

Scenario: Jen and James Jasper – interview 2 June 2021.

Jen and James have come to you for some advice about their superannuation and upcoming retirement.

Jen is aged 59 (Born 13 March 1962) and James is turning 65 in June (Born 29 April 1956). They have 2 adult children – Jessica is 28 and married and living independently whereas Jim is aged 25 and still living at home and unlikely to move out in the near future. The couple's address is 25 Jones Street, Jacana Vic.

Details of the couple's situation is provided below.

Jen

Jen has just retired and has \$210,000 sitting in her super fund. She thought she would wait until James retires before transferring her super into an account-based pension. Her income for the year to date of retirement was \$48,000 plus the standard SG contribution. Jen did not salary sacrifice anything. Jen wants to ensure that her funds in retirement are relatively safe and secure. Jen feels that she is a conservative investor and that she would probably prefer a low-risk investment strategy. She has no interest in finances.

Jen is in good health and a non-smoker. She has private health insurance with Bupa. Jen has a current Will in place with James being her Enduring Power of Attorney. There is no testamentary trust provisions in place.

James

James is employed as a sales representative with a major pub chain. He currently earns \$135,000 p.a. plus the standard SG rate. He is planning to retire at the end of June 2022.

James has an accumulation superannuation account with a retail super fund amounting to \$570,000. James has been making an annual non-concessional contribution of \$7,000 p.a. for the past 5 years. James feels that he is a growth investor and is prepared to take on risk to maximise returns. However, he doesn't have the time or inclination to take an active interest in his investments.

James's health is not great, he is a smoker and is spending a significant amount of money each month on medicines. He has private health insurance with Bupa. James has a current Will in place but has no Power of Attorney nor any provisions for a testamentary trust.

Both

The couple live a comfortable lifestyle. When speaking to the couple about what sort of living expenses they think they would need once James retires, they believe they could get away with \$70,000 p.a. in today's dollars from their accumulated super.

The couple are not particularly good with managing money and have a reasonably large amount of money sitting in cash as they're not sure what to do with it.

The couple provide the following financial information:

Budgeted expenses for 2020/21 financial year

Item	Amount
Work related car expenses for James - tax deductible	\$2,600
Car expenses travelling to and from work - James	\$1,500
Tax agents costs – 50/50 split of costs between the couple	\$2,000
Trauma Insurance premium - James	\$1,800
Living costs	\$70,000
Travels and entertainment costs	\$10,000
Mortgage and loan repayments	As detailed below

Non superannuation assets

Assets	Cost and year of purchase	Market value at 30 June, 2021	Ownership	Net return
Home	\$920,000 October 2016	\$1.45m	Joint	Nil
Cars	\$44,000 - 2020 \$22,000 - 2017	\$38,000 \$14,000	James Jen	Nil Nil
Home Contents	\$120,000	\$70,000	Joint	Nil
Holiday home - Wangaratta	Acquired in 2010 for \$290,000	\$450,000	Joint	Nil – not rented out
Share in Flight Centre (FLT)	Acquired 1,000 shares for \$45 per share in February 2018	?	James	6.69% fully franked - based on current market value
Savings account with ANZ		\$50,000	Joint	nil
Term deposit with ANZ: rolled over every 30 days		\$40,000	Jen	0.5% p.a.

Liabilities - current

Item	Amount outstanding at 30 June 2021	Annual repayments	Interest rate per annum
Home mortgage -5 years remaining	\$95,000	\$20,625	2.8%
Holiday home loan -4 years remaining	\$70,000	\$18,970	3.3%
Credit card – ANZ Bank	3,000	The balance is paid off at the end of every month so no interest is payable.	16%

Superannuation funds – expected balances at 30 June 2021

Client	Super fund	Investment option	Balance	Annualised average Returns	Binding nomination
Jen	Australian Super –	Conservative Balanced	\$210,000	1 year – 1.35% 3 years – 6.21%	Binding nomination to James
James	BT Super For Life	Index Moderate	\$570,000	Since inception 5.46%	Non-binding to Jen

Risk profile and analysis

The couple do not have a lot of interest or time in managing their super and investments. While Jen wants something easy to manage and a fund that is low risk, James considers his risk profile as probably growth oriented. However, the couple are aware of the importance of boosting their super position prior to retirement. The couple do not require additional income and so moderate capital growth is considered important. Taxation is also an important consideration for James.

Other information:

- The couple want to ensure that they have a minimum amount of \$5,000 available in their bank account as well as a surplus income of \$5,000 at all times.
- The couple rarely use the holiday house anymore and are thinking about selling it. It needs considerable renovation work but the couple don't have the time and energy. The couple will require \$25,000 to undertake some repairs prior to sale. They are not sure when they should sell and how best to invest the proceeds. They were thinking about investing proceeds into a term deposit but seek your advice.
- The client is primarily seeking advice on their superannuation / pension position and possible entitlement to the aged pension. They are not seeking advice on their insurance position, estate planning or investments unless it impacts upon their superannuation / pension situation.
- The clients goals are as follows:
 - To continue to be able to travel domestically each year which is expected to cost \$15,000 p.a.
 - For James to retire at the end of the next financial year
 - To ensure the couple's super and pension portfolio is appropriately invested
 - To advise on the holiday house
 - To have \$25,000 put aside to pay for holiday house renovations over the next 6-12 months
 - To minimise tax payable
 - To maximise wealth within their super funds
 - To retire debt free
 - To receive an aged pension and pension card to get access to cheaper medicines
- The name of your practice is "Client Care Financial Planners"
- The name of your licensee is "Professional Planners Pty. Ltd."
- The planning practice charges the following fees for providing advice:
 - \$5,000 to prepare the initial SOA
 - \$4,000 p.a. ongoing annual fee for client's review

Assumptions

- Rate of inflation is 1.6%. This rate should be used for the annual increase in salary and expenses. The shares can be expected to grow by 4% p.a. The holiday house can be expected to grow by 3% p.a.
- The interview with Jen and James has been conducted at the start of June 2021 so that all superannuation modelling would be done for the 2020/21 financial years.
- Quoted nominal superannuation and pension returns are after fees but before taxes.
- For the purpose of the super and retirement projections, use the longest average year rate of return available.
- All superannuation contributions are made in June of each year and therefore do not attract earnings in the financial year in which they are made. *(This a simplifying assumption for modelling purposes. In reality contributions would be made progressively throughout the year.)*
- Jen and James request that you limit the scope of your advice to superannuation / retirement / aged pension related strategies only.
- You are to use current tax rates – 2020/21 financial year
- You should use current social security rates and thresholds
- All reasonable assumptions will be accepted. You should list all assumption made.



