SCENARIO

You are an authorised representative of PU Insurance Brokers Pty Ltd, the holder of an AFS licence. You are authorised to advise on general and life insurance products.

Noah and Ava Smith have come to you for some advice in relation to their personal insurance needs. They do not understand what the various types of personal insurances are not what they cover although they believe they need life insurance.

Noah is 48 (DOB 1/6/1973) and Ava is 42 (DOB 12/10/1978) have 2 children, one in year 6 (Olivia), and the other in year 8 (Oliver), at a local catholic school. They would like both children to continue their education in their school and complete their education in local co-educational catholic college. Noah would like to retire at 65 and Ava at 60.

Noah and Ava are both in excellent health and they have top private hospital and ancillary cover for the whole family. Ava is a smoker, while Noah is not.

Noah and Ava have $50,000 in the bank and they jointly own a house valued at $1,202,000 with a $501,600 mortgage. Noah has a small personal loan owing on van of $12,000 he sometimes uses for the business. They own a family car and have no other loans.

Noah operates a café in partnership with his best friend Jin. Noah's income before tax is $87,000. When they established the café they created a SMSF with he and Jin both as sole members. Noah currently has $154,000 in the SMSF and is making minimum statutory contributions to the fund. Noah has no personal insurances.

Ava works in the health care sector as an administration officer in an aged care home and has automatic default Life, TPD and income protection cover with Industry superannuation fund, NGS Super. She earns $130,000 before tax per annum and currently has $245,000 in Superannuation. Ava knows that her membership to the fund provides automatic default personal insurance and that she has only the default level of cover. She tells you she is unsure of what specifically she is covered for, how much it costs and how it is paid for.

Most of the money they earn goes to paying the mortgage and covering living expenses and school fees, with about $25,000 of annual estimated surplus cash flow out of which they pay for holidays and treats for the family.

They tell you that if either of them die or become incapacitated the remaining spouse would need assistance from a nanny to look after the children due to their work commitments up to the age when the oldest turns 16 as their parents are quite old. Ava is an only child and has an elderly mother who has just moved into aged care and suffering dementia although she still has her house worth $2,000,000 in Brighton. Noah has an elderly father (90 years old) but he has no real assets apart from the unit he lives in (valued at approximately $700,000).

Noah and Ava tell you that they want to make some arrangements to protect themselves and their family if either of them should die or become seriously ill or disabled. They both understand the importance of having insurance cover, especially as they have young children. Because of the value that they place on insurance, they are willing to spend up to $20,000 of their personal cash flow per year for insurance premiums. In addition, Noah would like some general advice on succession planning for his business and how insurance could fund succession if either he or Jin become disabled or die. He is particularly concerned about the tax implications of funding business succession.

Other information:

- CPI rate is 2% pa.
- Noah's life expectancy is estimated at age 83 while Ava's is 85.
- If either were injured you can assume that their out of pocket medical expenses would amount to $30,000. You can also assume living expenses will decline 20 % if one partner dies.
- Noah has 1 week of outstanding annual leave with his employer and 10 days of sick leave which would cover him if he were unable to work during that period. Ava has 4 weeks annual leave outstanding and 5 days sick leave as well as a month of long service leave entitlement.
- They live at 69 Gotham Avenue, Kew VIC 3101.

Specific Requirements

After analysing their personal circumstances, prepare a limited **Statement of Advice**

Ensure that you summarise their current insurance positions, outline the potential risks and losses they are exposed to, justify and explain the types of cover you would recommended to cover their risks and the amount of cover you would put in place (i.e. standalone or linked policies). It is expected that you will explain the various policy features as well as typical exclusions likely to be experienced and also discuss the merits for and against holding their various personal insurance policies within their superannuation funds including the tax implications of the cost of the premiums. You need to compare the costs, merits and features of increasing any existing cover against discontinuing and establishing new cover.

Limited Statement of Advice

Prepared for

Bob and Norma Rose

PU Insurance Brokers Pty Ltd

Address: 123 Real St, Perth, 6000

Phone (08) 9555 5555

Australian Financial Service License no: 12345

ABN: 12 345 678 910

Authorised representatives of "Group number 1"

Ilya

Robyn

Phillip Wong:

Dated: 17/09/2021

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.

17 September 2021

69 Gotham Avenue,

Kew VIC 3101

Dear ~~Mr & Mrs Smith~~, Noah and Ava

It is our aim to provide you with the appropriate advice tailored to your specific insurance needs that allows you to take control of your long-term ability to maintain your lifestyle, education your children and settle your debts. We've also provided you with general advice on business succession.

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.

Kind regards

Your personal advisors

For Ilya, Robyn, and Phillip

Directors of PU INSURANCE BROKERS PTY LTD

For safe keeping

Table of Contents

1. Summary of our insurance recommendations

Noah, we recommend that:

- You take out $1,007,887 in life insurance through MetLife's 'Protect Healthy Living – Life & TPD' product.
- You take out $1,287,998 in TPD Insurance which is included in the same MetLife product mentioned above.
- You take out monthly income protection insurance of $5,438 through MetLife's 'Protect Income Insurance' product.

Ava, we recommend that:

- You rollover your current superannuation fund with NGS Super to a BT super fund.
- You take out $1,059,365 in life insurance through BT's 'BT Protection Plans: My Wellbeing Term Life' product.
- You take out $1,339,46 in TPD insurance through BT's 'BT Protection Plans: TPD' product.
- You take out monthly income protection insurance of $8,125 through BT's 'BT Protection Plans: IP Occ AA to C' product.

For your café partnership:

- Consider a buy-sell agreement, and we highlight the advantages of the self-insurance model.

For detailed information please refer to the following sections:

- Noah's personal insurance advice in Section 4.1 on pages 9 – 12.
- Ava's personal insurance advice in Section 4.2 on pages 13 – 16.
- General advice on business succession planning in Section 4.3 on pages 17 – 18.
- Reasoning for our advice in Section 5 on pages 19 – 21.
- Consequences and risks of our advice in Section 6 on page 22.

1.1. Outcomes of our advice

Implementing our advice would achieve the following objectives:

- Cover your family financially should either Noah or Ava suffer an event causing death or disability,
- Meet your children's education objectives,
- Give you better understanding of the issues surrounding business succession planning.

1.2. Our Fees

Our fees are $4,000 payable within 14 days of this advice.

2. About our advice

This Limited Statement of Advice has been prepared based on our recent discussions to achieve your objectives. The table 3 outlines what our advice to you covers and doesn't cover.

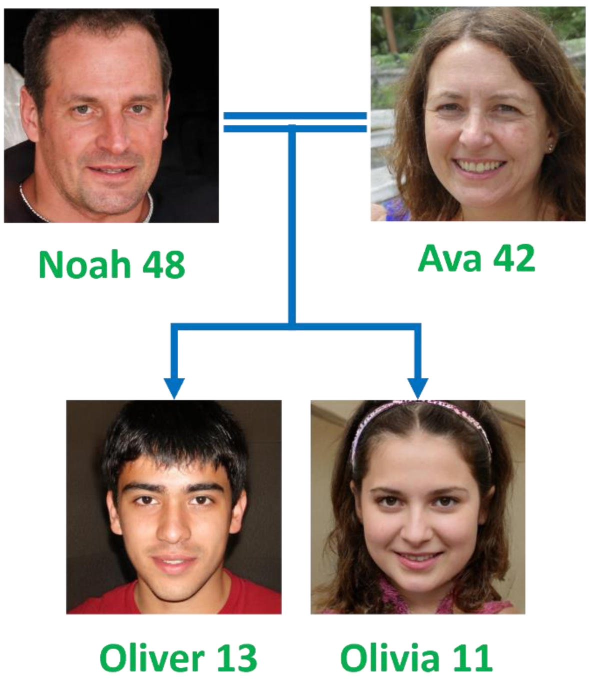
Table 3: Scope of Advice	
Advice covers:	• Personal Insurances • Business Succession Planning: Death or disability of a partner
Advice doesn't cover:	• Business Succession Planning: trade sale, or voluntary exist of a partner • Superannuation planning • Business entity structuring for your partnership • Tax Planning • Investment portfolio asset allocation • Retirement Income • Debt management • Cashflow (budgeting) • Estate Planning: neither for you nor your parents. • Aged care

3. Your Current Situation and Objectives

Noah and Ava, this section summarises our understanding of your current situation. It's imperative that the information in this section is accurate and doesn't misrepresent your circumstances. If you discover any inaccuracy, please do NOT act on this advice and contact us as soon as possible.

