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# Case Study - Bill and Sue

- How can Bill & Sue claim the Co-Contribution if they are earning:-
  - ❖ \$96,000 p.a and \$68,850 p.a respectively?



# Case Study - Bill and Sue

Because of the income definition

- Assessable income + reportable fringe benefits



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## We recommended that Sue & Bill also Salary Package

<b>NO SALARY PACKAGING</b>	<b>Bill</b>	<b>Sue</b>
Salary	\$96,000	\$68,850
Less Tax + Medicare*	-\$27,690	-\$17,038
Combined Tax + Medicare*	-\$44,728	
Net Salary	\$68,310	\$51,812
Combined after tax income	\$120,122	
Less Living Expenses	-\$80,000	
<b>Surplus</b>	<b>\$40,122</b>	
<b>SALARY PACKAGING</b>		
Salary	\$96,000	\$68,850
Less Salary Packaging to super#	-\$68,000	-\$40,850
Taxable Salary	\$28,000	\$28,000
Less Tax + Medicare*	-\$3,690	-\$3,690
Combined Tax + Medicare*	-\$7,380	
Net Salary	\$24,310	\$24,310
Combined after tax income	\$48,620	
Less Living Expenses	-\$80,000	
<b>Deficit</b>	<b>-\$31,380</b>	

\* Tax Rates 2006/2007 including medicare levy  
# 15% Superannuation Tax Applies



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# Case Study - Bill and Sue

## Salary packaging to superannuation ...

- Reduces Assessable Income ... and
- For Fringe Benefits Tax is NOT reportable
- Thus can make you eligible for the Co-Contribution



## Case Study - Bill and Sue

### By salary packaging to superannuation ...

- Bill and Sue would now have to borrow \$ to fund some of their living expenses
- Deficit of \$31,380
- But they would only have to borrow about \$26,355



# Case Study - Bill and Sue

- Family tax benefit and
- Parental income test for the youth allowance



# Case Study - Bill and Sue

If Bill and Sue did this for five years, they would:-

- Owe about \$178,500
- Be better off in today's dollars by about \$145,000

**Loan can be repaid with superannuation**

**(Tax FREE after age 60 from 1/7/2007)**



# Planning

- **Superannuation** is still the best way to provide for retirement, due mainly to its tax advantages.
- **Superannuation** IS NOT an investment, it is an investment vehicle
- **Superannuation** is such a good long-term investment that you should think carefully about the amount that you contribute each year.



  
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All Roads Lead  
to Rome



**All Roads Lead to**  
**\$uper**  
**TAX FREE from age 60**

**“Life is what happens to you while  
you’re busy making other plans.”**



John Lennon



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# Financial Modeling

We do the “What if” analysis.

You could do many things



## **But, what should you do?**

- Crunch the numbers, compare, take into account your circumstances, get advice, make a decision and **START**



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Client Partner Joint Trust Company Superfund Combined