Limited Statement of Advice

Prepared for

Jen Jasper & James Jasper

CLIENT CARE FINANCIAL PLANNERS PTY LTD
Authorised Representative of Professional Planners Pty Ltd
Australian Financial Services Licence (AFSL) No 11111
ABN 88 999 999 999
221 Burwood Highway, Burwood VIC 3125
Phone (03) 5227 2333

Your adviser is
Phillip Wong CPA,

Dated: 30/06/2021

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.



30/06/2021

Jennifer and James Jasper
25 Jones St
JACANA VIC 3999

Dear Mr and Mrs Jasper, *James & Jen*

It is our aim to provide you with the 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.

Please also review the Warnings and Disclosures sections of the Statement of Advice for an explanation of the fees associated with the development and implementation of the recommendations contained in the document.

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
Phillip Wong CPA,

Directors of CLIENT CARE FINANCIAL PLANNERS PTY LTD

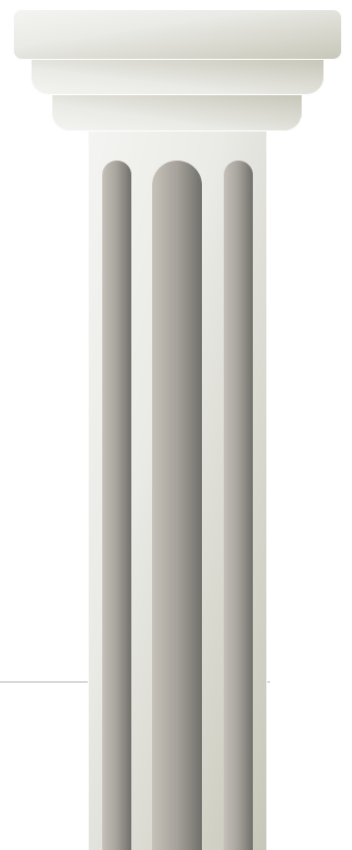




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Strategy overview / Executive Summary

Strategies

There are two major problems with your current set-up. Firstly, your superannuation is insufficient to meet your desired level of income in retirement. Secondly, despite the fact you will have insufficient retirement income, you are still too wealthy to receive an aged pension.

We can solve these problems and still meet or exceed your retirement goals.

Our overarching plan will be to achieve a part pension payment for James by shifting family wealth into the family home and Jen's super account.

To achieve your goals and objectives, we recommend you implement the following strategies:

Strategy 1 Boost Jen's super

Jen will receive a substantial increase in super, while James will receive a small boost in order to maximise tax savings.

Strategy 2 Sell the holidays home and shares

This will go towards funding strategy 1, and eliminating your debt.

Why the advice is appropriate

Our primary objective is to ensure James has access to a partial pension while still meeting all of your goals and maintaining a comfortable standard of living. This advice does not ask you to take on high levels of risk, giving you some degree of certainty in your retirement.

Adviser fees

Our fees will be \$5,000 fee for service covering the initial preparation of SOA and client analysis and \$4,000 ongoing fee arrangement which entitles you to an annual review to ensure your plan remains viable.

Our estimate are conservative, and we are confident you will meet your goals. Please note that our projections will **NOT** be accurate. Your asset prices will change, and the government will update pension thresholds, so you need to come back and see us in 12 months so we can fine-tune your plan.



Watch the video guide here:

<https://youtu.be/jZ1rFoOx04Q>

This is a fictional scenario.

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Key Personal Details



Jen Jasper



James Jasper

Address	25 Jones St JACANA VIC 3999	
DOB & Current Age	13/3/1962 59 years	29/4/1959 65 years
Employment type	Retired	Permanent, Full time
Occupation	Retired	Sales Manager
Expected Retirement age	59	65
Life expectancy ¹	88 years	86 years
Preservation age	Already	Already, tax free
Aged Pension Age eligibility	Age 67 31/6/2029	Age 66½ 28/10/2025

Current health	Good Health	Some Issues, Medication Required
Member private health fund	Bupa	Bupa
Smoker?	Non Smoker	Smoker
Family History Considerations?		

Do you have a Will?	✓ Will	✓ Will
Provision for testamentary trust	None	None
Do they have a Power of Attorney?/ Type / Attorney's name	✓ PoA / Enduring / James	✗ No PoA

¹ Rounded up, Victorian Female/Male at your current age, 3302055001DO001_20172019 Life Tables, 2017-2019 Table 1: Life tables, states, territories and Australia - 2017-2019



Client Objectives

The clients have asked you to develop strategies to achieve the following goals:

Wealth Creation / Accumulation Goals

Priority	Goals / Objective
1	Retire June 2022, draw a retirement income of \$70,000pa (real)
2	Be eligible for a part pension and concession card granting access to discount medication
3	Hold \$5,000 minimum in the bank at all times. Have a surplus income of \$5000pa.
4	Continued travel fund \$15,000pa
5	Advise on the holiday house (hold/sell), and fund renovations \$25,000
6	Tax minimisation – James
7	Retire debt free

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">• Superannuation planning• Retirement Income• Debt management
Out of Scope	<ul style="list-style-type: none">• Cashflow (budgeting)• Insurance• Estate Planning• Aged care

Current position

We have analysed your situations and provide an overview of your tax, cash flow and net wealth. We note James' professional wage and the commensurately high level of tax he must bear. Overall you have a 'safe' balance sheet with a high level of liquidity and a high degree of assets that produce either low or no income.

TAX ESTIMATES

Tax Calculation				
For the Financial year 2020-21				
	Jen	James	Household	<i>Notes</i>
Assessable Income				
	4,560			
Gross Wages/Business income	48,000	135,000	183,000	
Dividend Income		1,069	1,069	1
Franking credits		458	458	1
Interst Term Deposit	200		200	2
Net Capital Gains			-	
Allowable Deductions				
Tax Agent	(1,000)	(1,000)	(2,000)	
Work related - car		(2,600)	(2,600)	
Taxable Income	47,200	132,927	180,127	
Tax Calculation				
Income tax	5,807	34,250	40,057	
Medicare Levy	944	2,659	3,603	
LITO	(292)	-	(292)	
LIMTO	(1,020)	-	(1,020)	
Franking Offset	-	(458)	(458)	
TOTAL TAX PAYABLE	5,439	36,450	41,889	
Family tax% = 23%				
<i>Notes</i>				
1 6.69% fully franked				
2 0.5% pa				

ASSETS & LIABILITIES

Statement of Net Worth

For the Financial year ending 30 June 2021

	Cost Base	Market Jen	Market James	Market Joint	Market Household	Notes
Life Style Assets						
Main Residence	920,000			1,450,000	1,450,000	
Home contents				70,000	70,000	
Vehicle	66,000	38,000	14,000		52,000	
Subtotal		38,000	14,000	1,520,000	1,572,000	
Investment Assets						
Holiday Home - Wangaratta	290,000			450,000	450,000	
Shares - FLT (1,000)	45,000		15,980		15,980	1
Savings - ANZ				50,000	50,000	
Term deposit - ANZ		40,000			40,000	
Super		210,000	570,000		780,000	
Subtotal		250,000	585,980	500,000	1,335,980	
Total Assets		288,000	599,980	2,020,000	2,907,980	
Liabilities						
Credit Card				3,000	3,000	
Mortgage - Main Res				95,000	95,000	
Mortgage - Holiday Home				70,000	70,000	
Subtotal		-	-	168,000	168,000	
Net Wealth					2,739,980	

