



Limited Statement of Advice

Prepared for

Robert Rose & Norma Rose

CLIENT CARE FINANCIAL PLANNERS PTY LTD
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Your adviser is
Phillip Wong CPA,

Dated: 08/10/2021

This advice is valid for 60 days

You are entitled to receive a Statement of Advice (SOA) whenever we provide you with any personal financial advice as per Corporations Act 2001 and Corporations Regulations 2001. Personal financial advice is advice that takes into account any one or more of your objectives, financial situation or needs, limited as per your request. This is limited advice, and it does not cover all aspects of your financial situation. We are required by law to act in your best interests when providing you with financial advice.

This Limited SOA acts as a record of the personal financial advice provided to you and includes information on how we formulated our recommendations, a statement of our recommendations provided to you and the reasons why. Information about fees and commissions and interests or associations which might influence the advice is also included.



08/10/2021

Robert Rose and Norma Rose
1337 Range Road
BOHO SOUTH VIC 3669

Dear Mr and Mrs Smith,

It is our aim to provide you with appropriate advice tailored to your specific needs that allows you to take control of your financial affairs, achieve your goals and enjoy a lifestyle in keeping with your unique values.

In accordance with this philosophy, the financial planning recommendations outlined in this Statement of Advice have been designed to help you meet your financial and lifestyle objectives.

This, your Statement of Advice is an important document that will help shape your financial future in the months and years ahead. Please take the time to carefully read and understand this document to ensure that it meets your objectives and reflects what we have discussed. To receive advice is important, to understand the advice is crucial. We are here to assist you by ensuring that you understand this advice and the decisions you are making. If there is anything that you do not clearly understand, please contact us immediately or raise your issue at our next meeting.

Once you have had the opportunity to read and understand this Statement of Advice, please contact us so that we may discuss the next step in relation to the implementation of the recommendations that we have made.

Yours sincerely,


Phillip Wong CPA,

Directors of CLIENT CARE FINANCIAL PLANNERS PTY LTD





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This is a fictional scenario.
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Strategy overview / Executive Summary

Client objectives

Bob and Norma, we aim to protect your legacy and ensure your wishes are upheld. We understand your goals are:

Priority	Goals / Objective
1	Provide for your spouse and children in the event you should pass away
2	Secure wealth and retirement planning

Scope of Advice

This Limited Statement of Advice has been prepared based on our recent discussions to achieve your objectives.

In Scope	<ul style="list-style-type: none"> • Estate Planning • Retirement saving and planning • Superannuation planning • General insurance • Personal insurance • Business succession planning • Minor and incident tax advice
Out of Scope	<ul style="list-style-type: none"> • Business General Insurance • Transition to retirement planning • Retirement Income (Pension planning) • Debt management • Cashflow (budgeting) • Detailed Tax management • Insurance • Aged care

Please note that we have provided guidance on the types of insurance you will need, along with the advantages and drawbacks and advice on whether this would be better purchased inside super or directly. Please **note we have NOT included quotes** as we do not have sufficient information. If you wish to proceed, we will gather this information and provide exact costing at this time.



Adviser fees

Our fees will be \$3,500 fee-for-service covering the preparation of this Statement of Advice. There are no commissions in this advice, and there is **no ongoing fee** arrangement.

Legal limitations

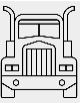

Client Care Financial Planners are not legal practitioners, and our strategies should be reviewed by your lawyer when drafting and executing your will and related deeds. If you do not have a legal representative, we recommend:

Ms Lex Judicia
Judicia & Partners
(03) 5555 5555

We receive no commissions or inducements.

Your Current Situation

Key Personal Details

Name	Robert Rose	Norma Rose
Address	1337 Range Road BOHO SOUTH VIC 3669	
Current Age	57	54
DOB	09/2/1964	26/4/1967
Life expectancy	85	83
Occupation	 Business owner Road Freight	 Retail Bucher
Income	Business Partnership	PAYG Employed

Children:

Name	Steven	Brett	Daisy
Current Age	16	14	12

Tax Calculation

Nb. Figures are for the prior financial year

Tax Calculation				
For the Financial year 2020-21				
	Bob	Norma	Household	<i>Notes</i>
Assessable Income				
Gross Wages/Business income	187,500	45,000	232,500	
Franking credits			-	
Interst: Term Deposit		248	248	1
Net Capital Gains			-	
Allowable Deductions				
Work deductions			-	2
Tax Agent fees			-	
Taxable Income	187,500	45,248	232,748	
	3,000			
Tax Calculation				
Income tax	55,042	5,172	60,214	
Medicare Levy	3,750	905	4,655	
Medicare Levy Surcharge	1,875	-	1,875	
LITO	-	(321)	(321)	
LIMTO	-	(874)	(874)	
TOTAL TAX PAYABLE	60,667	4,883	65,550	

Family tax% = 28%

Notes

- 1 Term deposit interst, 1.65% PA , assumed in Norma's name.
- 2 No deductions have been assumed. Please inform us and we can update.