3.1. Your Family Information

Table 4.1 - Noah & Ava Smith's Information			
Noah Smith		**Ava Smith**	
Age	48	Age	42
DOB	1/06/1973	DOB	12/10/1978
Health	Excellent	Health	Excellent
Smoker	No	Smoker	Yes
Income (BT)	$ 87,000	Income (BT)	$ 130,000
Life Expectancy	83	Life Expectancy	85



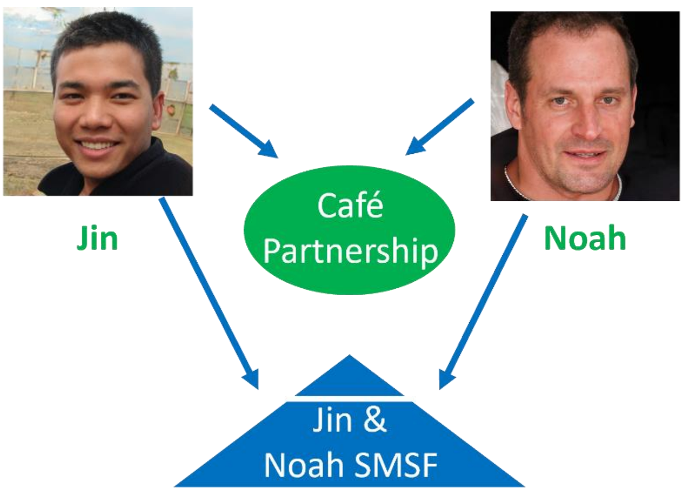
3.2. Your Assets & Liabilities

Table 4.2A - Noah & Ava Smith's Assets		
Asset	**Value**	**Ownership**
Cash at bank	$ 50,000	Joint
House	$ 1,202,000	Joint
Family car	N/A	Joint
SMSF	$ 154,000	Noah
Noah's Cafe	$ 150,000	Noah
Superannuation	$ 245,000	Ava

Table 4.2B - Noah & Ava Smith's Liabilities		
Debt	**Amount**	**Ownership**
Mortgage	$ 501,600	Joint
Car loan	$ 12,000	Noah

3.3. Your business structure

Noah, the following diagram shows your business structure. We understand you run a café in a partnership structure with Jin, and that you both are members of a SMSF



3.4. Goals & Objectives

Noah and Ava, during our interview we discussed what you wish to achieve through insurance to meet your children's education, retirement goals, and succession planning. The following sections summarise what we discussed and what how our advice will assist you achieve this.

Personal Insurance Goals:

- Provide an income stream in the event of temporary or permanent inability to work.
- Pay for home renovations to accommodate potential disability.
- Pay off any outstanding debts and mortgage.
- Cover remaining education costs for your children.
- Assistance from a nanny to look after children if either of you were to pass away or become incapacitated.
- Cover funeral expenses.

Children's Education:

- You want your children Oliver and Olivia to continue their current education.
- You want your children to complete their education in a co-ed catholic college.

Retirement Goals:

- Noah, you wish to retire at 65 years of age.
- Ava, you wish to retire at 60 years of age.

Business Planning Goals:

- To maintain the café as a going concern in the event of the death or disability of either Jin or Noah.

4. Our advice

Noah and Ava, the following sections contain our advice regarding personal insurance and succession planning based on the information you provided us. These sections will go over three types of insurance, your current levels of cover, how much cover we think you need, various considerations you need to think about, and general advice regarding succession planning.

The level of cover needed has been calculated based on our projections of expenses we expect you to incur in the future, for a complete breakdown of this please see **Appendix 1** and **2**. We've also had to make numerous assumptions about your circumstances to produce our advice, these assumptions can be found in **Appendix 9**.

4.1. Noah Smith

You've told us that you have zero personal insurance which makes the discussion about your existing levels of cover simple and straightforward. Since we're unable to provide analysis about your existing levels of cover, we're instead going to provide you and your wife with information regarding what the different types of personal insurance do.

You can also find the reasoning for our advice in Section 6.1 and consequences of our advice in Section 7.1.

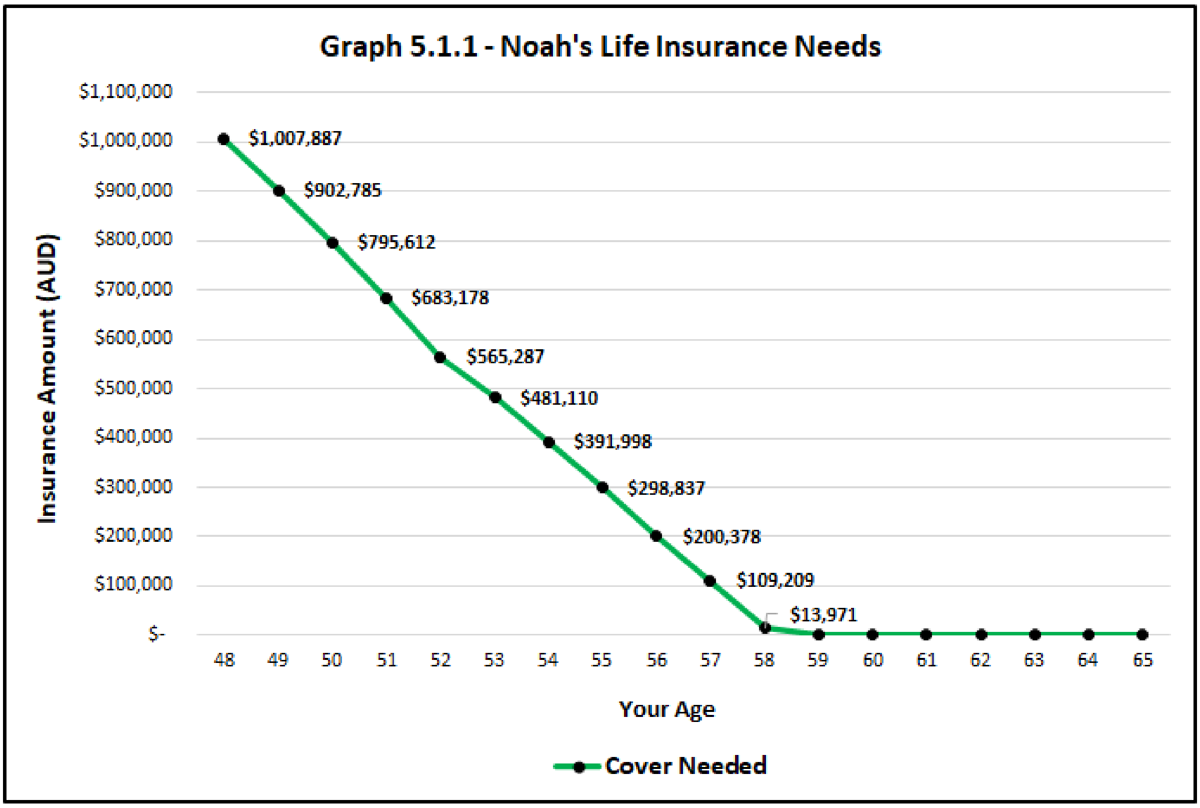
4.1.1. Life Insurance

During the interview we had, you and Ava expressed particular interest in life insurance and said that you think you need it. We agree with you and believe that life insurance would be of great benefit for your family.

Life insurance can be purchased either through your superannuation or be directly held in your own name outside of super. Life insurance bought within super can be cheaper, more accessible, easier to pay for, and more tax effective as premiums are deductable to the fund. However, the life cover provided through super can also be limited due to its accessibility and it will slow the growth of your superannuation account. Life insurance purchased outside super can be a little more complex to manage, and premiums are not tax deductable. However, also far more accommodating of different needs you might have.

Based on our analysis of your circumstances and projections of future expenses, we recommend that you apply for **$1,007,887** in life insurance cover through **MetLife** for their **'Protect Healthy Living – Life & TPD'** product. This will cost you **$380.37 monthly** or **$4,564.44 annually** in premiums. This product links your life and TPD insurance needs into one policy and we've identified it to be cheaper than two separate policies.

We also recommend that as you get older, as your assets grow in value, and your debts decrease in value that you lower your level of life insurance cover as outlined in the graph below and Appendix 3. We estimate that you won't need life insurance to cover any debts or expenses when you're around 59 years old.