Notes

- 1 <https://www2.asx.com.au/markets/company/flt> 1000 shares at \$15.98 as at 6 June 2021
1,000 \$ 15.98 15,980 6.69% fully franked

INCOME & EXPENSES – detail required including tax calculations

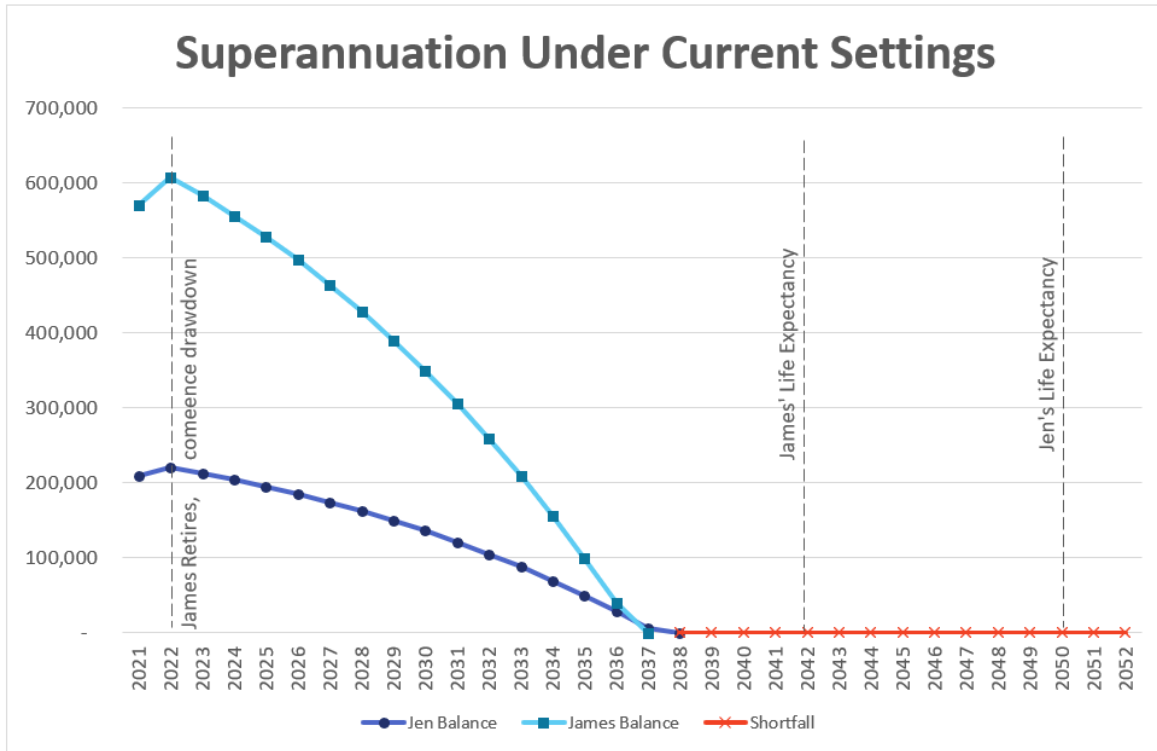
Cashflow Statement					
For the Financial year 2020-21					
	Jen	James	Joint	Household	Notes
Inflows					
Gross Wages/Business income	48,000	135,000		183,000	
Dividend income		1,069		1,069	1
Interst on Term Deposit	200			200	2
Less Income Tax	(5,439)	(36,450)	-	(41,889)	
Net Cash Inflows	42,761	99,619	-	142,380	
Non Discretionary Outflows					
Income Prot Ins.				-	
Trauma Insurance premium		(1,800)		(1,800)	
Work related - car		(2,600)		(2,600)	
Living expenses			(70,000)	(70,000)	
Mortgage payments - Main Res			(20,625)	(20,625)	
Mortgage payments - Holiday Home			(18,970)	(18,970)	
Non Consessional Contribution		(7,000)		(7,000)	
Tax Agent	(1,000)	(1,000)			
Discretionary/Lifestyle Outflows					
Travel & entertainment			(10,000)	(10,000)	3
Total Outgoings	(1,000)	(12,400)	(119,595)	(132,995)	
Ongoing Free Cashflow				9,385	
Notes					
1 6.69% fully franked					
2 0.5% pa					
3 Increasing to \$15,000 2021-22.					



SUPERANNUATION PROJECTIONS

Your current superannuation is insufficient to maintain your current standard of living at 70,000 (in real terms). We are particularly concerned for Jen as she is projected to outlive your savings by 12 years.

Please see tables in the appendix for further details.



Aged Pension entitlements

The Aged Pension is means-tested, measured in both income and assets. James, like most potential pensioners, will find the assets tests are the more difficult test to meet. For James to be able to access the full pension, your household combined assets need to be less than \$401,500² - this is not a reasonable target.

KEY MESSAGE:

Under your current settings you will **NOT** be eligible for the aged pension.
We can fix this.

Nevertheless, a partial pension will still supplement your retirement income, and the associated concession card will grant James discount medicine, and municipal rates and car registration. For James to be eligible for a part pension, our overarching goal will be to transfer family wealth into assets that are exempt from the asset tests: namely the family home, and Jen's super. The current asset limit for a homeowner couple is \$880,500³, and we estimate that by 2023 you will be approximately \$360,000 "too wealthy" to be eligible.

Note that Jen's super will remain exempt until she reaches pension age on her 67th birthday, 13 March 2029. The objective is to increase and move assets to Jen's super fund because Jen's super balance is exempted from the assets test for the purpose of age pension eligibility test⁴.

Means tests: Pension Eligibility in Year 2023				
Description	Asset test Included?	Income test Pvt or Fin?	Household Assets & Liabilities	Assessable Assets
Home	EXC		1,508,000	-
Home Mortgage	EXC		- 74,375	-
Credit Card Debt	EXC		- 3,000	-
Cars	inc	Private	44,000	44,000
Home contents	inc	Private	70,000	70,000
Holiday home	inc	Private	463,500	463,500
Mort-Holiday	inc	Financial	- 51,030	- 51,030
Shares - FLT	inc	Financial	15,980	15,980
Savings ANZ	inc	Financial	50,000	50,000
Term Deposit - ANZ	inc	Financial	40,000	40,000
Super - Jen	EXC		221,085	-
Super - James	inc	Financial	608,112	608,112
			2,892,272	1,240,562

Assessable Assets (for asset test)	1,240,562
Financial Assets (for deemed incc)	663,062
TARGET THRESHOLD (Asset Test)	880,500.00
Shortfall	360,062.30

² <https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension/who-can-get-it/assets-test#a2>

³ <https://www.servicesaustralia.gov.au/individuals/services/centrelink/age-pension/who-can-get-it/assets-test#a2>

⁴ <https://www.servicesaustralia.gov.au/individuals/topics/asset-types/30621>

This is a fictional scenario.