Cashflow Statement

Cashflow Statement

For the Financial year 2020-21

	Household	<i>Notes</i>
Inflows		
Gross Wages/Business income	232,500	
Interst on Term Deposit	248	1
Less Income Tax	(65,550)	
Net Cash Inflows	167,198	
Non Discretionary Outflows		
Household / living expenses	(53,200)	2
Childrens living expenses	(28,800)	2
Loan repayments (Principle and interest)	(12,636)	
School fees	(25,000)	
Credit card interest	(1,500)	
Insurance Premiums	-	
Tax Agent	-	
Discretionary/Lifestyle Outflows		
Travel & entertainment	(20,000)	3
Total Outgoings	(141,136)	
Ongoing Free Cashflow	26,062	

Notes

- 1 Term deposit interst, 1.65%p.a. (CBA)
- 2 Comprises of \$53,200 for parents, and \$28,800 for three children.
- 3 Mostly houseboat mooring and upkeep

Assets & Liabilities

Statement of Net Worth

For the Financial year ending 30 June 2021

	Cost Base	Market Bob	Market Norma	Market Joint	Market Household	Notes
Life Style Assets						
Main Residence	250,000			740,000	740,000	
Home contents	85,000			103,000	103,000	4
Antique furniture	Unknown			47,000	47,000	
Vehicle	48,000			82,000	82,000	5
House boat (Echuca)	72,000			58,000	58,000	
Subtotal		-	-	972,000	972,000	
Investment Assets						
BTC	737	47,103			47,103	1
Savings				32,000	32,000	
Term deposit				15,000	15,000	
Super - Norma only			74,000		74,000	
Share in Freight Partnership		750,000			750,000	6
Subtotal		797,103	74,000	47,000	918,103	
Total Assets		797,103	74,000	1,019,000	1,890,103	
Liabilities						
Credit Card				12,000	12,000	2
Mortgage - Main Res				250,000	250,000	3
Mortgage - Holiday Home					-	
Subtotal		-	-	262,000	262,000	
Net Wealth					1,628,103	7

Notes

- 1 BTC valuation, \$47,103.18 each
- 2 CC interest 12.50%
- 3 Mortgage 2.90%
- 4 Home contents seems over valued and usually does not increase in value from it's cost base
- 5 Cars are now double their purchase price. This is highly questionable.
- 6 Twice annual firm profit, i.e. 4x share of partnership income
- 7 Family wealth \$878,103 (Excluding the Freight business)

Estate planning

Your current situation

Estate planning	Bob	Norma
Do you have a Will?	X	X
Provision for testamentary trust	X	X
Do currently have a Power of Attorney?/ Type / Attorney's name	X	X

A complete estate plan allows you to deliberately plan, management of your assets, and to decide who will make decisions on your behalf should you become unable to do so in the future. Review your estate planning needs regularly with a solicitor, or whenever your circumstances change.

You should consider what you would like to happen with the proceeds from your insurance cover should you pass away. Your options depend on whether the insurance is held inside or outside of superannuation.

Insurance held within superannuation will be distributed following superannuation rules and does not go into your estate. You should consider making a binding nomination to an eligible dependant or the Legal and Personal Representative of your estate to ensure that your superannuation is distributed per your wishes.

Our recommendations

We recommend you work with your lawyer to:

Recommendation	Explanation	Aimed at who?
Establish your Will.	<p>A will can make sure your loved ones are not faced with difficult decisions and doubt about your wishes and intentions. Given your family structure, your will should be relatively straightforward.</p> <p>Were you to pass without a valid Will in place, your estate could be subject to a legal formula ('intestacy rules'). Dying intestate often results in delays, conflicts, and excess costs.</p>	Both
Nominated guardians for your children	In your will, you will need to specify who will be the children's guardians should you both pass away.	Both
Establish Advance Health Directive and Medical Treatment Decision maker forms	Also known as a Medical Power of Attorney, this allows your spouse to make decisions regarding your health should you be incapacitated.	Both
Establish Enduring Power of Attorneys	This will allow your spouse to make financial decisions should you be incapacitated. This is a priority for Bob as a business owner. Should Bob suffer a stroke or heart attack, Norma will have the legal authority to temporarily step in, pay accounts and settle issues as they arise. Norma would not be expected to run the business but will have the legal authority to resolve critical issues.	Both
Apply for a binding nominations in your REST superannuation account.	Superannuation trustees have the power to decide what will happen to your super following the rules of the Superannuation Industry (Supervision) Act 1993. You can apply for a binding death benefit nomination which removes this discretion, ensuring funds will go to Bob.	Norma
Protect your bitcoin and other digital assets for inheritance	Too often digital assets are simply lost because the deceased failed to leave sufficient instructions to the executor. In our experience clients who hold crypto are likely to hold more than one type, further complicating estate administration. We recommend you create a detailed inventory and instruction set allowing your family inherit your Bitcoin after you pass. These instructions need not be in your will, although it should tell your executor where to find them.	Bob

The outcome of a good estate plan is, subject to estate debts, to place the right assets in the right hands at the right time by making sure that ownership and control of your assets plus any income generated from your estate goes to your intended beneficiaries in the correct proportions.

The least amount of income tax is paid on the income and capital gains earned on those assets and they're protected as much as possible if a beneficiary is involved in any legal difficulties (e.g. bankruptcy).

This is a fictional scenario.