4.1.2. TPD Insurance

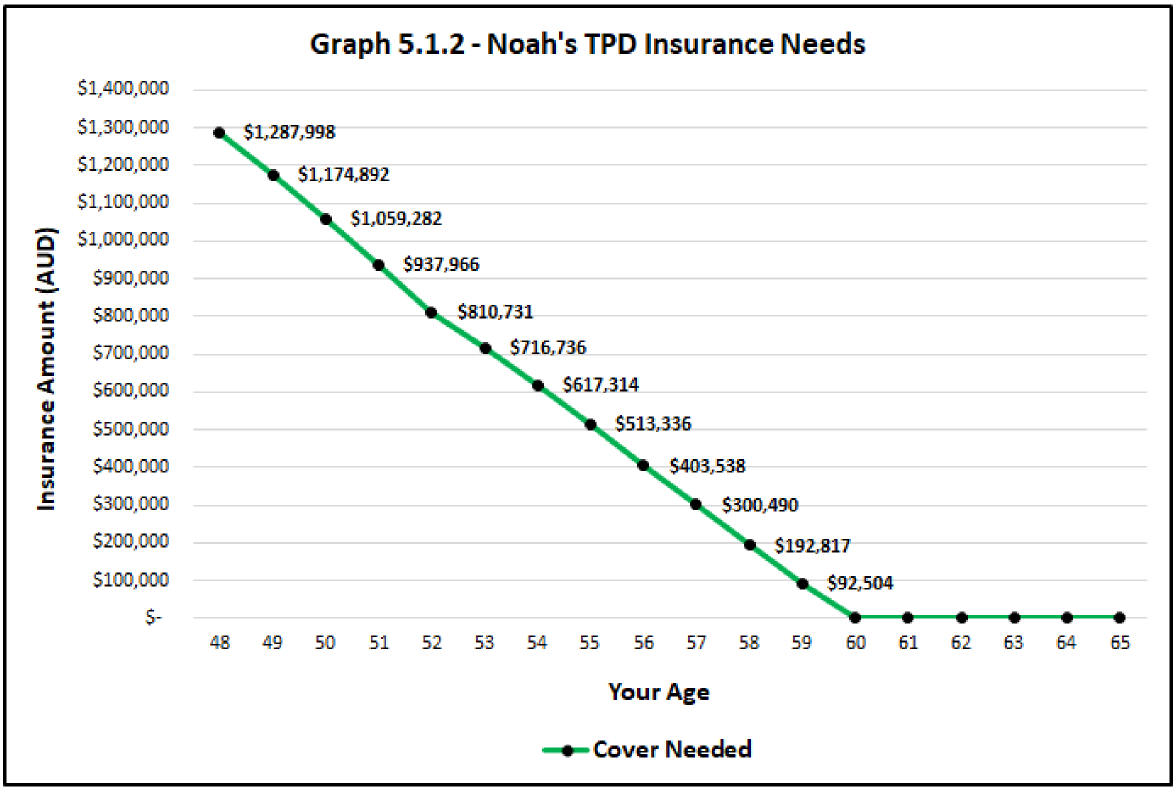
TPD insurance is similar to life insurance in that it will help you pay off existing debts and pay for certain future expenses but without you needing to pass away for the policy to work. With TPD, to receive a payout you have to meet the insurance providers definition for 'permanently disabled'. There are two types: 'any occupation' and 'own occupation'. A under 'any occupation' means you have been disabled to the point where you're unable to gain employment in anything that you are reasonably qualified to do. A definition under 'own occupation' would mean that you've become disabled to the point where you're no longer able to perform your current occupation.

We recommend 'own occupation' TPD policies for both of you as this provides the highest chances of receiving a payout in the event that one of you suffers an injury or illness that leaves you disabled. You and your wife have skills from your employment that could be used in a plethora of other jobs and unless you suffer an absolutely catastrophic but not life ending injury, we fear that you'd be unable to claim a payout under the 'any occupation' definition. Policies under the 'own occupation' aren't available through superannuation and cost more than 'any occupation' policies, so there is a trade-off between saving money on premiums and having a higher chance of a valid claim.

Based on our analysis of your circumstances and projections of future expenses, we recommend that you apply for **$1,287,998** in TPD insurance cover through **MetLife** for their **'Protect Healthy Living – Life & TPD'** product. As we previously mentioned, this would be linked to your life policy and the outlined premiums will be the same.

MetLife

Over time your assets will grow in value, and you will pay off debt. This reduce the volume of TPD cover required as outlined in the graph below and [Appendix 4](#). We estimate that you no longer need TPD insurance to cover any debts or expenses when you're around 60 years old.



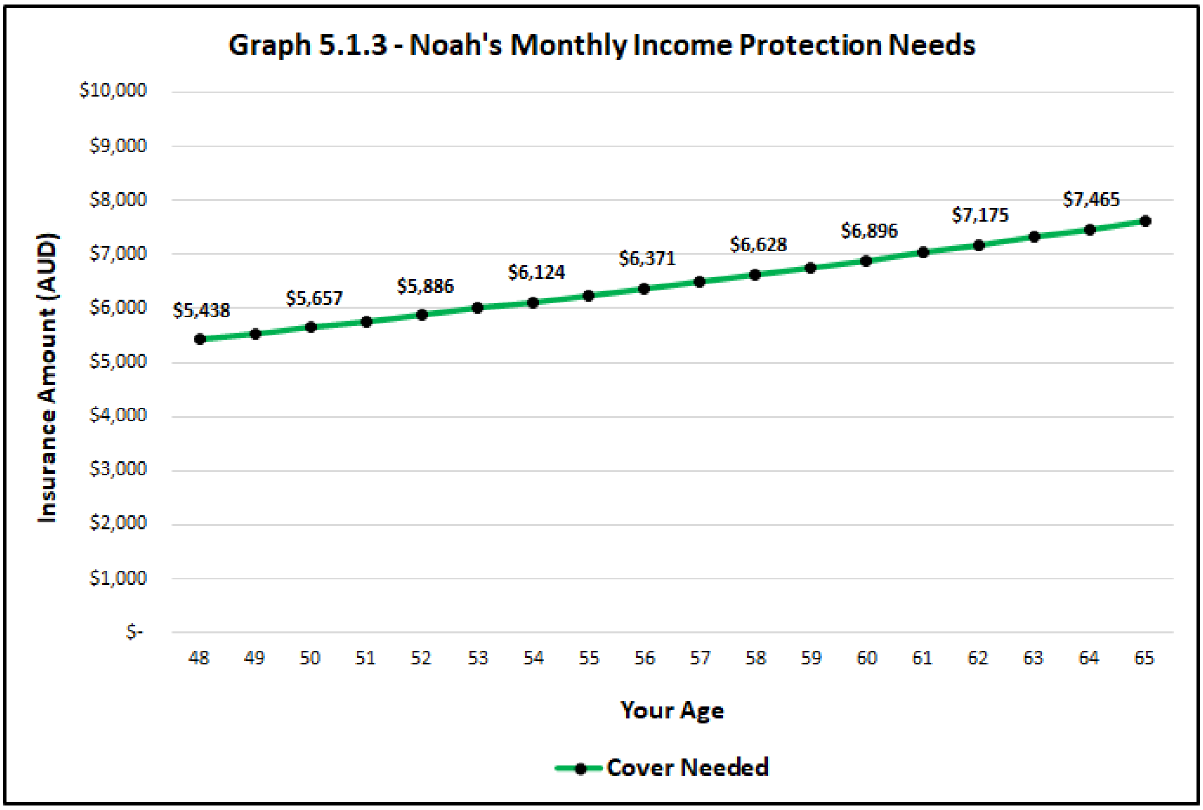
4.1.3. Income Protection Insurance

Income protection insurance is a lot simpler than life insurance and TPD as the sole purpose of income protection is to replace a portion, usually around 80% of your pre-tax income in the event that you're unable to work for an extended period of time but don't meet TPD conditions. Think of it as temporary disability insurance.

For your income protection insurance, you need to consider two things, the duration of the income protection benefits and the waiting period. The waiting period most commonly ranges from 30 – 90 days and you can only make a claim for income protection if you're still temporarily unable to return to work due to injury or illness after the waiting period has passed. The benefit duration is simply for how long the policy will replace a percentage of your pre-tax income.

Based on our analysis of your circumstances and projections of future income, we recommend that you apply for **$5,438** in monthly income protection cover through **MetLife** for their **'Protect Income Insurance'** product. This will cost you **$253.84 monthly** or **$3,046.03 annually** in premiums.

We also recommend that as you get older and your income increases, that you increase the level of income protection insurance you have as outlined by the graph below and Appendix 5. Unlike with life and TPD insurance, your income protection insurance needs will continue to rise as your wage grows.



4.2. Ava Smith

Ava, you're currently with NGS Super as part of your employer's default fund and you're also in the default options with NGS Super which is NGS General. Through our research we've identified that you currently have life, TPD, and income protection insurance as part of your default policy. Unfortunately, we've also identified that the default levels of your insurance are inadequate for your circumstances and won't be able to achieve your goals if you were to pass away or become permanently disabled.

A big part of our recommendation to you would be to switch your superannuation fund from NGS Super to BT as we'll explain in a later section. The general reasoning is that your current fund is unable to provide you with your insurance needs and we've identified BT as a suitable substitute.