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Strategy Recommendations

The following strategies are considered “core” and will safely meet your objectives.

Strategy 1: Boost Jen’s Super and minimise tax liability via concessional and non-concessional contributions

Client goal: Increase Jen’s super balance via concessional contributions and non-concessional contributions and minimise James’s tax liability via concessional contributions

<p>Who</p> <p>Who is this strategy aimed at?</p>	<p>Jen: Concessional contributions and non-concessional contributions</p> <p>James: Concessional contributions</p>
<p>What</p> <p>What exactly are you advising the client to do?</p>	<p>Non-concessional contributions:</p> <p>Non-concessional contributions are from after-tax income and not taxed in the super account. It is a way to boost her superannuation balance quickly. The objective is to move and boost any assets to Jen’s super fund which is exempted from the asset test for age pension. Therefore it is recommended to use non-concessional contributions. Non-concessional contributions caps is \$330,000 (bring forward rule)⁵.</p> <p>Concessional contributions:</p> <p>Concessional contributions give tax benefits. They are taxed at a rate of 15% rather than at a marginal tax rate. Concessional contributions include: compulsory employer contributions (SGC), additional concessional contributions made by employers or employees and salary sacrifice. There is a concessional contributions cap of \$25,000 for 2020-21 financial year and it will increase to \$27,500 from 01 July 2021.</p>
<p>How much</p> <p>How much funds are involved?</p>	<p>Non-concessional contributions to Jen:</p> <p>To the maximum amount from the proceed of the holiday house and shares minus costs and debts, up to the caps of \$330,000</p>

⁵ <https://www.ato.gov.au/Individuals/Super/In-detail/Growing-your-super/Super-contributions---too-much-can-mean-extra-tax/?anchor=Bringforwardarrangements#Bringforwardarrangements>

	<p>Concessional contributions:</p> <p>Jen:</p> <p>Jen can use concessional contributions catch up since Jen has not maximised the concessional contributions. The total of the catch up amount is approximately at \$102,000⁶.</p> <p>Jen can contribute to her super as concessional contributions, the total of \$25,000 without exceeding the concessional contributions cap due to her catch up remaining. This will bring down her tax liability to 0.</p> <p>James:</p> <p>James also can increase the concessional contributions to minimise his tax liability rather than the current \$7000 of non-concessional contributions. James can maximise concessional contributions by having another \$10,000 used as concessional contributions. This also bring down his tax liability.</p>
<p><u>When</u></p> <p>When is the strategy to commence?</p>	<p>The above suggestions need to be done immediately before 30 June 2021 otherwise Jen and James will not be able to get tax benefit.</p>
<p><u>Why and why not</u></p> <p>What are the potential:</p> <ul style="list-style-type: none"> • benefits of the strategy? • drawbacks of the strategy? 	<p>Benefits:</p> <ul style="list-style-type: none"> • by using non-concessional contributions, Jen’s super can be boosted faster and at the same time, James can meet asset test for age pension. • Both Jen and James can benefit from concessional contributions. We calculate Jen will pay zero tax this year and James save \$3,992 in tax payable (James’ tax liability before CC is \$36,450 and with CC is \$32,458). In total the family will save \$9,431 in tax savings. <p>Drawbacks: cash flow</p> <p>The non-concessional contributions can be made once the holiday house and shares have been sold, so there is no cash flow issue.</p>

⁶ =Catch up concessional contributions
= (25,000 annual cap × 5 years) – (annual salary × 9.5% × 5years)
= \$102,000

With the concessional contributions:

Jen and James can use the term deposit and the cash in their savings account to implement the concessional contributions strategy as:

Items	Amount	Who	Concessional Contributions	Non Concessional Contributions	Balance remaining
Term deposit	\$40,000	Jen	\$25,000	\$40,000	Nil
Savings account - ANZ	\$50,000	James	\$10,000	Nil	\$15,000
Total	\$90,000		\$35,000	\$40,000	\$15,000 cash



Strategy 2: Sell Holiday Home and Shares to Contribute to Jen’s Super and pay off debts

Debts secured against exempt assets do not reduce your total assessable assets for the pension means test. This means mortgage on the family home is exempt, even if you used the funds for investment purposes.

Liquidate assets to pay off debts and contribute to Jen’s super as non-concessional contributions

<p>Who</p> <p>Who is this strategy aimed at?</p>	<p>Both: Holiday House James: Shares</p>
<p>What</p> <p>What exactly are you advising the client to do?</p>	<p>You should sell both the holiday house and the Flight Centre shares.</p> <p>The shares together with the remaining savings will help fund the renovation of the Holiday house as planned (\$25,000 in total).</p> <p>Proceeds from the Holiday house will be (mostly) contributed to Jen’s super (see strategy 1).</p>
<p>How much</p> <p>How much funds are involved?</p>	<p>Shares: \$15,980 at current market value</p> <p>Holiday house: \$450,000⁷ Less, Remaining Debt: \$70,000⁸ Less, remaining home mortgage: \$95,000</p>
<p>When</p> <p>When is the strategy to commence?</p>	<p>First, sell the shares (approx. \$15,000) and use these proceeds and \$10,000 from cash to fund the renovation. The renovations are budgeted cost \$25,000. There should be \$5,000 remaining in cash.</p> <p>Next, sell your holiday home. Allow plenty of time for the property to be on the market. Don’t worry if you can’t sell your property in the same financial year as you have sold your shares (2022-23), the capital losses from the shares can be carried forward and to reduce your capital gains.</p> <p>Next, the proceeds to extinguish both mortgages on the holiday home and your main residence. This will achieve your objectives of retiring debt free.</p>

⁷ Current market value June 2021. We estimate this market value may increase to \$463,500.00 by June 2022.

⁸ This number will change depending on when you sell the home and settle the loan. The debt will fall to \$49,760 by June 2022.

Why and why not

What are the potential:

- benefits of the strategy?
- drawbacks of the strategy?

Benefits:

- Move assets to Jen's super – which is exempted from asset test.
- Paying off the loans early will also save interest. Depending on when exactly you pay off your loan, we estimate you will save \$4,485 on your main mortgage, and \$1,963 on the holiday home.