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Insurance

Your Current Situation

Personal Insurance overview

Estate planning	Bob	Norma
Health	⚠️ Known risks	✓ Good
Family medical history	⚠️ Known risks	✓ Good
Smoker	🚬	✗
Private Health Insurance?	✗	✗
Existing personal Insurance cover & Type	🛑 None	⚠️ Default options within REST Super

Bob, given your role as the main source of income, your entire family's well being is depending on you. Given your age, health and family history it is critical we address this risk. Presently Bob you are completely uninsured, and Norma you are seriously underinsured. If either of you were to pass away or suffer a severe injury, your family's financial wellbeing would be seriously jeopardised, and your wellbeing in retirement severely underfunded or completely wiped out.

General Insurance Overview

	Currently	Recommended
Family Home	Underinsured: Not updated since the house originally bought	Update insurance to cover the cost of reconstruction
Home contents	Unknown	Update to identify specific antiques
Cars	Third party only	Comprehensive
Houseboat	Marine Third party only Insurance	Comprehensive

Your home is underinsured and its location means you face a high risk of devastating bush fires. We also believe you are likewise underinsured for your antiques, cars, and possibly your houseboat.



Our Recommendations in Brief

Insurance and estate planning ensure your family are safe should the worst possible event happen.

We reviewed your goals and personal circumstances to determine the amount of insurance cover you need. The following table outlines the outcome of our insurance review and discussions:

Insurance type	Cover required:	
	Bob	Norma
Life	\$1,265,319 In own name	\$1,191,448 In REST Super
Total and Permanent Disability (TPD)	\$1,330,415 In own name	\$1,346,352 In REST Super
Trauma	\$440,272 In own name	\$175,272 In own name
Income protection	\$140,625 In own name, deductible	\$37,125 In own name, deductible
Private health insurance	Family hospital cover, avoid Medicare Levy Surcharge	Family hospital cover

Bob, you are the family bread winner. If you pass away, Norma will require a substantial income replacement. Norma, given your role in supporting the family, if you were to pass away, Bob will require assistance to look after the kids to enable you to continue operating your business.

Personal Insurance: Needs Analysis

This section describes how we determined your required level of cover for each class of insurance.

Life

Financial need	Bob	Norma	Notes
Funeral & Legal	30,000	30,000	
Mortgage	262,000	262,000	
Credit card	12,000	12,000	
Dependents living expenses	244,480	244,480	1
Educations expenses	111,177	111,177	1
Childcare assistance	NA	45,034	2
Living expenses for spouse	667,662	622,758	1
Less super / Business sale	Assume Nil	(74,000)	3
Less cash savings	(32,000)	(32,000)	
Less term deposit	(15,000)	(15,000)	
Total cover required	1,265,319	1,191,448	

Notes

- 1 Net present values, please see schedule.
- 2 Bob will require help with raising children, but Norma has help from her mother.
- 3 Assumed zero due to uncertainty with the buy-sell succession arrangement.

The table above shows what you will receive should your spouse pass away. Firstly, we cover all funeral and legal costs, along with any outstanding family debt. Next the costs of raising the children are paid for. Please see **Appendix 2: NPV Costs Analysis** for further information on the calculation.

With childcare, we assume that this is more important for Norma but not Bob. Bob, you are the key bread winner in the family. If you pass away, Norma will require a substantial income replacement. Norma, given your role in supporting the family, if you were to pass away, Bob will require assistance to look after the kids to enable you to continue operating your business.



We then cover the remaining costs of living for the surviving spouse, where living costs are assumed to be reduced by 20% for just one person. Total is reduced by any liquid assets. We have excluded the following assets from our analysis: the bitcoin, the houseboat, and Bob's share in the freight business. The bitcoin's value is highly volatile and we cannot be certain of the future value, and there is no indication that you might sell the houseboat if your spouse passes away.

We have excluded the business value because of the uncertainty whether your family will actually receive the agreed value. Bob, please see to revisit your cover when you have a legally enforceable buy-sell arrangement backed with appraised finance. At that stage your required cover will fall to \$515,319.

Norma, we ask that you increase your insurance in REST super to the required amount as the premiums are tax deductible to your fund. Bob, as you do not have a superfund you must purchase it in your own name.

This is a fictional scenario.

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TPD

Financial need	Bob	Norma	Notes
Medical costs	25,000	25,000	
Mortgage	262,000	262,000	
Credit card	12,000	12,000	
Dependents living expenses	244,480	244,480	1
Educations expenses	111,177	111,177	1
Childcare assistance	NA	45,034	2
Living expenses (both)	622,758	667,662	1
Rehab & home modification	100,000	100,000	3
Less super	Assume Nil	(74,000)	
Less cash savings	(32,000)	(32,000)	
Less term deposit	(15,000)	(15,000)	
Total TPD required	1,330,415	1,346,352	

Notes

- 1 Net present values, please see schedule.
- 2 Bob will require help with raising children, but Norma has help from her mother.
- 3 Assumed zero due to uncertainty with the buy-sell succession arrangement.

The table above shows what you will receive should you suffer an injury causing permanent disability. Please see **Appendix 2: NPV Costs Analysis** for further information on the calculation. This is similar to your life insurance needs, but note that instead of funeral costs, you will instead have medical costs along with costs for rehabilitation and home modification. Also, your livings expenses will cover both of you at your current rate.