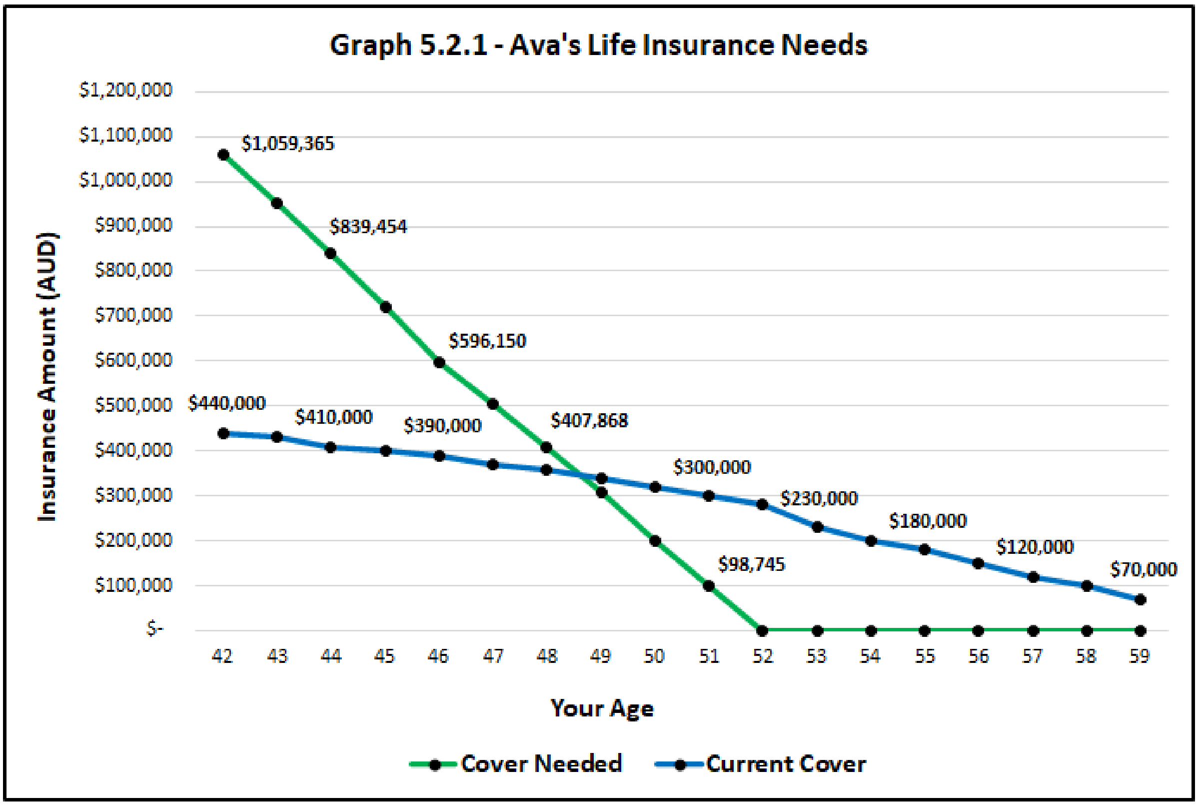
You can also find the reasoning for our advice in Section 6.2 and consequences of our advice in Section 7.2.

4.2.1. Life Insurance

Ava, your current life insurance policy with **NGS Super** is for **$440,000** and you're paying monthly premiums of **$29.52** or **$354.24** annually. You're receiving the lowest amount of life insurance available from NGS Super for your age due to being in the default option. Your fund is also charging you the highest premiums of any of their options despite providing you with the lowest amount of cover. This treatment extends to your TPD and income protection insurance as well.

Based on our analysis of your circumstances and projections of future expenses, we recommend that you apply for **$1,059,365** in life insurance cover through **BT** for their **'BT Protection Plans: My Wellbeing Term Life'** product. This will cost you **$72.54 monthly** or **$870.48 annually** in premiums. This product is offered within BT's superannuation funds.

We also recommend that as you get older, as your assets grow in value, and your debts decrease in value that you lower your level of life insurance cover as outlined in the graph below and Appendix 6. The green line in graph 5.2.1 represents the cover that we have projected you will need, and the blue line represents your current level of cover with NGS Super. We project that you won't need life insurance to cover any debts or expenses when you're around 52 years old.

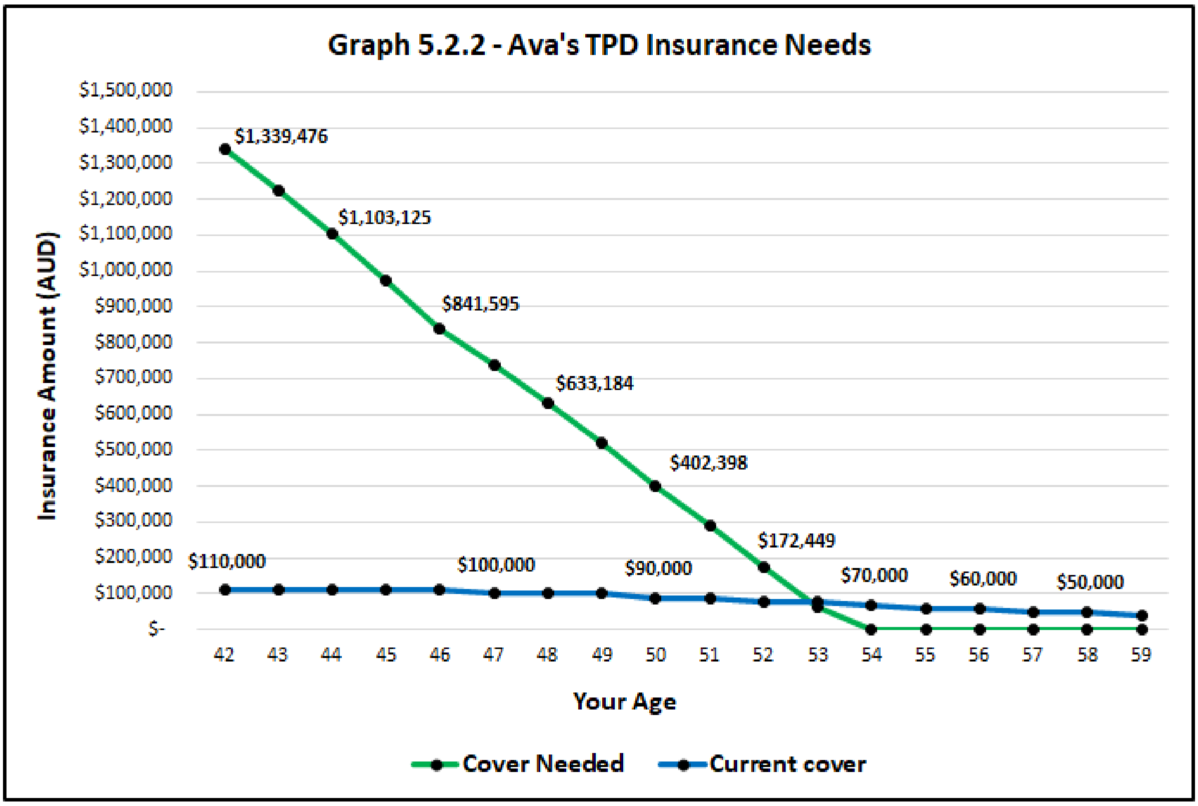


4.2.2. TPD Insurance

Ava, your current TPD insurance policy with **NGS Super** is for **$110,000** and you're paying monthly premiums of **$14.16** or **$169.92** annually. Your TPD policy is also under the 'any occupation' definition and as we've previously highlighted, this is very problematic for your circumstances and significantly reduces the likelihood of you making a successful claim. This is also nowhere near the TPD cover that you require if you wish to achieve your insurance goals.

Based on our analysis of your circumstances and projections of future expenses, we recommend that you apply for **$1,339,476** in TPD insurance cover through **BT** for their **'BT Protection Plans: TPD'** product. This will cost you **$166.48 monthly** or **$1,997.75 annually** in premiums. This product will need to be held with BT outside of their superannuation funds so that you can be insured under the 'own occupation' definition.

We also recommend that as you get older, as your assets grow in value, and your debts decrease in value that you lower your level of TPD insurance cover as outlined in the graph below and [Appendix 7](). The green line represents the cover that we have projected you will need, and the blue line represents your current level of cover with NGS Super. We estimate that you won't need TPD insurance to cover any debts or expenses when you're around 54 years old.