Key Date 01/Jul/06		Jun/2007	Jun/2008	Jun/2009	Jun/2010	Jun/2011	Jun/2012	Jun/2013	Jun/2014
Projection Year		1	2	3	4	5	6	7	8
Projection Age		61.1	62.1	63.1	64.1	65.1	66.1	67.1	68.1
<b>INCOME SUMMARY</b>		<b>Sum</b>							
Income Received	853,400	94,133	97,073	100,106	103,237	106,468	7,383	7,752	8,140
Less income tax	(20,379)	15,338	16,135	16,957	18,073	19,256	(2,224)	(2,335)	(2,452)
Less superannuation contributions	38,698	7,289	7,508	7,733	7,965	8,204	0	0	0
Less regular loan repayments	791,205	40,402	40,402	40,402	40,402	40,402	40,402	40,402	40,402
<b>Net Income</b>	<b>43,876</b>	<b>31,104</b>	<b>33,028</b>	<b>35,014</b>	<b>36,797</b>	<b>38,606</b>	<b>(30,795)</b>	<b>(30,315)</b>	<b>(29,810)</b>
Less estimated current expenses	357,713	56,000	57,400	58,835	60,306	61,814	63,359	0	0
<b>Surplus/deficit income</b>	<b>(313,837)</b>	<b>(24,896)</b>	<b>(24,372)</b>	<b>(23,821)</b>	<b>(23,509)</b>	<b>(23,207)</b>	<b>(94,154)</b>	<b>(30,315)</b>	<b>(29,810)</b>
<b>CASHFLOW POSITION</b>		<b>Sum</b>							
Surplus/Deficit income	(313,837)	(24,896)	(24,372)	(23,821)	(23,509)	(23,207)	(94,154)	(30,315)	(29,810)
<b>Bank Transactions (EOY)</b>									
Net transfers from Spouse	198,830	37,354	38,067	38,803	39,562	40,345	98	103	109
Loan proceeds/repayments	(71,465)	(16,224)	(12,290)	(13,275)	(14,303)	(15,373)	0	0	0
<b>Sub Total</b>	<b>127,365</b>	<b>21,130</b>	<b>25,777</b>	<b>25,528</b>	<b>25,259</b>	<b>24,972</b>	<b>98</b>	<b>103</b>	<b>109</b>
<b>Surplus/deficit cashflow</b>	<b>(186,473)</b>	<b>(3,766)</b>	<b>1,405</b>	<b>1,707</b>	<b>1,750</b>	<b>1,765</b>	<b>(94,055)</b>	<b>(30,211)</b>	<b>(29,702)</b>
<b>INVESTMENTS</b>		<b>Max</b>							
Bank Account Balance	7,862	1,234	2,639	4,346	6,097	7,862	(86,194)	(116,405)	(146,106)
Other Investments / Entities	1,250,122	303,713	318,898	334,843	351,585	369,164	387,623	407,004	427,354
Principal residence	570,579	321,300	327,726	334,281	340,966	347,785	354,741	361,836	369,073
Rollover & Superannuation A/C	4,196,068	520,792	576,778	637,269	702,598	773,122	827,241	885,148	947,108
Mortgage Owning	(428,009)	(428,009)	(406,851)	(383,267)	(357,048)	(327,972)	(312,289)	(295,536)	(277,642)
<b>Total Investments</b>	<b>5,592,297</b>	<b>719,029</b>	<b>819,190</b>	<b>927,472</b>	<b>1,044,198</b>	<b>1,169,961</b>	<b>1,171,122</b>	<b>1,242,046</b>	<b>1,319,786</b>
Present Day Value Total Investments		701,492	779,717	861,250	945,992	1,034,075	1,009,855	1,044,890	1,083,210
<b>SUPERANNUATION INVESTMENTS</b>		<b>Initial</b>							
Total incl DIY Superfund Cap Acct	469,000	520,792	576,778	637,269	702,598	773,122	827,241	885,148	947,108
<b>RBL Status at Start of Period</b>									
Under/(Over) L/S RBL		209,149	184,483	156,708	125,556	90,740	51,950	30,834	7,250
Under/(Over) Pension RBL		887,291	889,751	890,186	888,374	884,070	877,013	888,900	899,639

Key Results
Income
Expenditure
Joint Dis.Inc
Tax
Joint WCA
Bank Account
Investments
Cash/Fixed Interest
Trust/Property Trust
Share/Savings Plan
Investment Properties
Superannuation
RO - RBL
ETP Withdrawals
RO Income Inv.
Allocated Pensions
Commutations
Bonds
Investment Loans
Home
Age Pension
DVA
Newstart
FTB
Entities

# Fee for Advice

- First 45 minute appointment is complimentary
- Then detailed Questionnaire and Strategy Analysis - \$660 inc GST
- Then, Fixed Quote
  - Cost benefit analysis
  - Client then decides if they want us to do their work



# Summary

- One-off opportunities before the 1st July 2007
- Centrelink planning before the 20<sup>th</sup> September 2007
- Financial planning strategies that can improve your financial position.
- Case studies