Bob, as with life insurance, we have not included the agreed value of your business due to uncertainty. Once you have a legal arrangement, your required cover can fall to \$580,415.

Typically TPD can be purchased as a package with life insurance, and is tax deductible to your super fund, but not in your name if purchased directly. As with life insurance, Norma should increase her TPD cover within REST, and Bob must purchase cover in his own name.

Trauma



Trauma insurance will cover you for a sudden injury in which you are unable to work, but are likely to survive, recover and return to work. Common examples are non-fatal heart attacks and strokes.

This table calculated the value need for both of you. This will cover medical expenses, 2 years of mortgage repayments, clear your credit card debt,

pay for two years of childcare and education expenses. Income replacement is simply two years of pre-tax earnings. The total amount is reduced by your liquid assets.

Financial need	Bob	Norma
Mortgage	25,272	25,272
Credit card	12,000	12,000
Childcare costs	NA	20,000
Education costs	50,000	50,000
Income replacement (2yrs)	375,000	90,000
Medical costs	25,000	25,000
Less cash savings	(32,000)	(32,000)
Less term deposit	(15,000)	(15,000)
Total Trauma required	440,272	175,272

Income protection

Income protection will cover you if you are unable to work. We recommend you purchase a maximum of 75% of your pre-tax income and for Norma, a small top up to cover the superannuation you would have received had you been working.



We recommend you both select **180 days waiting option** as your liquid assets will cover your household expenses for 141 days excluding the Bitcoin, and a total of 283 days including the Bitcoin at the current price of \$74,103.

Financial need	Bob	Norma
75% of annual income	140,625	33,750
+ Super topup	NA	3,375
Current cover	zero	zero
Additional cover	140,625	37,125

Income protection must be purchased in your own name, but it is tax deductible.

Private Health Insurance

We recommend you purchase private health insurance for your family. Bob, at minimum we recommend hospital cover for just you to avoid paying the Medicare Surcharge Levy. Bob, because you earn over \$184,500 you are taxed another 1.5% of additional taxation, or \$1,875 of additional taxes paid. The cheapest hospital cover for just yourself is \$153.64 per month with HCF. This works out to be roughly equal value to the tax you are paying. We recommend you go beyond the minimum and include your family as it is often cheaper per person and it will reduce your expenses should your children need hospital care.



This is a fictional scenario.

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Other general insurance.

Home insurance: Bushfire risk


Your home is currently underinsured, and is at high risk of bushfires due to the proximity to the national park, and reflected in the discounted land purchase value. You may need to replace your insurance all together if the current policy does not adequately address wildfire risk. The 2009 insurance taken out when you built your house is probably no longer appropriate. At minimum it will not cover two the additional home extensions.




Following the Black Saturday bushfires, new regulation¹ requires higher construction standards for all new homes to harden them against bushfires. This can significantly increase the reconstruction costs. Don't forget to include additional costs, including demolition, debris removal and compliance with modern building codes which can increase costs by as much as \$270,000².

The risk is categorised by the Bushfire Attack Level (BAL), which is a measure of the severity of a building's potential exposure to ember attack, radiant heat, and direct flame contact. Your insurer will usually apply a Bushfire Loading based on your BAL. The BAL is determined by combination of the proximity to combustible material, and the land accessibility due to gradient. To find the BAL, most people will hire an accredited Bush Fire Consultant, which you can find from <http://www.fpaa.com.au/>

For further information please contact:

Construction and Development Office,
Shire of Strathbogie
 1800 065 993

Bushfire Building Advice Line,
Victorian Building Commission
 1300 360 320

Under insurance is a serious problem, as most policies include a proportional clause. This means that if you insure only 50% of the value of your home, and a bushfire burns half your house, your insurance will only pay out half of your insured value. That is, you will only receive a 25% of your home value. Many underinsured policy holder have a false sense of security believing the that the insurance will cover the partial damage, but are shocked at claim time to find that the risk is shared proportionately.

¹ Australian Standard (AS) 3959-2009, Construction of buildings in bushfire-prone areas

² <https://www.choice.com.au/money/insurance/home-and-contents/articles/bushfire-cover-update>

Home Contents Insurance: Antiques and contents

Home insurance also commonly includes insurance for the contents, please check your policy does so. Most policies cover specific items such as antiques and jewellery, but these will often need to be individually identified. It is common for contents insurance will include a maximum limit, for example \$1,000 per item, capped at \$3,000 for a set. We recommend that you perform a complete inventory of your household, and that your new insurance policy specifically identify each of Norma's family antiques.



Car insurance: Increasing value in vehicles

You currently have third party policy on your cars, meaning the insurance will pay for damage you cause someone else's property. Any loss or damage to your vehicle will not be covered under your current policy. Third party personal insurance (AKA CTP) covers any injury to anyone caused by any traffic accident. This is known as the TAC levy and in Victoria is already included in your registration.



We recommend you take out **Comprehensive** car insurance as your cars are increasing in value over time. At minimum you should upgrade your insurance to **Third Party, Fire and Theft**. Your location means bushfires are a serious risk, and, as your cars are increasing in value, they are also likely attractive to thieves. In the event of a bushfire, your home insurance will not cover vehicles lost on the property.