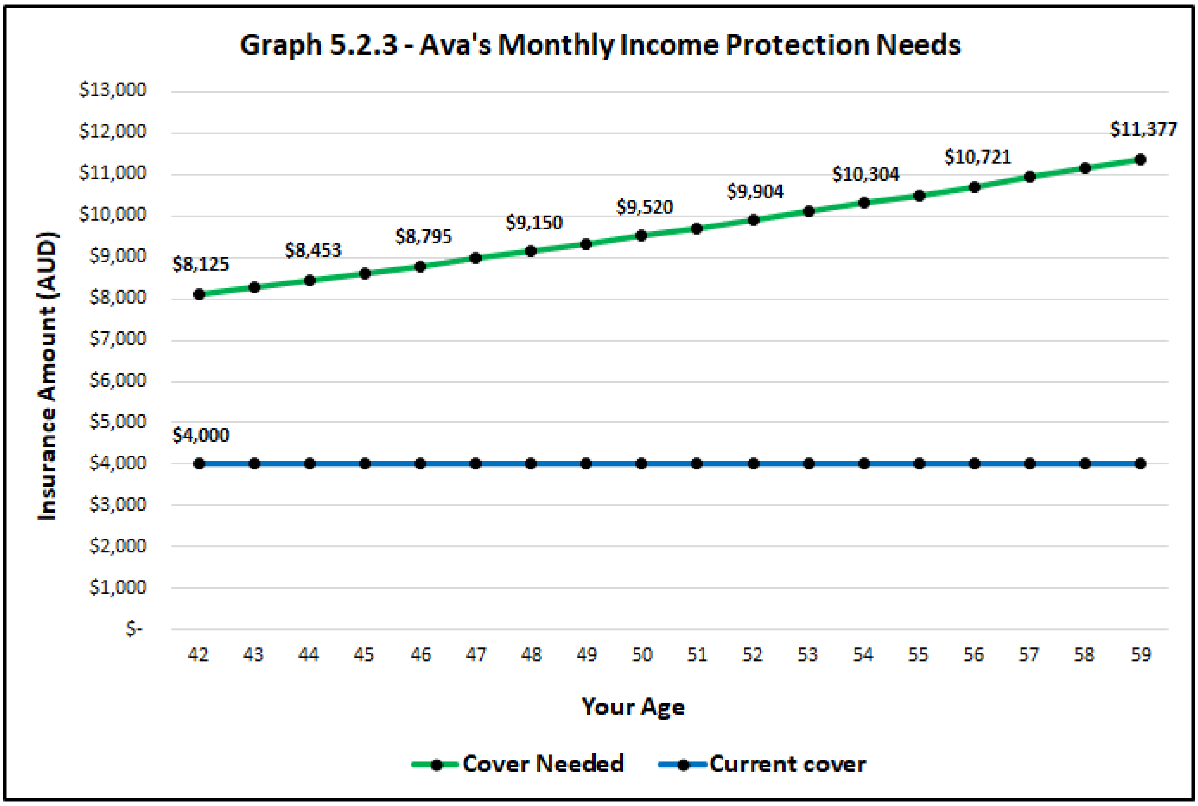


4.2.3. Income Protection Insurance

Ava, your current Income Protection policy with **NGS Super** is for **$48,000** and you're paying monthly premiums of **$30.36** or **$364.32** annually. Just like with life insurance and TPD, this amount of cover isn't enough to protect your income.

Based on our analysis of your circumstances and projections of future income, we recommend that you apply for **$8,125** in monthly income protection cover through **BT** for their **'BT Protection Plans: IP Occ AA to C'** product. This will cost you **$238 monthly** or **$2,856 annually** in premiums.

We also recommend that as you get older and your income increases, that you increase the level of income protection insurance you have as outlined by the graph below and [Appendix 8](). The green line in graph 5.2.3 represents the cover that we have projected you will need, and the blue line represents your current level of cover with NGS Super. Unlike with life and TPD insurance, your income protection insurance needs will continue to rise as your wage grows.



4.3. Business Succession Planning

Noah, you have asked us to provide general information on business succession planning arrangements to protect the care of your café as a going concern in the event that either you or Jin are forced to leave the business through death or permanent incapacity. Planning for disability is important as a non-fatal event (eg, stroke or heart attack) are more common than death. As such trauma insurance is often more expensive than life insurance.

If either Noah or Jin were to die suddenly, we can expect the estate to liquidate holdings in both **the partnership** and **the SMSF**. The sudden drain of funds can be fatal to the café as a going concern. Your preparations to address this problem will be contained in a “buy-sell agreement”, which often involves insurance as a way to solve the cash flow problem of a partner’s exit due to death or disability.

We have insufficient information to give you specific advice, and as such, this advice is general in nature, and introduces key issues that you should consider. There are no quotes for insurance in this section. If you would like proceed, we will need further details and we can help you implement your strategy.

4.3.1. The Partnership

A buy-sell agreement is an arrangement between the owners that contractually oblige the continuing business owner to ‘buy-out’ the other owner’s stake upon certain triggers, namely the death or disability of the exiting proprietor. This transfer is often financed through an attached insurance contract, which is in addition to any personal insurance discussed above. The plan would be triggered upon either the death or disability of the proprietor.

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. Given the supplied information and business brokers trends, café’s are usually priced at between 1.5-2.5 times the annual profit, putting Noah’s estimated share between $130,500 - $217,500. Note, the rest of this document uses a conservative figure of **$150,000** for planning purposes.

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.

The following example shows how this arraignment is tax efficient, as you only pay CGT on your portion of the business.

Example: CGT for continuing partner when exiting the business
Suppose the following: • Jin and Noah made an initial investment of $50,000 each. • The current market value of the business is $300,000 • Jin passes away unexpectedly. • One year later, you voluntarily decide to exit and sell the business for $300,000. Jin’s insurance pays his estate, $150,000. Noah, you then acquire Jin’s share of the business worth $150,000, but the price you pay is reduced by the insurance, which will net off to zero. Your cost base is now $200,000. When you sell the business one year later, now have a capital gain of $100,000. Had the business been sold for $300,000 while Jin was still alive, Noah you still a capital gain of $100,000.

A common complaint against the self-insurance model is that is 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 advanced age or poor health. It is important to recognise that the self-insurance model is still the most tax effective compared to other strategies, discussed in section **5.3. Alternative Succession Planning Issues**. Indeed, the partners will have to pay for business protection irrespective of which method is chosen, and the alternatives are all more expensive, or more complex.

4.3.2. The SMSF

Noah, you have not specified the type of assets are held within your SMSF. If the café is on rented land, and the SMSF is holding a diversified liquid portfolio, then the passing way of either Noah or Jin will not impact business operations. This SOA assumes this to be the case in the absence of contrary information.

However, often an SMSF is established in conjunction with a business to hold the land on which the business sits. As such, if a business partner passes away, the fund will need to hold sufficient liquid funds ready to pay out the member’s account. This can present a threat to the business as going concern where the SMSF was largely, or entirely composed of the land on which the business sits. Previously a common strategy was for the SMSF trustee to take out life insurance on the members, which would then provide sufficient liquid to settle the deceased member and still preserve the land within the SMSF. As of 2015, the ATOs new ruling means this strategy is no longer viable, meaning the surviving business owner will need to find other ways to restructure the fund to maintain the land.

5. Reasons for our recommendations & Alternatives Considered

5.1. Noah's Personal Insurance

Noah, we've recommended you certain levels of life, TPD, and income protection insurance in Section 5.1 because your current levels of cover are insufficient to protect your family, your children, or yourself in the event that something serious were to happen to you. You're currently not covered by any insurance and if you were to pass away or become permanently disabled then there aren't enough assets in your estate to pay down your debts, provide for your children's education, or to support Ava. Additionally, if you were temporarily disabled and were unable to work for couple months or years then your current level of cover wouldn't be able to supplement that lost income.

We recommended insure outside super for the following reasons. Firstly, we've identified it to be cheaper and easier than holding insurance policies in your SMSF. This is because acquiring and managing insurance through an SMSF is somewhat complex and wouldn't provide you with much, if even any saving on premiums due to the size of your SMSF. Secondly, due to your high TPD insurance needs we recommend that you have TPD under the 'own occupation' definition. As this type of TPD is only available outside of super there isn't much choice. We've identified that linking your life and TPD policy through MetLife would provide you with adequate cover that's within your insurance budget and is cheaper than holding separate policies.

We considered alternative strategies such as holding your insurances within your SMSF but as we noted earlier, this would result in a lot of additional work for you in return for little, if any savings. We looked at holding your policies with different providers and have identified a saving of couple hundred to around $2,000 at most per year. The trade-off was that you'd have to manage multiple different insurance policies rather than dealing with one provider which wouldn't be very convenient. The majority of the saving also arises from acquiring lower rated insurance products which have less features or additional conditions which could prevent you from making a claim. When strictly looking at high rated insurances, the saving from using multiple providers was only a few hundred dollars at the cost of major convenience. We also modelled if it would better for you to start a standard superannuation account for life and income protection insurance, but this would result in your SMSF receiving less contributions and growing slower. SMSFs around your value have higher operating costs and benefit substantially from contributions, taking away from this would compromise its growth and do more harm than good.

5.2. Ava's Personal Insurance

Ava, while better than Noah's situation, your existing cover is insufficient to protect your family, children, or yourself in the event that something serious were to happen to you.

We recommend you switch super funds to BT because NGS aren't able to provide you with the level of insurance cover that you require for a number of years until your assets increase in value and your lever of insurance cover needed decreases. Based on graphs 5.2.1 and 5.2.2, this wouldn't happen for a number of years, in the case of your TPD it wouldn't happen until the final year of you needing TPD insurance. You'll also never be able to receive adequate levels of income protection insurance through NGS Super even if you were to upgrade to their maximum cover.

We recommend you hold your life and income protection insurance within a BT superannuation fund because premiums will be paid within superannuation are more tax effective. Further, these two policies will not impact your take-home income, so you'll still have plenty of money to spend on holidays and gifts. The TPD policy will need to be held outside of super for the same reasons as Noah's TPD policy.

We considered alternatives such as holding your insurances outside of super but this would have decreased your take home income. We also couldn't identify any benefits to this as it would be less tax effective and more expensive. We considered holding your insurance policies with different providers but ran into the same findings as we did with Noah where there are very little savings to be had at the cost of significant convenience. We looked into linked life and TPD because it was a better choice for Noah and found that it would have been more expensive and less tax efficient than holding them separately. We also considered you not switching funds and instead upgrading to the maximum cover possible under NGS Super. We concluded that it was too risky because the maximum cover still wouldn't have been enough for the first few years where your insurance needs are at their highest.