# Disclaimer

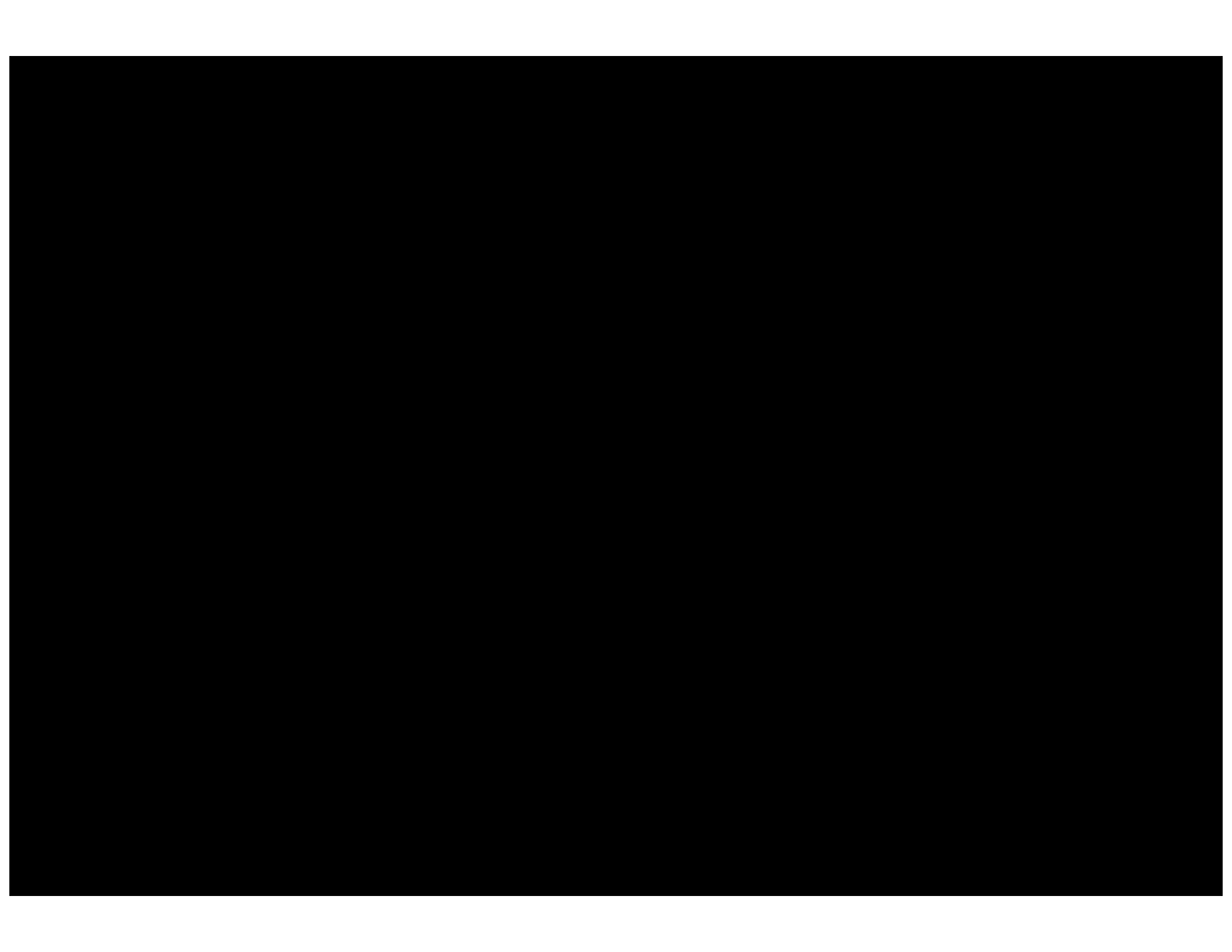


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## Case Study – Simon & Margaret

- Aged 65 & 66
- Run a business with a business partner via a company and trust structure
- Salary Packaging 99% of salaries to superannuation
- The business is worth approximately \$4.5M and as such until sold, funds are locked up in the business
- Business will be sold in next 3 to 5 years
- Own their own home
- Have some other investments in shares and properties
- Existing super is in a **Self Managed Super Fund**. \$400,000 & 250,000



## Case Study – Simon & Margaret

- Both withdraw \$135,590 each from your super prior to the 30<sup>th</sup> June 2007 and re-contribute these funds back into your superannuation as personal contributions. (Some protection against legislative risk)  
i.e: The government in future will probably change the super laws
- Both contribute \$1,000,000 into superannuation prior to 30 June 2007
- Need to borrow against assets in the short term to get \$ into super
- Pay interest only on loan. Interest is NOT tax deductible
- Repay the loan with the funds from the sale of the business over the next 5 years



## Case Study – Simon & Margaret

- Circumstances and superannuation contribution rules in future will restrict them getting as much money into superannuation, so they need to do it now
- Business partner will need vendor finance to buy out their share of the business. i.e: Simon & Margaret will receive the \$ from the sale of the business over the next 5 years or so.
- Start Allocated Pensions after 30 June 2007. Retain all investments in the **Self Managed Super Fund**. Once pensions have started any investments sold for a capital gain will be **TAX FREE**.



## Case Study – Simon & Margaret

- No maximum pension limits after 30 June 2007, as they are older than 60 and have full access to their superannuation
- Elect to receive the minimum 5% pension payment each year
- Both withdraw \$135,590 each from your super prior to the 30<sup>th</sup> June 2007 and re-contribute these funds back into your superannuation as personal contributions.
- All cash that they receive personally goes into a loan offset account to reduce the interest on the loan
- Each claim the \$1,500 Government Co-Contribution, whilst still working



## Case Study – Simon & Margaret

- In specie transfer listed Australian shares that they own in their own names into their superannuation. (This forms part of their \$2M contribution).
- In a years time review complexity of running a **Self Managed Super Fund** in pension phase.