Please note that if your "cars" are not regular cars, but in fact a Caravan, RV, or antique vehicles, they will require a specialist form of insurance.

Marine Insurance

As with car insurance, your third party insurance only covers you for costs caused to other people's property, and this is the bare minimum required.



Your house-boat will require separate insurance as it will not be covered under home insurance. Some home insurance policies cover very small watercraft, typically without engines and less than 3 meters.

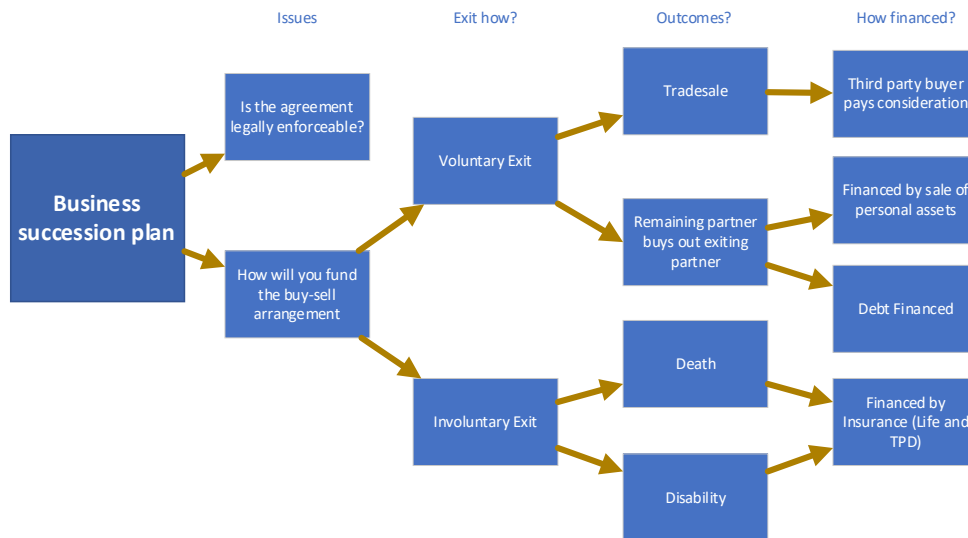
Similar to home insurance, you should consider if you have any valuable contents stored on board, as these are commonly included in houseboat insurance.

Business succession planning



The following diagram walks through the major issues with your current business structure as they relate to securing the Rose family future.

Map of Potential Issues



The buy-out agreement specifies that the consideration paid will be equal to double the annual profit of the firm, or \$750,000. We are unclear as to whether this agreement is a handshake understanding, or a legally executed deed. We recommend that this buy-sell arrangement be made legally enforceable.

Both Bob and Ken need to have a clear plan as to how they will fund the buy-out agreement. Bob you have mentioned that if Ken exits, you may have to sell family assets to fund the buy-out. We recommend against this, as the Rose Family net wealth is only \$878,103 excluding your share of firm. Your family wealth will be wiped out under the current plan should Ken decide to retire. Likewise, if Bob exits and Ken is unable to find sufficient funds, you will not be able to finance retirement.

The Rose family’s wellbeing is dependant on the strength of the succession plan to execute at the agreed price. Once you have secured the firm’s value, Bob please come back and reduce your life and TPD cover so you can save on premiums.

Two major problems exist. How will you fund the buy out if either Ken or Bob:

1. Can no longer operate the business (death or disability)
2. voluntarily leaves the business (retirement)

Exit due to Death or disability

Insurance can help finance the other partners unexpected exit due to death or disability. There are several insurance options available, but we recommend you use a **self- insurance model** as this method is simple, easy to administer, flexible enough to deal with the introduction of another partner, and most importantly, is tax efficient in line with your preferences.

Under this model, each partner will take out life and TPD insurance in their own name. Thus, any claim on the policy will be paid to either the claimant or their estate. The value insured will be equal to the market value of their respective share of this business, being \$750,000.

The partners also agree that when the plan is triggered, the continuing partner will buy the departing partner's share at the market value, however the consideration paid is reduced by every dollar of insurance payout received by the departing partner. The continuing owner's CGT cost base for the business is increased by the market value of the exiting partner's stake.

A common complaint against the self-insurance model is that it feels unfair, as each partner is effectively funding their own buy-out of the business. This is especially the case where insurance companies refuse to cover a partner because of advanced age or poor health. It is important to recognise that the self-insurance model is still the most tax effective.

Voluntary exit

A Voluntary partner exit such as when a partner retires, sells their share or otherwise simply quits. This section will be very generic as we do not have sufficient information to advise you on this directly. Insurance will not finance a voluntary partner exit. Instead you are left with two options, either you can sell your stake to an outsider, or the remaining partner can buy our the exiting partner.

A Trade Sale involves the sale of the business to a third party. It can be difficult to find an appropriate buyer who will pay fair price for half a business. Therefore to maximise value, ideally both Ken and Bob would sell simultaneously so the new owner can take command of the entire business.

A Trade Sale is our recommended method of exit. Not only is the exiting partner(s) fully financed, but the sale of a complete firm will also include substantial goodwill in excess of the net realisable value of the collection of assets within the business.