5.3. Alternative Succession Planning Issues

This section discusses the alternatives to the self-insurance model we recommended in **section 4.3. Business Succession Planning** above. These alternative methods of succession planning are summarised in table 6.3 below:

Table 6.3: Alternative Insurance Strategies for Succession Planning	
Cross insurance	Each partner takes our life & TPD insurance on the other partner. When triggered, the insurance payout will finance the purchase of the exiting partner's share. We recommend against this arrangement because it incurs heavy tax consequences. Personal insurance is tax free provided it is taken out in your own name. However, if you take out insurance on someone else, the insurance payout will be taxed. Furthermore, the exiting partner will also incur CGT on their spare of the partnership.
Company ownership with share buy backs	A company takes out life & TPD insurance on each partner. When triggered, the insurance payout will be used to the buy the shares of the exiting proprietor. We recommend against this arrangement because your café is held in a partnership, and therefore no such buy-back is possible. However, even if you were to incorporate the business, we still would not recommend this option as it creates numerous CGT problems.
Special purpose trust ownership	A special purpose trust is established solely to take out life and TPD insurance on the partners. When triggered, the insurance proceeds are paid to the trust, and the trust deed redirects the funds to cover the purchase of the exiting partners share. We recommend against this arrangement because it can be overly complex, and thus expensive to maintain. These costs are overly prohibitive given the size of the business.
SMSF Ownership	Your SMSF will take out insurance on the partners. Premiums are paid from general funds and are not deducted against members accounts. When triggered, the insurance proceeds are paid to the fund, and credit to the general accounts and not to a members account. The fund now has enough cash to settle the members withdrawal upon satisfying a condition of release. This arrangement is only relevant where the SMSF holds the land on which the business sits. It is unclear what assets are held in your SMSF, and in any case, the SMSF does not deal with the value of the partnership itself. Finally, we still would not recommend this arrangement because the ATO now believes this action breaches the sole purpose test and thus jeopardises your entire SMSF (*ATO ID 2015/10*).

6. Consequences of our advice

6.1. Noah's Advice

Noah, if you were to proceed with the personal insurance advice that we've recommended then you would experience a reduction in take home income of **$7,610.47** per annum because you would have insurance premiums to pay. You would also have to manage your insurance policies and stay up to date with them on at least an annual basis. Since your policies would be with one provider this shouldn't be too troublesome but if you ever need help feel free to call us or talk to MetLife.

6.2. Ava's Advice

Ava, if you were to proceed with the personal insurance advice that we've recommended then you would also experience a reduction in take home income of **$1,997.75** per annum because you would now be holding your TPD insurance outside of super. You would also experience an increase in premiums for your life and income protection insurance due to the increased cover required, this will reduce your superannuation balance and impact growth. You would also experience a reduction in take home income due to your new TPD policy premiums.

You will also lose all benefits with NGS Super, this would include your current insurance, any member benefits, and potentially some workplace benefits. There might also be some minor costs with rolling over your funds from NGS Super to BT. Switching superannuation funds and managing a TPD policy will also require some time investment which you previously haven't had to do because your premiums were being automatically paid for by your superannuation.

7. Our costs and fees

The fees for our advice is $4000, payable within 14 days of the our meeting delivering this statement of advice. You also agree to an ongoing fee arrangement of $2,000 annually. We receive no commissions on this advice.

8. Authority to proceed

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

- Given you our Financial Services Guide (FSG)
- Given you a Product Disclosure Statement (PDS) for each financial product that we 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 we will receive

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

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

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

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

Signed:

…………………………………………..
Noah Smith
Date: / /2021

Signed:

…………………………………………..
Ava Smith
Date: / /2021

Continuing review service
We 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.

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.

APENDICES

Appendix 1 – Projection of Expenses (Scenario 1: One Partner Dies)

Appendix 1 - Projection of Expenses From Present Year Until Retirement

Year	Mortgage	Living Expenses	School Fees	College Fees	Nanny Costs	Total
2021	$ 49,718	$ 54,425	$ 18,000	$ -	$ 36,000	**$ 158,143**
2022	$ 48,636	$ 55,514	$ 18,360	$ -	$ 36,720	**$ 159,230**
2023	$ 47,554	$ 56,624	$ 18,727	$ -	$ 37,454	**$ 160,360**
2024	$ 46,472	$ 57,756	$ 19,102	$ -	$ 38,203	**$ 161,534**
2025	$ 45,391	$ 58,912	$ 19,484	$ -	$ -	**$ 123,786**
2026	$ 44,309	$ 60,090	$ 9,937	$ 11,000	$ -	**$ 125,335**
2027	$ 43,227	$ 61,292	$ 10,135	$ 11,220	$ -	**$ 125,874**
2028	$ 42,145	$ 62,517	$ -	$ 22,889	$ -	**$ 127,551**
2029	$ 41,063	$ 63,768	$ -	$ 11,673	$ -	**$ 116,504**
2030	$ 39,982	$ 65,043	$ -	$ 11,907	$ -	**$ 116,931**
2031	$ 38,900	$ 66,344	$ -	$ -	$ -	**$ 105,244**
2032	$ 37,818	$ 67,671	$ -	$ -	$ -	**$ 105,489**
2033	$ 36,736	$ 69,024	$ -	$ -	$ -	**$ 105,760**
2034	$ -	$ 70,405	$ -	$ -	$ -	**$ 70,405**
2035	$ -	$ 71,813	$ -	$ -	$ -	**$ 71,813**
2036	$ -	$ 73,249	$ -	$ -	$ -	**$ 73,249**
2037	$ -	$ 74,714	$ -	$ -	$ -	**$ 74,714**
2038	$ -	$ 76,208	$ -	$ -	$ -	**$ 76,208**

NPV of Expenses Year on Year

Year	Total	Total (No Mort)	NPV
2021	$ 158,143	$ 108,425	$ 1,325,827
2022	$ 159,230	$ 110,594	$ 1,241,842
2023	$ 160,360	$ 112,806	$ 1,154,031
2024	$ 161,534	$ 115,062	$ 1,062,273
2025	$ 123,786	$ 78,395	$ 966,446
2026	$ 125,335	$ 81,027	$ 905,390
2027	$ 125,874	$ 82,647	$ 840,503
2028	$ 127,551	$ 85,406	$ 772,719
2029	$ 116,504	$ 75,441	$ 700,843
2030	$ 116,931	$ 76,950	$ 637,516
2031	$ 105,244	$ 66,344	$ 571,435
2032	$ 105,489	$ 67,671	$ 514,660
2033	$ 105,760	$ 69,024	$ 455,444
2034	$ 70,405	$ 70,405	$ 358,058
2035	$ 71,813	$ 71,813	$ 294,814
2036	$ 73,249	$ 73,249	$ 228,897
2037	$ 74,714	$ 74,714	$ 160,226
2038	$ 76,208	$ 76,208	$ 88,717

One-off Expenses

Year	Funeral
2021	$ 10,000
2022	$ 10,200
2023	$ 10,404
2024	$ 10,612
2025	$ 10,824
2026	$ 11,041
2027	$ 11,262
2028	$ 11,487
2029	$ 11,717
2030	$ 11,951
2031	$ 12,190
2032	$ 12,434
2033	$ 12,682
2034	$ 12,936
2035	$ 13,195
2036	$ 13,459
2037	$ 13,728
2038	$ 14,002

The above tables are used to calculate the life insurance needs. The table on the left projects the expenses that we expect Noah and Ava to incur and the year in which we expect them to incur the expenses. The projected expenses include their mortgage, living expenses, school fees, college fees, and nanny costs. It then totals up those expenses. This allows us to see the inflation adjusted expenses that we expect them to incur.

The middle table then takes the total expenses of each year and takes away the estimated mortgage expense because it is the only expense which isn't adjusted for inflation. On the remaining amount under "Total (No Mort)" we then calculate the NPV of all future expenses for any given year. We then add back on the mortgage and any one-off expenses. We need to add the one-off expenses, which in this case are funeral expenses separately because this isn't an expense that will happen in each year and will instead simply happen once, we just don't know when. The mortgage has to be added at the end separately as well or the calculations drastically discount the value of the actual mortgage. We could simply inflate the mortgage by 2% as well but we know close to zero terms of their home loan, so we've chosen to use amounts in 2021 dollars.

Mortgage is assumed to be a 30 year term, with monthly payments of principal and interest, an annual interest rate of 3%, and that they borrowed 90% of their current homes value. We've then identified a value closest to $501,600 and have picked that as a spot to estimate future mortgage expenses from. The number we arrived at was $501,835.

Living expenses are calculated as (After tax income – estimated mortgage – estimated school fees – surplus cash) This number is then multiplied by 0.8 because living expenses would decrease by 20% according to the case facts if one partner was to die. The remaining expenses are based on market rates.