Drawbacks: CGT events

Selling the holiday house will be subject to CGT. The shares will be more likely to be capital loss which can be used to offset the capital gain from selling the holiday house.

Further, since Jen is not working so the CGT amount allocate to Jen is the only income tax she generates for this year. It means that we can allocate more concessional contributions to offset the capital gains income tax to bring down her tax liability to 0.

Drawback: Asset pricing risk

We cannot know the exact value that your property and shares will eventually sell for. We also caution that rural accommodation can sometimes take a long time to sell. To counter this we have deliberately used conservative assumptions such as valuing the shares and property at today's market price, despite the fact we know your property will probably not sell until late next year. We note the property market is highly likely to be favourable as city dwellers leave for a tree change following COVID. Now is a good time to sell.

If there is any price variation, it is more likely to be favourable. Nevertheless, there is still risk. When you sell your property, please book a review meeting before you make your second round of superannuation contributions as we can fine tune the setting and maximise your benefits.

Optional Strategies: Going Further

The following optional strategies can be considered as helpful extras. These help decrease your assets for the means test, which will help push you towards increasing your aged pension, but they are either less effective than the main strategies or they will come with trade-offs.

Optional: Home contents and vehicle revaluation

We are concerned that your home contents might be overvalued. The Services Australia use the market valuation of your assets - that is **“second hand value”**, not the replacement value used by insurance, and not a book-value. It’s a common trap for pension applicants to overvalue their personal assets.

Most used clothing, furniture, books, and home electronics (eg TV) would have an extremely low value second-hand market value. This contrasts with high value assets with liquid markets such as jewellery, collectors items, and paintings by famous artists. These items stand out as being insured separately of your home contents. Typically, most households hold about \$10,00 of contents, well below the \$70,000 you have listed.

The true value of vehicles can be easily found on redbook.com.au. Please check if your vehicle valuations are accurate.

Furthermore, it’s important to update Centrelink on the value of your assets as they will no automatically depreciate your assets. You should update Centrelink and revalue your assets once every two years.

Optional: Prepaying expenses

To reduce your financial assets you can prepay some expenses such as holidays and cruises. This helps but typically might not make a large difference as there’s only so much you pre-pay on travel. There is also a specific provision allowing you invest up to \$13,500⁹ in a funeral bond and this amount is exempt from the assets test. Both Jen and James can have their own bond up to the same limit each. Note that a joint funeral bond covering both members of a couple cannot exceed \$13,500, and not double the individual limit.

⁹ For the 2020/21 financial year.



Optional: Gifts

We can't simply give our assets to family or friends in order to circumvent the means test. However you are allowed to gifts up to \$10,000 in a financial year or \$30,000 over a rolling five financial year period, including the 5 years prior to qualifying for the pension. Any gifts over the threshold will still count. Donations to registered charity are tax deductible and are not counted as "gifts" under this definition.

Unless there is an ardent desire to help family members, we don't recommend this strategy as it is not an effective wealth building strategy. Suppose James gives away the maximum \$30,000 prior to turning 66½ in 2023, James's pension will only increase \$22.50 cents a week. At this rate it will take 39 years before his pension increase will outweigh the \$30,000 gift.

We recommend gifts be motivated by the love of family and not motivated by any increase in the aged pension.

Timeline

The following year 2022-23

- James Retires, please see us if you receive a “golden handshake” or any other Employment Termination Package as this will impact upon your tax circumstances.
- Happy 66½th birthday James! You can claim a partial aged pension and now have access to discounted medicine, and municipal rates and car registration.

Next year 2021-22

- Sell Flight Centre shares.
 - This funds renovations.
 - Approx. \$15k + \$10k from savings.
- Sell the Holiday House
- Contribute to Jen’s super:
 - CC 17,000 (eliminates Jen’s tax, including LITO and LIMTO) and
 - NCC: The balance of proceeds, less CC. [Approx. \$268,000]

This financial year 2020-21

- Contribute to Jen’s super: CC \$25,000, NCC: \$40,000
- Contribute to James’ super: CC \$10,000, NCC: nil
- Retain 15k of savings, that is \$10k for renovation + \$5 for safety.

START HERE



Detailed Financial projections – Proposed situation incorporating recommendations including:

Adjusted Tax Calculation

For the Financial year 2020-21

	Jen	James	Household	Notes
Assessable Income	4,560			
Gross Wages/Business income	48,000	135,000	183,000	
Dividend Income		1,069	1,069	6.69% return
Franking credits		458	458	
Interst Term Deposit	200		200	
Net Capital Gains			-	
Allowable Deductions				
Consesional Contributions (catch up)	(25,000)	(10,000)	(35,000)	
Tax Agent	(1,000)	(1,000)	(2,000)	
Work related - car		(2,600)	(2,600)	
Taxable Income	22,200	122,927	145,127	
Tax Calculation				
Income tax	760	30,550	31,310	
Medicare Levy	-	2,459	2,459	
LITO	(700)	-	(700)	
LIMTO	(255)	(92)	(347)	
Franking Offset	-	(458)	(458)	
TOTAL TAX PAYABLE	-	32,458	32,458	

Family tax% = 18%

Tax Saving \$	5,439	3,992	9,431
Decreasing your tax bill by:	100%	11%	23%

Adjusted Statement of Net Worth

For the Financial year ending 30 June 2021

	Cost Base	Market Jen	Market James	Market Joint	Market Household	Notes
Life Style Assets						
Main Residence	920,000			1,450,000	1,450,000	
Home contents				70,000	70,000	3
Vehicle	-	38,000	14,000		52,000	3
Subtotal		38,000	14,000	1,520,000	1,572,000	
Investment Assets						
Holiday Home - Wangaratta	290,000			450,000	450,000	
Shares - FLT (1,000)	45,000		15,980		15,980	1
Savings - ANZ				15,000	15,000	2
Term deposit - ANZ		-			-	
Super		210,000	570,000		780,000	
Subtotal		210,000	585,980	465,000	1,260,980	
Total Assets		248,000	599,980	1,985,000	2,832,980	
Liabilities						
Credit Card				3,000	3,000	
Mortgage - Main Res				95,000	95,000	
Mortgage - Holiday Home				70,000	70,000	
Subtotal		-	-	168,000	168,000	
Net Wealth					2,664,980	

Note

- <https://www2.asx.com.au/markets/company/flt> 1000 shares at \$15.98 as at 6 June 2021
1,000 \$ 15.98 15,980 6.69% fully franked
- Keep \$15,000. \$10,000 for renovations + \$5,000 of cash reserve.
- Please check that these assets are not overvalued