The alternative method of buyouts are far less attractive or practicable. The first option is where the remaining partner takes on additional business debt to pay out the exiting partner. Bob, this is risky because not only does this mean paying additional interest eating into profits, but you will may find that banks simply refuse to offer you any credit under Australian tightened loan serviceability rules. Nevertheless, your business is currently yielding 14% return annually when you adjust for the labour contributed by the partners. This is far in excess of the commercial loan rates and with the limited information we have, we believe that it is possible, although quite risky, to finance a buy-out with debt alone. As mentioned above we do not recommend using family equity to purchase Ken's stake.

Incidental Considerations

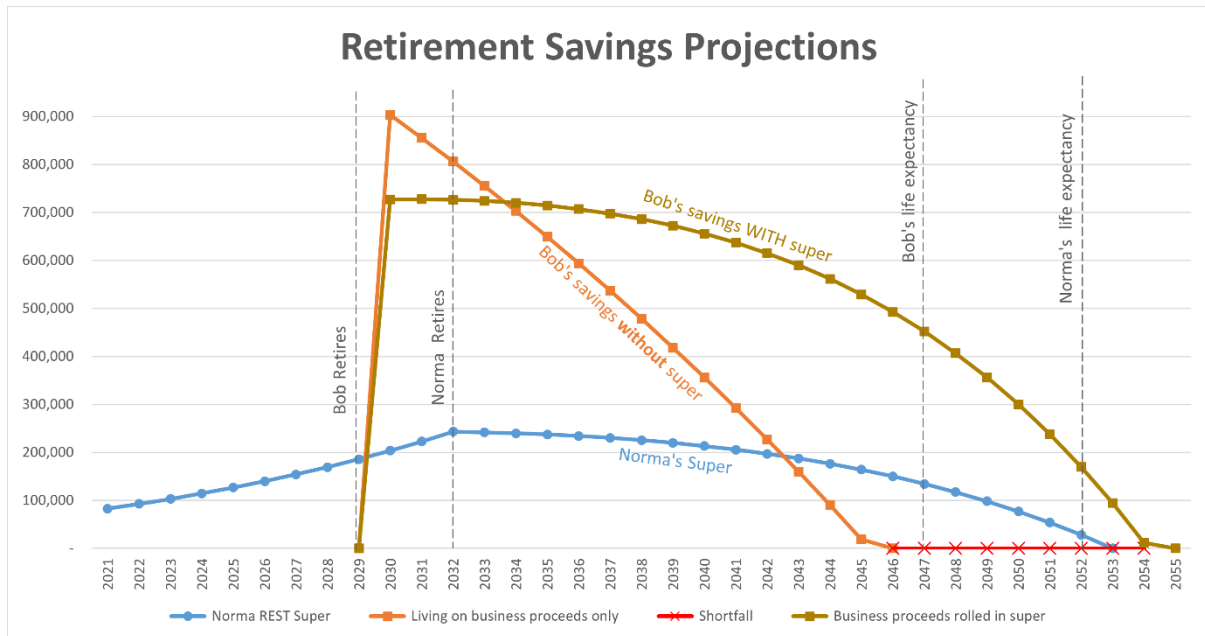
In this section we highlight other issues that you may wish to consider, but do not directly help you achieve your main goals.

Super and retirement strategies for Bob

Currently Bob plans to sell his business at retirement and live off the savings. We are concerned under this strategy, you will run out of saving in 2046 as you can see in the orange line in the chart below.



We believe that we can stretch your retirement savings significantly longer through investing your capital proceeds of your business sale into superannuation, thus ensuring that you have enough to meet your current standard of living for the rest of your expected life with healthy buffer spare should you live even longer.



The chart uses your current household and living expenses of \$53,200 per annum adjusted for CPI. Details of our this calculation and assumptions can be found in Appendix 3: Retirement Projections.

Please note that this chart is a mere guide and implementation may vary. We do not have enough information on your business or tax circumstances, and so we have had to make several simplifying assumptions. Nevertheless we are sure that under the current strategy you are sure to run of savings during your lifetime.

Advice: We need more information to advise you properly. Please revisit us on the issue of retirement planning

Tax Planning and Family Trusts

We believe you would benefit from better tax planning. Currently the majority of family income is concentrated in Bob's name, and he is paying a marginal tax rate of 48%³ giving you an overall family tax rate of 28%. With better restructuring, your family tax could be cut to 26%, saving you \$5,363 in tax annually, and even more when Steven turns 18 in 2023.



To do this, we can help you establish a family trust which will take ownership of your share of the freight business. Your family trust will then distribute this profit evenly amongst your family members to reduce your overall tax burden. Although unlikely, we are concerned that you may have some issues with Personal Services Income rules depending on the nature of the business, however we require additional information to help you plan around these issues.

Debt management

It is unwise to hold credit card debt at an expensive rate of 12.5% which is non-deductable for tax, while also investing in a term deposit that only returns 1.65%. We recommend you settle you pay off your credit card using your existing savings, and indeed, always pay it off before month end.