RELEASED FOR EDUCATIONAL PURPOSES ONLY. This is a fictional scenario.

Appendix 2 – Projection of Expenses (Scenario 2: Both Partners Alive)

Appendix 2 - Projection of Expenses From Present Year Until Retirement

Year	Mortgage	Living Expenses	School Fees	College Fees	Nanny Costs	Total
2021	$ 49,718	$ 68,031	$ 18,000	$ -	$ 36,000	**$ 171,749**
2022	$ 48,636	$ 69,392	$ 18,360	$ -	$ 36,720	**$ 173,108**
2023	$ 47,554	$ 70,780	$ 18,727	$ -	$ 37,454	**$ 174,516**
2024	$ 46,472	$ 72,196	$ 19,102	$ -	$ 38,203	**$ 175,973**
2025	$ 45,391	$ 73,639	$ 19,484	$ -	$ -	**$ 138,514**
2026	$ 44,309	$ 75,112	$ 9,937	$ 11,000	$ -	**$ 140,358**
2027	$ 43,227	$ 76,614	$ 10,135	$ 11,220	$ -	**$ 141,197**
2028	$ 42,145	$ 78,147	$ -	$ 22,889	$ -	**$ 143,181**
2029	$ 41,063	$ 79,710	$ -	$ 11,673	$ -	**$ 132,446**
2030	$ 39,982	$ 81,304	$ -	$ 11,907	$ -	**$ 133,192**
2031	$ 38,900	$ 82,930	$ -	$ -	$ -	**$ 121,830**
2032	$ 37,818	$ 84,589	$ -	$ -	$ -	**$ 122,407**
2033	$ 36,736	$ 86,280	$ -	$ -	$ -	**$ 123,016**
2034	$ -	$ 88,006	$ -	$ -	$ -	**$ 88,006**
2035	$ -	$ 89,766	$ -	$ -	$ -	**$ 89,766**
2036	$ -	$ 91,561	$ -	$ -	$ -	**$ 91,561**
2037	$ -	$ 93,393	$ -	$ -	$ -	**$ 93,393**
2038	$ -	$ 95,260	$ -	$ -	$ -	**$ 95,260**

NPV of Expenses Year on Year

Year	Total	Total (No Mort)	NPV
2021	$ 171,749	$ 122,031	$ 1,605,938
2022	$ 173,108	$ 124,472	$ 1,513,949
2023	$ 174,516	$ 126,962	$ 1,417,702
2024	$ 175,973	$ 129,501	$ 1,317,061
2025	$ 138,514	$ 93,123	$ 1,211,890
2026	$ 140,358	$ 96,049	$ 1,141,015
2027	$ 141,197	$ 97,970	$ 1,065,819
2028	$ 143,181	$ 101,036	$ 987,219
2029	$ 132,446	$ 91,383	$ 904,003
2030	$ 133,192	$ 93,211	$ 828,797
2031	$ 121,830	$ 82,930	$ 750,281
2032	$ 122,407	$ 84,589	$ 680,497
2033	$ 123,016	$ 86,280	$ 607,680
2034	$ 88,006	$ 88,006	$ 496,082
2035	$ 89,766	$ 89,766	$ 417,998
2036	$ 91,561	$ 91,561	$ 336,592
2037	$ 93,393	$ 93,393	$ 251,762
2038	$ 95,260	$ 95,260	$ 163,405

One-off Expenses

Year	Medical	Renovations
2021	$ 30,000	$ 20,000
2022	$ 30,600	$ 20,400
2023	$ 31,212	$ 20,808
2024	$ 31,836	$ 21,224
2025	$ 32,473	$ 21,649
2026	$ 33,122	$ 22,082
2027	$ 33,785	$ 22,523
2028	$ 34,461	$ 22,974
2029	$ 35,150	$ 23,433
2030	$ 35,853	$ 23,902
2031	$ 36,570	$ 24,380
2032	$ 37,301	$ 24,867
2033	$ 38,047	$ 25,365
2034	$ 38,808	$ 25,872
2035	$ 39,584	$ 26,390
2036	$ 40,376	$ 26,917
2037	$ 41,184	$ 27,456
2038	$ 42,007	$ 28,005

For the most part, this functions exactly the same as the tables in Appendix 2 with the exception that these are used for calculating TPD insurance needs. The main difference would be the living expenses which aren't decreased by 20% because both partners are still alive.

The case study does say that the medical expenses would be paid out of pocket if they were to get injured, but we've also decided to include that in insurance needs. We've also included renovation costs that might be needed to install disability support in the house. Overall there isn't a big impact in premiums and they're nowhere near reaching their $20,000 in after tax budget for insurance so we consider the one-off expenses to be justifiable.

Appendix 3 – Noah's Life Insurance

Appendix 3 - Noah's Life Insurance Needs				
Year	**Age**	**NPV of Remaning Expenses**	**Inheritence Value** (Café+SMSF)	**Cover Needed**
2021	48	$ 1,325,827	$ 317,940	**$ 1,007,887**
2022	49	$ 1,241,842	$ 339,057	**$ 902,785**
2023	50	$ 1,154,031	$ 358,419	**$ 795,612**
2024	51	$ 1,062,273	$ 379,095	**$ 683,178**
2025	52	$ 966,446	$ 401,159	**$ 565,287**
2026	53	$ 905,390	$ 424,280	**$ 481,110**
2027	54	$ 840,503	$ 448,504	**$ 391,998**
2028	55	$ 772,719	$ 473,882	**$ 298,837**
2029	56	$ 700,843	$ 500,465	**$ 200,378**
2030	57	$ 637,516	$ 528,307	**$ 109,209**
2031	58	$ 571,435	$ 557,463	**$ 13,971**
2032	59	$ 514,660	$ 587,993	**$ -**
2033	60	$ 455,444	$ 619,956	**$ -**
2034	61	$ 358,058	$ 653,418	**$ -**
2035	62	$ 294,814	$ 688,444	**$ -**
2036	63	$ 228,897	$ 725,104	**$ -**
2037	64	$ 160,226	$ 763,470	**$ -**
2038	65	$ 88,717	$ 803,617	**$ -**

The table on the left is used to calculate the actual amount of life cover that Noah needs. It takes the NPV of remaining expenses from Appendix 1 and takes away the value of his assets that he would leave behind. The amount remaining is how much cover would be needed.

Noah's half of the café is estimated to be valued at $150,000 in 2021, this amount is inflated by 2% annually.

His SMSF receives the minimum statutory SGC, is taxed at the standard rates, and earns 5% per annum after tax.

Appendix 4 – Noah's TPD Insurance

Appendix 4 - Noah's TPD Insurance Needs				
Year	**Age**	**NPV of Remaning Expenses**	**Inheritence Value**	**Cover Needed**
2021	48	$ 1,605,938.10	$ 317,940	**$ 1,287,998**
2022	49	$ 1,513,949.23	$ 339,057	**$ 1,174,892**
2023	50	$ 1,417,701.60	$ 358,419	**$ 1,059,282**
2024	51	$ 1,317,061.20	$ 379,095	**$ 937,966**
2025	52	$ 1,211,890.40	$ 401,159	**$ 810,731**
2026	53	$ 1,141,015.36	$ 424,280	**$ 716,736**
2027	54	$ 1,065,818.72	$ 448,504	**$ 617,314**
2028	55	$ 987,218.80	$ 473,882	**$ 513,336**
2029	56	$ 904,002.90	$ 500,465	**$ 403,538**
2030	57	$ 828,796.88	$ 528,307	**$ 300,490**
2031	58	$ 750,280.73	$ 557,463	**$ 192,817**
2032	59	$ 680,496.56	$ 587,993	**$ 92,504**
2033	60	$ 607,679.74	$ 619,956	**$ -**
2034	61	$ 496,082.13	$ 653,418	**$ -**
2035	62	$ 417,997.81	$ 688,444	**$ -**
2036	63	$ 336,591.68	$ 725,104	**$ -**
2037	64	$ 251,762.10	$ 763,470	**$ -**
2038	65	$ 163,404.71	$ 803,617	**$ -**

Core function is the exact same as outlined in Appendix 3 with the exception that the NPV of remaining expenses is from Appendix 2 rather than Appendix 1.

Everything else is the same as Appendix 3.

Appendix 5 – Noah's Income Protection Insurance

Appendix 5 - Noah's Income Protection Needs				
Year	**Age**	**Pre-Tax Income**	**Benefit Period**	**Cover Needed**
2021	48	$ 87,000	1	**$ 5,438**
2022	49	$ 88,740	1	**$ 5,546**
2023	50	$ 90,515	1	**$ 5,657**
2024	51	$ 92,325	1	**$ 5,770**
2025	52	$ 94,172	1	**$ 5,886**
2026	53	$ 96,055	1	**$ 6,003**
2027	54	$ 97,976	1	**$ 6,124**
2028	55	$ 99,936	1	**$ 6,246**
2029	56	$ 101,934	1	**$ 6,371**
2030	57	$ 103,973	1	**$ 6,498**
2031	58	$ 106,053	1	**$ 6,628**
2032	59	$ 108,174	1	**$ 6,761**
2033	60	$ 110,337	1	**$ 6,896**
2034	61	$ 112,544	1	**$ 7,034**
2035	62	$ 114,795	1	**$ 7,175**
2036	63	$ 117,091	1	**$ 7,318**
2037	64	$ 119,432	1	**$ 7,465**
2038	65	$ 121,821	1	**$ 7,614**

This table is a repurposed version of a previous table which wasn't compatible with XPlan's input fields. However, it still functions for the sake of calculating Noah's income protection needs.