Adjusted Cashflow Statement

For the Financial year 2020-21

	Jen	James	Joint	Household	Notes
Inflows					
Gross Wages/Business income	48,000	135,000		183,000	
Dividend income		1,069		1,069	
Interest on Term Deposit	200			200	
Less Income Tax	-	(32,458)	-	(32,458)	
Net Cash Inflows	48,200	103,611	-	151,811	
Non Discretionary Outflows					
Trauma Insurance premium		(1,800)		(1,800)	
Work related - car		(2,600)		(2,600)	
Living expenses			(70,000)	(70,000)	
Mortgage payments - Main Res			(20,625)	(20,625)	
Mortgage payments - Holiday Home			(18,970)	(18,970)	
Non Concessional Contribution				-	
Tax Agent	(1,000)	(1,000)		(2,000)	
Financial Planning Fee			(5,000)	(5,000)	
Discretionary/Lifestyle Outflows					
Travel & entertainment			(10,000)	(10,000)	
Total Outgoings	(1,000)	(5,400)	(124,595)	(130,995)	
Free Cashflow				20,816	
Once off Transfer					
Non Concessional Contribution	(40,000)			(40,000)	
Concessional Contributions	(25,000)	(10,000)		(35,000)	
Total once off transfer	(65,000)	(10,000)	-	(75,000)	
Final Cash flow				(54,184)	



Projected Statements for Next financial year 2021-22

Projected Tax Calculation

For the Financial year 2021-22

	Jen	James	Household	Notes
Assessable Income				
Gross Wages/Business income	-	137,160	137,160	1
Dividend Income		-	-	2
Franking credits		-	-	2
Interst	200		200	
Net Capital Gains	40,000	25,490	65,490	3
Allowable Deductions				
Consesional Contributions	(17,000)	(14,000)	(31,000)	
Tax Agent	(1,016)	(1,016)	(2,032)	1
Work deductions		(2,642)	(2,642)	1
Carry forward tax loss				
Taxable Income	22,184	144,992	167,176	
Tax Calculation				
Income tax	757	38,714	39,471	
Medicare Levy	-	2,900	2,900	
LITO	(700)	-	(700)	
LIMTO	(255)	-	(255)	
Franking Offset		(458)	(458)	
Tax offset for super contributions				
TOTAL TAX PAYABLE	-	41,156	41,156	

Family tax% = 25%

Notes

- 1 Indexed by CPI
- 2 Assume sold before dividends issued
- 3 Net capital gains on the sale of shares and Flight Centre shares.

Projected Statement of Net Worth

For the Financial year ending 30 June 2022

	Cost Base	Market Jen	Market James	Market Joint	Market Household	Notes
Life Style Assets						
Main Residence	920,000			1,508,000	1,508,000	
Home contents				70,000	70,000	2
Vehicle	66,000	32,000	14,000		46,000	2
Subtotal		32,000	14,000	1,578,000	1,624,000	
Investment Assets						
Holiday Home - Wangaratta	290,000			nil	-	1
Shares - FLT (1,000)	45,000		nil		-	1
Savings - ANZ				5,000	5,000	
Term deposit - ANZ		nil			-	
Super		571,966	622,968		1,194,934	
Subtotal		571,966	622,968	5,000	1,199,934	
Total Assets		603,966	636,968	1,583,000	2,823,934	
Liabilities						
Credit Card				3,000	3,000	
Mortgage - Main Res				nil	-	
Mortgage - Holiday Home				nil	-	
Subtotal		-	-	3,000	3,000	
Net Wealth					2,820,934	

Notes

- 1 Strategy 2: Liquidate to pay down debt and boost Jen's super.
- 2 Please check that these assets are not overvalued



Projected Cashflow Statement

For the Financial year 2021-22

	Jen	James	Joint	Household	Notes
Inflows					
Gross Wages/Business income	48,000	135,000	-	183,000	
Dividend income	-	1,069	-	1,069	
Interest on Term Deposit	200	-	-	200	
Less Income Tax	-	(41,156)	-	(41,156)	
Net Cash Inflows	48,200	94,913	-	143,113	
Non Discretionary Outflows					
Trauma Insurance premium	-	(1,829)	-	(1,829)	1
Car expenses	-	(2,600)	-	(2,600)	
Living expenses	-	-	(70,000)	(70,000)	
Mortgage payments - Main Res	-	-	(20,625)	(20,625)	2
Mortgage payments - Holiday Home	-	-	(18,970)	(18,970)	2
Tax Agent	(1,000)	(1,000)	-	(2,000)	
Financial Planning Ongoing Fee	-	-	4,000	(4,000)	
Discretionary/Lifestyle Outflows					
Travel & entertainment	-	-	(15,000)	(15,000)	
Total Outgoings	(1,000)	(5,429)	(128,595)	(135,024)	3
Annual Free Cashflow				8,089	
Once Off Cash outflows					
Proceeds from sale (house + shares)	-	-	465,980	465,980	
Pay out mortgage - Main residence	-	-	(74,375)	(74,375)	
Pay out mortgage - Holiday Home	-	-	(51,030)	(51,030)	4
Holiday home renovations	-	-	(25,000)	(25,000)	4
Non Concessional Contribution	(268,000)	-	-	(268,000)	
Concessional Contributions	(17,000)	(14,000)	-	(31,000)	
Total outgoings	(285,000)	(14,000)	315,575	16,575	
Final Cashflow				24,664	

Notes

- 1 Indexed by CPI.
- 2 Conservatively assumed the holiday house will be sold at the end of the the financial year.
- 3 Increased to \$15,000 every year going forward.
- 4 Opening balance less annual debt repayment



Aged Pension entitlements (Following our advice)

If you follow our advice, we estimate that you will receive an aged pension of \$207.40 per fortnight, or \$5,329.28pa. Note, this is calculated at the current rate as at 30 June 2021. The pension is indexed, and so the amount you actually receive in 2023 will be slightly higher than our calculation.

Means tests: Pension Eligibility in Year 2023				
Description	Asset test Included?	Income test Private/Financial	Household Assets & Liabilities	Assessable Assets
Home	EXC		1,508,000	-
Home Mortgage	EXC			-
Credit Card Debt	EXC		- 3,000	-
Cars	inc	Private	44,000	44,000
Home contents	inc	Private	70,000	70,000
Holiday home	inc	Private		-
Mort-Holiday	inc	Financial		-
Shares - FLT	inc	Financial		-
Savings Account ANZ	inc	Financial	5,000	5,000
Term Deposit -ANZ	inc	Financial		-
Super - Jen (Open bal	EXC		571,966	-
Super - James (open b	inc	Financial	622,968	622,968
			2,818,934	741,968