³ Marginal tax bracket 45% + Medicare levy 2% + Medicare levy surcharge 1% = 48%



HOW TO FOLLOW OUR ADVICE

Steps you should take to follow our advice:

Step	Description	Urgency	Date Completed
1	Both: Contact your lawyer to: <ul style="list-style-type: none"> a) Establish wills b) Specify who will be your children’s guardians c) Establish Advance Health Directive and Medical Treatment Decision maker forms d) Establish Enduring powers of attorneys 	Urgent	__/__/20__
	Norma: Apply to REST Super for a binding death nomination.	Important	__/__/20__
2	Bob: Create an inventory of your crypto holdings and other digital assets. Keep this up to date. Use a password manager to hold these instructions.	Recommended practice	__/__/20__
	Both: Make an appointment with our office to get a quote for each type of insurance. <ul style="list-style-type: none"> - Life - TPD - Income Protection - Trauma - Private Health Insurance 	Urgent	__/__/20__
	Bob: Discuss with Ken how you will each fund your business succession plan.	Important	__/__/20__
	Bob and Ken: use a self-insurance model to fund an involuntary exit. Each must buy life insurance.	Important	__/__/20__
	Bob and Ken: See a lawyer to update your buy-sell arrangement for business succession planning.	Urgent	__/__/20__
	Bob: Once the value of your business is secure, please revisit us to reduce your cover on life and TPD Insurance. This will save on premiums substantially.	Important	__/__/20__
	Please provide more information to plan your retirement strategy. Currently your retirement is underfunded.	Important	__/__/20__
	Please provide more information to restructure and plan your tax. Currently you are paying too much tax.	Incidental	__/__/20__
	Both: Pay off your credit cards every month.	Recommended practice	__/__/20__



AUTHORITY TO PROCEED

Before you sign this authority, I would like you to check that I have

- Given you my Financial Services Guide (FSG)
- Given you a Product Disclosure Statement (PDS) for each financial product that I have recommended
- Talked to you about your personal circumstances, estate planning and possible financial goals in a way you understand, and answered your questions
- Discussed any commissions I will receive

If I haven't done all of these things, do not sign the authority to proceed

Before you sign this authority, please also make sure that you have:

- Read all the documents I have given you
- Checked that your personal information in this document is accurate
- Asked me questions about anything that you want clarified

By signing below, you agree to representatives of Client Care applying on your behalf for the products recommended in this Statement of Advice

Signed.....Robert Rose

Date:...../...../20.....

Signed.....Norma Rose

Date:...../...../20.....

Continuing review service

I recommend that your needs and products be reviewed at least once a year to accommodate changes to your personal goals or circumstances, such as births, marital status, employment, debt levels, and tax implications of insurance.

To confirm that you wish to participate in an ongoing review service, please let me know and I can provide details of services and costs.

Cooling-off period

If you apply for a life insurance product recommended in this Statement of Advice, and then change your mind, you are entitled to cancel the product within a 14-day cooling-off period. *Refer to the Product Disclosure Statements for further information.*


This is a fictional scenario.

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APPENDICES

Appendix 1: Assumptions

We have used the following assumptions to generate this advice:

1. 2020/21 tax rates and superannuation laws apply
2. Interest on term deposit is received in cash and not reinvested.
3. Assumed car values and home contents values were drawn insurance values from undisclosed conversations with financial advisors in current practice. In practice we would query the client on these.
4. Bob receives a partnership distribution and not an employee.
5. CPI 2.5%. This has been applied to wages, living costs, education, business profits 
6. Discount factor: 8.16%
 - We use an Australian EFT less 2% margin of safety.
 - Our benchmark is the 10 year performance Vanguard Australian Shares Index ETF (VAS)ASX: VAS 10.16%
 - <https://www.vanguard.com.au/personal/products/en/detail/8205/Overview>
7. REST My Super has earned 8.21% over the 10 year period. We assume this will continue.
8. Bob and Norma would both continue to work their current job following the death of their spouse
9. We don't know the division of household duties and childcare, but we assume that Norma, with assistance from her mother bear the majority. Bob operates a freight business, and it is common for long distance freight drivers to be away for long periods at a time.
10. No information has been specified if you will continue to following the death of your spouse. We have assumed that Norma will NOT work, but as Bob is a partner in the trucking business, he is obliged to carry on. As such, if Norma passes away, he will need assistance with children until they are 16. Norma will not need assistance as her mother is available and we have completely covered her living costs should Bob die.
11. Norma's mother can assist in childcare should Bob pass away. If Norma passes away, Bob will need additional assistance caring for children intermittently when he is on the road. \$25 per hour live-out nanny, needed for up to 20 a week for an average of 20 weeks a year.
12. We assume you will keep the houseboat in the event of the death of your spouse as there is no evidence to the contrary.

Appendix 2: NPV Costs Analysis

The following chart shows the annual costs in each category. Costs in the year 2021 will agree with the cash flow statement on page 9. Costs have been increased by CPI (2.5%) and discounted back to using 8.16% (see Appendix 1 Assumptions). Pink cells in 2047 and 2052 mark the life expectancy for Bob and Norma.