All this table does is take Noah's projected pre-tax income, multiplies it by 0.75 and then divides it by 12. This gives us the amount of monthly income protection cover needed to supplement 75% of his pre-tax income.

Noah's future pre-tax income is obtained by inflating his current pre-tax income by 2% annually.

Appendix 6 – Ava's Life Insurance

Appendix 6 - Ava's Life Insurance Needs					
Year	**Age**	**NPV of Remaning Expenses**	**Inheritence Value** (NGS Super)	**Current Cover**	**Cover Needed**
2021	42	$ 1,325,827	$ 266,463	$ 440,000	**$ 1,059,365**
2022	43	$ 1,241,842	$ 289,622	$ 430,000	**$ 952,221**
2023	44	$ 1,154,031	$ 314,577	$ 410,000	**$ 839,454**
2024	45	$ 1,062,273	$ 341,432	$ 400,000	**$ 720,842**
2025	46	$ 966,446	$ 370,295	$ 390,000	**$ 596,150**
2026	47	$ 905,390	$ 400,673	$ 370,000	**$ 504,716**
2027	48	$ 840,503	$ 432,635	$ 360,000	**$ 407,868**
2028	49	$ 772,719	$ 466,253	$ 340,000	**$ 306,466**
2029	50	$ 700,843	$ 501,605	$ 320,000	**$ 199,238**
2030	51	$ 637,516	$ 538,770	$ 300,000	**$ 98,745**
2031	52	$ 571,435	$ 577,832	$ 280,000	**$ -**
2032	53	$ 514,660	$ 618,877	$ 230,000	**$ -**
2033	54	$ 455,444	$ 661,996	$ 200,000	**$ -**
2034	55	$ 358,058	$ 707,284	$ 180,000	**$ -**
2035	56	$ 294,814	$ 754,840	$ 150,000	**$ -**
2036	57	$ 228,897	$ 804,767	$ 120,000	**$ -**
2037	58	$ 160,226	$ 857,173	$ 100,000	**$ -**
2038	59	$ 88,717	$ 912,170	$ 70,000	**$ -**

This table works exactly like the table in Appendix 3 does. The only difference is the inheritance value.

Ava's superannuation is assumed to receive minimum statutory SGC, receive no additional contributions from Ava, and return 5% after tax.

Appendix 7 – Ava's TPD Insurance

Appendix 7 - Ava's TPD Insurance Needs					
Year	Age	NPV of Remaning Expenses	Inheritence Value	Current cover	Cover Needed
2021	42	$ 1,605,938.10	$ 266,463	$ 110,000	**$ 1,339,476**
2022	43	$ 1,513,949.23	$ 289,622	$ 110,000	**$ 1,224,328**
2023	44	$ 1,417,701.60	$ 314,577	$ 110,000	**$ 1,103,125**
2024	45	$ 1,317,061.20	$ 341,432	$ 110,000	**$ 975,630**
2025	46	$ 1,211,890.40	$ 370,295	$ 110,000	**$ 841,595**
2026	47	$ 1,141,015.36	$ 400,673	$ 100,000	**$ 740,342**
2027	48	$ 1,065,818.72	$ 432,635	$ 100,000	**$ 633,184**
2028	49	$ 987,218.80	$ 466,253	$ 100,000	**$ 520,966**
2029	50	$ 904,002.90	$ 501,605	$ 90,000	**$ 402,398**
2030	51	$ 828,796.88	$ 538,770	$ 90,000	**$ 290,027**
2031	52	$ 750,280.73	$ 577,832	$ 80,000	**$ 172,449**
2032	53	$ 680,496.56	$ 618,877	$ 80,000	**$ 61,620**
2033	54	$ 607,679.74	$ 661,996	$ 70,000	**$ -**
2034	55	$ 496,082.13	$ 707,284	$ 60,000	**$ -**
2035	56	$ 417,997.81	$ 754,840	$ 60,000	**$ -**
2036	57	$ 336,591.68	$ 804,767	$ 50,000	**$ -**
2037	58	$ 251,762.10	$ 857,173	$ 50,000	**$ -**
2038	59	$ 163,404.71	$ 912,170	$ 40,000	**$ -**

Functions exactly like the table in Appendix 4 apart from the inheritance value which was explained in Appendix 6.

Appendix 8 – Ava's Income Protection Insurance

Appendix 8 - Ava's Income Protection Needs					
Year	**Age**	**Pre-Tax Income**	**Benefit Period**	**Current cover**	**Cover Needed**
2021	42	$ 130,000	1	$ 4,000	**$ 8,125**
2022	43	$ 132,600	1	$ 4,000	**$ 8,288**
2023	44	$ 135,252	1	$ 4,000	**$ 8,453**
2024	45	$ 137,957	1	$ 4,000	**$ 8,622**
2025	46	$ 140,716	1	$ 4,000	**$ 8,795**
2026	47	$ 143,531	1	$ 4,000	**$ 8,971**
2027	48	$ 146,401	1	$ 4,000	**$ 9,150**
2028	49	$ 149,329	1	$ 4,000	**$ 9,333**
2029	50	$ 152,316	1	$ 4,000	**$ 9,520**
2030	51	$ 155,362	1	$ 4,000	**$ 9,710**
2031	52	$ 158,469	1	$ 4,000	**$ 9,904**
2032	53	$ 161,639	1	$ 4,000	**$ 10,102**
2033	54	$ 164,871	1	$ 4,000	**$ 10,304**
2034	55	$ 168,169	1	$ 4,000	**$ 10,511**
2035	56	$ 171,532	1	$ 4,000	**$ 10,721**
2036	57	$ 174,963	1	$ 4,000	**$ 10,935**
2037	58	$ 178,462	1	$ 4,000	**$ 11,154**
2038	59	$ 182,031	1	$ 4,000	**$ 11,377**

Functions exactly like the table in Appendix 5 with the exception that the pre-tax income is based on Ava's income.

Appendix 9 - Assumptions

We have made the following assumptions:

- Funeral expenses of $10,000.
- Inherited assets will be used to reduce insurance needs.
- Home renovations to accommodate disability needs would cost $20,000.
- Medical expenses of $30,000 arising from disability.
- High school education expenses of $9,000 per child per year.
- College education expenses of $11,000 per child per year.
- Nanny costs are $30 an hour. Nanny would be needed 5 days a week, 48 weeks a year, 4 hours a day during an active school semester and 6 hours a day during school holidays.
- That the couple borrowed 90% of their current house value to purchase it with a 30 year loan term, monthly repayments, an annual interest rate of 3%.
- That Noah's share of the café partnership is worth $150,000 in 2021. Under sole purpose test, the SMSF can not be used to fund the café operations, therefore the value of the café business is in addition to the SMSF.
- That Noah and Ava do not make additional concessional or non-concessional super contributions.
- Jin is employed by his own partnership, and therefore receives Superannuation Guarantee Contributions.
- The van is for partnership use and the loan is in Noah's name. It is assumed as Noah's asset with an unknown value.
- Ava has no interest in running the café should Noah suffer death or disability. As such, Noah's estate will seek to be paid for his share of the partnership, and the value of his SMSF account.
- We assume the café is located on rented land, and thus the SMSF is holing a diversified liquid portfolio. Therefore, the death of either Noah or Jin, and the subsequent payment subject to condition of release will have impact the business operations.
    - The facts do not say whether the SMSF holds the land on which the Café sits.
    - If the SMSF held the land for the café, it is highly likely that the SMSF would hold debt. Were this the case, the facts would have stated this as it critically relevant information.

⚠ **WARNING** ⚠

The law of partnerships has been partially suspended for the purposes of this MAA700 assessment

- The facts of this assignment contravene the mutuality principle at law, and we have been explicitly instructed that the partners are employed by the partnership.
- Apart from suspending the mutuality principle, all other laws continue exist, such as: tax law, super law, etc.
- Under this alternate universe, partners receive wages, and partnership distributions are net of wages paid to partners.
- Noah receives $87,000 assessable income, and the facts do not distinguish how much is a wage or a profit distribution.
- We assume it is 100% wages, with no profit distribution.
- As employees, partners therefore receive the super guarantee charge on the wage.

Appendix 10 - Image Sources

Charts generated by Ilya.

All images and illustrations are original and were generated by Phillip Wong. This includes all portraits which were produced using the GAN (generative adversarial network) AI algorithm.

Please see https://thispersondoesnotexist.com/ for more information

These images are **NOT** of real people!