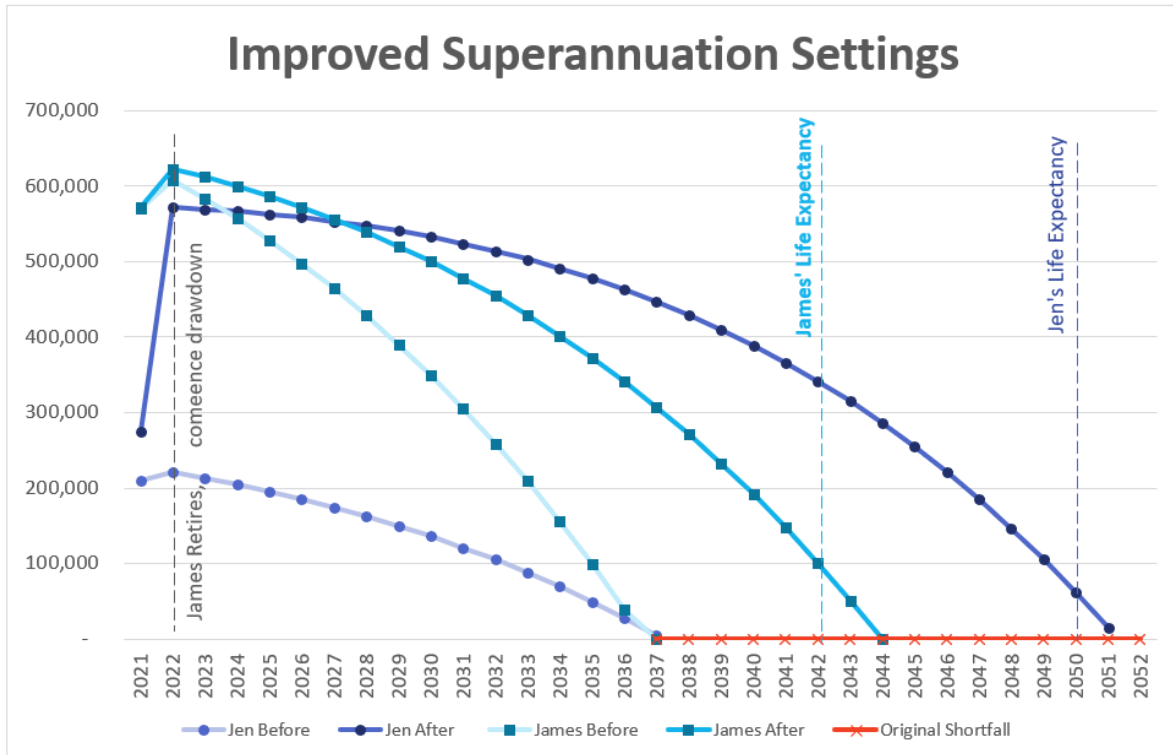
Assessable Assets (for asset test)	741,968
Financial Assets (for deemed income)	627,968
Target Assessable assets	880,500
We are now under the threshold by	138,532

The aged pension is both means tested and income tested, and your entitlement will be the lower of the two tests.

Pension info		Asset tested	Income tested	Actual entitlement
James	Per FN	207.40	678.16	207.40
	Annualised	5,392.35	17,632.28	5,392.35

Superannuation Charts [Before and After]

This chart shows how boosting your super will enable you fund your retirement for the rest of your expected life. Remember, not only will your super last longer but James will receive a pension. We also expect that Jen will also become eligible on her 67th birthday in 2029.



Note: Jen's uses circles and James' line uses squares.

Appendices

Appendix 1: Assumptions

- 2020/21 tax rates
- 2020/21 Pension rates
- Inflation 1.6%

Appendix 2: Other strategies considered:

The following strategies have been considered but are not available to you. We have included a short explanation here in case you hear about them from friends.

Strategy	Tax offset for super contributions on behalf of your spouse
Benefits	\$540 tax offset for James if he contributes \$3,000 non-cessional to Jen’s super
Why we don’t recommend	Jen isn’t eligible when her income is over \$40,000. Jen’s wages this year and the capital gain next year means her assessable income will breach this limit. We can’t use this strategy until 2023, by which point both Jen and James will be retired.

Strategy	Splitting super contributions with Spouse
Benefits	Australians can split their super contributions with their spouse, which can effectively transfer up to 85% of the annual contributions to their spouses account.
Why we don’t recommend	Sadly, Jen is not eligible for this system for two reasons. Firstly, she is retired and does not meet the work requirements. Secondly, she has already meet the preservation age.

Appendix 3: Images Source

All images are original and were generated by Phillip Wong. This includes the portraits of Jen and James Jasper 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!



Appendix 4: Detailed super projections

Jen's Super (original settings)

#	Year	Age	Opening balance	SGC	Earnings	less Tax	less Drawdown	Closing Balance
0	2021	59	195,789	4,560	12,159	2,508		210,000
1	2022	60	210,000		13,041	1,956		221,085
2	2023	61	221,085		13,729	2,059	19,454	213,301
3	2024	62	213,301		13,246	1,987	19,765	204,795
4	2025	63	204,795		12,718	1,908	20,082	195,523
5	2026	64	195,523		12,142	1,821	20,403	185,441
6	2027	65	185,441		11,516	1,727	20,729	174,500
7	2028	66	174,500		10,836	1,625	21,061	162,650
8	2029	67	162,650		10,101	1,515	21,398	149,838
9	2030	68	149,838		9,305	1,396	21,740	136,006
10	2031	69	136,006		8,446	1,267	22,088	121,097
11	2032	70	121,097		7,520	1,128	22,442	105,048
12	2033	71	105,048		6,523	979	22,801	87,792
13	2034	72	87,792		5,452	818	23,165	69,261
14	2035	73	69,261		4,301	645	23,536	49,381
15	2036	74	49,381		3,067	460	23,913	28,074
16	2037	75	28,074		1,743	262	24,295	5,261
17	2038	76	5,261		327	49	24,684	-
18	2039	77	-		-	-	25,079	-
19	2040	78	-		-	-	25,480	-
20	2041	79	-		-	-	25,888	-
21	2042	80	-		-	-	26,302	-
22	2043	81	-		-	-	26,723	-
23	2044	82	-		-	-	27,151	-
24	2045	83	-		-	-	27,585	-
25	2046	84	-		-	-	28,026	-
26	2047	85	-		-	-	28,475	-
27	2048	86	-		-	-	28,930	-
28	2049	87	-		-	-	29,393	-
29	2050	88	-		-	-	29,863	-
30	2051	89	-		-	-	30,341	-
31	2052	90	-		-	-	30,827	-

James's Super (original settings)