Year	Children living costs	Private school fees	Child care	Living costs (one parent)	Living costs (both)
2021	28,800	25,000	10,000	42,560	53,200
2022	27,293	23,692	9,477	40,333	50,416
2023	25,865	22,452	8,981	38,222	47,778
2024	24,511	14,185	8,511	36,222	45,278
2025	23,229	13,442	8,065	34,327	42,908
2026	22,013	6,369	-	32,530	40,663
2027	20,861	6,036	-	30,828	38,535
2028	19,769	-	-	29,215	36,518
2029	18,735	-	-	27,686	34,607
2030	11,836	-	-	26,237	32,796
2031	11,217	-	-	24,864	31,080
2032	5,315	-	-	23,563	29,454
2033	5,037	-	-	22,330	27,912
2034	-	-	-	21,161	26,452
2035	-	-	-	20,054	25,068
2036	-	-	-	19,005	23,756
2037	-	-	-	18,010	22,513
2038	-	-	-	17,068	21,335
2039	-	-	-	16,175	20,218
2040	-	-	-	15,328	19,160
2041	-	-	-	14,526	18,157
2042	-	-	-	13,766	17,207
2043	-	-	-	13,045	16,307
2044	-	-	-	12,363	15,454
2045	-	-	-	11,716	14,645
2046	-	-	-	11,103	13,878
2047	-	-	-	10,522	13,152
2048	-	-	-	9,971	9,971
2049	-	-	-	9,449	9,449
2050	-	-	-	8,955	8,955
2051	-	-	-	8,486	8,486
2052	-	-	-	8,042	8,042
NPV	244,480	111,177	45,034	667,662	823,351

This is a fictional scenario.

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Appendix 3: Retirement Projections

Year	Norma	Bob	Bob	Notes
	Super	Living on business proceeds only	Business proceeds rolled in super	
2021	82,989			
2022	92,701			
2023	103,189			
2024	114,509			
2025	126,722			
2026	139,893			
2027	154,091			
2028	169,391			
2029	185,873	-	-	Bob retires
2030	203,621	903,332	727,365	
2031	222,727	855,418	727,522	
2032	243,288	806,096	726,426	Norma retires
2033	241,881	755,331	723,956	
2034	239,917	703,086	719,985	
2035	237,344	649,323	714,375	
2036	234,108	594,004	706,976	
2037	230,152	537,089	697,630	
2038	225,412	478,537	686,165	
2039	219,822	418,308	672,396	
2040	213,308	356,358	656,125	
2041	205,794	292,644	637,138	
2042	197,195	227,121	615,208	
2043	187,422	159,743	590,086	
2044	176,379	90,464	561,511	
2045	163,962	19,234	529,197	
2046	150,060	-	492,841	
2047	134,555		452,116	Bob's life expectancy
2048	117,318		406,671	
2049	98,213		356,129	
2050	77,092		300,087	
2051	53,797		238,113	
2052	28,161		169,740	Norma's life expectancy
2053	-		94,471	
2054			11,772	
2055			-	

The following assumptions to produced this chart:

1. Only Norma's Super and Bob's business are considered. Bitcoin and other assets are ignored.
2. Bob will receive the proceeds from his business in the year following his exit.
3. An annual draw down of \$53,200 adjusted for CPI, equal to the couples present living costs.
4. Investment earn 8.16%. See Discount Factor in Appendix 1: Assumptions
5. There are contributions limits which have been ignored for this illustration. In reality Bob will need to contribute the capital over several years rather than as a single lump sum, however we require additional tax information to optimise this structure.

This is a fictional scenario.

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Appendix 4: Age projections.

This table shows the relative ages for each family member. This table was used to determine the number of dependants and projections for retirement.

Years from now	Year	Bob	Norma	Steven	Brett	Daisy	Notes
0	2021	57	54	16	14	12	Current age, three dependants
1	2022	58	55	17	15	13	
2	2023	59	56	18	16	14	Steven finishes high school
3	2024	60	57	19	17	15	
4	2025	61	58	20	18	16	Brett finishes high school
5	2026	62	59	21	19	17	
6	2027	63	60	22	20	18	Daisy finishes high school
7	2028	64	61	23	21	19	
8	2029	65	62	24	22	20	Bob retires, Steven independent
9	2030	66	63	25	23	21	
10	2031	67	64	26	24	22	Brett independent
11	2032	68	65	27	25	23	Norma retires
12	2033	69	66	28	26	24	Daisy independent
13	2034	70	67	29	27	25	
14	2035	71	68	30	28	26	
15	2036	72	69	31	29	27	
16	2037	73	70	32	30	28	
17	2038	74	71	33	31	29	
18	2039	75	72	34	32	30	
19	2040	76	73	35	33	31	
20	2041	77	74	36	34	32	
21	2042	78	75	37	35	33	
22	2043	79	76	38	36	34	
23	2044	80	77	39	37	35	
24	2045	81	78	40	38	36	
25	2046	82	79	41	39	37	
26	2047	83	80	42	40	38	Bob life expectancy
27	2048	84	81	43	41	39	
28	2049	85	82	44	42	40	
29	2050	86	83	45	43	41	
30	2051	87	84	46	44	42	Mortgage paid off
31	2052	88	85	47	45	43	Norma life expectancy
32	2053	89	86	48	46	44	
33	2054	90	87	49	47	45	
34	2055	91	88	50	48	46	
35	2056	92	89	51	49	47	
36	2057	93	90	52	50	48	

This is a fictional scenario.

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Appendix 5: Images Source

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