#	Year	Age	Opening balance	SGC	CC total	NCC	Earnings	less Tax	Less Drawdown	Closing Balance	Desired drawdown
0	2021	65	552,099	12,825	12,825	7,000		1,924		570,000	70,000
1	2022	66	570,000	13,716	13,716		31,122	6,726		608,112	71,120
2	2023	67	608,112		-		33,203	4,980	52,804	583,531	72,258
3	2024	68	583,531		-		31,861	4,779	53,649	556,964	73,414
4	2025	69	556,964		-		30,410	4,562	54,507	528,305	74,589
5	2026	70	528,305		-		28,845	4,327	55,379	497,445	75,782
6	2027	71	497,445		-		27,160	4,074	56,265	464,266	76,995
7	2028	72	464,266		-		25,349	3,802	57,166	428,647	78,227
8	2029	73	428,647		-		23,404	3,511	58,080	390,460	79,478
9	2030	74	390,460		-		21,319	3,198	59,009	349,572	80,750
10	2031	75	349,572		-		19,087	2,863	59,954	305,842	82,042
11	2032	76	305,842		-		16,699	2,505	60,913	259,124	83,354
12	2033	77	259,124		-		14,148	2,122	61,887	209,262	84,688
13	2034	78	209,262		-		11,426	1,714	62,878	156,096	86,043
14	2035	79	156,096		-		8,523	1,278	63,884	99,457	87,420
15	2036	80	99,457		-		5,430	815	64,906	39,167	88,819
16	2037	81	39,167		-		2,139	321	65,944	-	90,240
17	2038	82	-		-		-	-	66,999	-	91,683
18	2039	83	-		-		-	-	68,071	-	93,150
19	2040	84	-		-		-	-	69,161	-	94,641
20	2041	85	-		-		-	-	70,267	-	96,155
21	2042	86	-		-		-	-	71,391	-	97,694
22	2043	87	-		-		-	-	72,534	-	99,257
23	2044	88	-		-		-	-	73,694	-	100,845
24	2045	89	-		-		-	-	74,873	-	102,458
25	2046	90	-		-		-	-	76,071	-	104,098
26	2047	91	-		-		-	-	77,288	-	105,763
27	2048	92	-		-		-	-	78,525	-	107,455
28	2049	93	-		-		-	-	79,781	-	109,175
29	2050	94	-		-		-	-	81,058	-	110,921
30	2051	95	-		-		-	-	82,355	-	112,696
31	2052	96	-		-		-	-	83,673	-	114,499

This is a fictional scenario.

RELEASED FOR EDUCATIONAL PURPOSES ONLY.



Jen's Super (Improved Settings)

#	Year	Age	Opening balance	CC	NCC	Earnings	Tax	Drawdown	Closing Balance
0	2021	59	195,789	25,000	40,000	12,159	5,574		275,000
1	2022	60	275,000	17,000	268,000	17,078	5,112		571,966
2	2023	61	571,966			35,519	5,328	32,516	569,641
3	2024	62	569,641			35,375	5,306	33,036	566,673
4	2025	63	566,673			35,190	5,279	33,565	563,020
5	2026	64	563,020			34,964	5,245	34,102	558,637
6	2027	65	558,637			34,691	5,204	34,648	553,477
7	2028	66	553,477			34,371	5,156	35,202	547,491
8	2029	67	547,491			33,999	5,100	35,765	540,625
9	2030	68	540,625			33,573	5,036	36,337	532,824
10	2031	69	532,824			33,088	4,963	36,919	524,031
11	2032	70	524,031			32,542	4,881	37,510	514,182
12	2033	71	514,182			31,931	4,790	38,110	503,214
13	2034	72	503,214			31,250	4,687	38,719	491,056
14	2035	73	491,056			30,495	4,574	39,339	477,638
15	2036	74	477,638			29,661	4,449	39,968	462,881
16	2037	75	462,881			28,745	4,312	40,608	446,707
17	2038	76	446,707			27,740	4,161	41,258	429,029
18	2039	77	429,029			26,643	3,996	41,918	409,757
19	2040	78	409,757			25,446	3,817	42,588	388,798
20	2041	79	388,798			24,144	3,622	43,270	366,051
21	2042	80	366,051			22,732	3,410	43,962	341,411
22	2043	81	341,411			21,202	3,180	44,665	314,767
23	2044	82	314,767			19,547	2,932	45,380	286,001
24	2045	83	286,001			17,761	2,664	46,106	254,992
25	2046	84	254,992			15,835	2,375	46,844	221,608
26	2047	85	221,608			13,762	2,064	47,593	185,712
27	2048	86	185,712			11,533	1,730	48,355	147,160
28	2049	87	147,160			9,139	1,371	49,129	105,799
29	2050	88	105,799			6,570	986	49,915	61,469
30	2051	89	61,469			3,817	573	50,713	14,000
31	2052	90	14,000			869	130	51,525	-

James's Super (Improved Settings)

#	Year	Age	Opening balance	SGC	CC	Earnings	Tax	Drawdown	Closing Balance
0	2021	65	552,099	12,825	10,000		3,424		573,000
1	2022	66	573,000	13,500	14,000	31,286	8,818		622,968
2	2023	67	622,968			34,014	5,102	39,742	612,138
3	2024	68	612,138			33,423	5,013	40,378	600,170
4	2025	69	600,170			32,769	4,915	41,024	587,000
5	2026	70	587,000			32,050	4,808	41,680	572,562
6	2027	71	572,562			31,262	4,689	42,347	556,788
7	2028	72	556,788			30,401	4,560	43,025	539,604
8	2029	73	539,604			29,462	4,419	43,713	520,934
9	2030	74	520,934			28,443	4,266	44,412	500,698
10	2031	75	500,698			27,338	4,101	45,123	478,812
11	2032	76	478,812			26,143	3,921	45,845	455,189
12	2033	77	455,189			24,853	3,728	46,578	429,736
13	2034	78	429,736			23,464	3,520	47,324	402,356
14	2035	79	402,356			21,969	3,295	48,081	372,949
15	2036	80	372,949			20,363	3,054	48,850	341,407
16	2037	81	341,407			18,641	2,796	49,632	307,620
17	2038	82	307,620			16,796	2,519	50,426	271,471
18	2039	83	271,471			14,822	2,223	51,233	232,837
19	2040	84	232,837			12,713	1,907	52,052	191,590
20	2041	85	191,590			10,461	1,569	52,885	147,597
21	2042	86	147,597			8,059	1,209	53,731	100,715
22	2043	87	100,715			5,499	825	54,591	50,798
23	2044	88	50,798			2,774	416	55,465	-
24	2045	89	-			-	-	56,352	-
25	2046	90	-			-	-	57,254	-
26	2047	91	-			-	-	58,170	-
27	2048	92	-			-	-	59,100	-
28	2049	93	-			-	-	60,046	-
29	2050	94	-			-	-	61,007	-
30	2051	95	-			-	-	61,983	-
31	2052	96	-			-	-	62,975	-

Desired drawdown
70,000
71,120
72,258
73,414
74,589
75,782
76,995
78,227
79,478
80,750
82,042
83,354
84,688
86,043
87,420
88,819
90,240
91,683
93,150
94,641
96,155
97,694
99,257
100,845
102,458
104,098
105,763
107,455
109,175
110,921
112,696
114,499

This is a fictional scenario.
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