Client Scenario:

Maurice Scott has approached you to assist him with financial planning advice. He earns a good level of income and enjoy a very comfortable lifestyle. He has accumulated a few investments but has not taken much interest in his superannuation balance. However, he has read a few reports of late which point out that the accumulated superannuation balances of many Australians will not be enough to support their retirement. Maurice Scott now feels that perhaps the time has come to seek some professional advice before it is too late.

MEETING – End of June 2021

Maurice Scott is 35 years old and wishes to build wealth between now and when he retires within his superannuation fund – retirement age for him is expected to be 65. He will require a real income of $90,000 per annum in present value dollars from his superannuation fund when he retire as he wants to travel extensively. He wants an investment plan that is easy to manage while ensuring that his overall investments are well proportioned based on his risk profile and of a suitable quality. He also wants to minimise his tax liability as much as possible. Finally, he also wishes to reduce his level of debt as quickly as possible.

Maurice Scott advises that he has a reasonably good knowledge of financial markets and enjoys spending time managing his investments. However, he is still learning and is inexperienced. He is prepared to accept some volatility in order to chase a reasonable rate of return. However, he realises that his current investment allocation and plan is unlikely to provide him with an appropriate nest-egg in retirement. Maurice Scott has completed the following table to assist you in identifying him risk profile.

Your concerns. Mark each dotted line with a number.
Not concerned: 1; Slightly concerned: 2; Concerned: 3; Very concerned: 4;
3- Keep pace with inflation
2- Easy access to cash
2-Easy to manage
2-Attitude to short-term volatility in investments
4-Desire for tax effectiveness
2-Need to receive income from investments
4- Desire for capital growth from investments

Maurice Scott bought a new house about two months ago in the south eastern suburbs of Melbourne. He settled on the property on 30th June 2021 and moved in on 1st July 2021. The house costed $ 1,150,000. He had to borrow $ 660,000. His mortgage broker arranged a rate of 2.64% fixed-rate loan of $400,000 for the first five years and a $260,000 variable rate loan for the balance which has a current interest rate of 2.86%. Both loans are 20-year loans. Repayments are fortnightly. He has estimated his home insurance, repairs, council rates to be $7,568 for the first year.

Maurice also owns a small unit in Caulfield that he lived in up until 2 years ago, it costed him $365,000 back in 2016 and is now valued at $540,000. He has a loan on the property of $292,000 which is an interest-only loan with an interest rate of 3.19% fixed for the next 5 years. The rental return from the property is $415 per week and this covers both the interest on the loan and the other “cash” costs associated with the property like insurance, council and water rates, etc. so he views it as a no-cost investment. He does however generate a tax loss on the investment due to depreciation allowances of $4,000 per year which generates some tax savings for him.

He works as a Sales Manager for a transport logistics company. His salary package is $ 175,200 and this includes the standard superannuation guarantee contribution. In the last five years his salary has gone up by about 3% per annum and he think this rate of increase is likely to continue for the foreseeable future.

He has about $ 146,500 in superannuation. The amount is invested in the TWU Super Balanced (My Super) option with a non-binding death benefit nomination in place. The fund is expected to generate a net return of 4.5% p.a. (net of fees and taxes) for the foreseeable future. It is noted that superannuation earnings should be calculated based on the opening superannuation account balance.

Maurice Scott inherited 500 ASX: CSL shares back in 2010 when his grandfather passed away. Back then the CSL shares were valued at $28 per share. He sold 100 of the CSL shares at $270.00 each on 1 July 2020 to free up some cash which he ultimately used to assist with the purchase of the house. He also inherited 1,000 ASX: Wesfarmers shares valued at $21.60 each in 2010 which he retains.

Maurice Scott has a car worth about $ 60,000. He has $ 55,000 in a bank term deposit which was left to him by his deceased grandfather and which pays 0.35% interest and a bank transaction account which has $ 38,160 and which pays zero percent interest.

Maurice Scott does not have health insurance. He asserts that he is young and healthy and does not need health cover.

The following is a list of Maurice Scott known living expenses for **2020/21**.
Rent (prior to moving into new house) $32,100; electricity, gas and water $4,576; car running costs/petrol/maintenance $9,080 and for registration and insurance $2,080; food groceries $7,439 and alcohol $1,620; chemist/medical/dental/optical $1,815; travel $8,350; entertainment/dining out $6,462; miscellaneous $4,512.

Maurice Scott has a Bendigo Bank Platinum Awards Credit Card with about $ 21,000 owing. He never pays it off – with the interest, him payments and new purchases each month the balance owing stays fairly constant, nevertheless the balance increases each year by about the rate of inflation.

It is assumed that the inflation rate is 1.4% per annum and that the current tax rates and levels of dividend income remain unchanged for the next five years. Expenses will rise by inflation, unless there are contracts in place, which will affect these payments.

Statement of Advice

Prepared for

Mr Maurice Scott

GREGORY CURTIS FINANCIAL PLANNERS PTY LTD
Authorised Representative of Deakin Business School Pty Ltd
Australian Financial Services Licence (AFSL) No 11111
221 Burwood Highway, Burwood VIC 3125
Phone (03) 5555 2333

Your Advisers are:
Phillip Wong, Robyn & Greg

Dated: 30/06/2021

You are entitled to receive a Statement of Advice (SOA) whenever we provide you with any personal financial advice. Personal financial advice is advice that takes into account any one or more of your objectives, financial situation or needs.

This 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.

GREGORY CURTIS
FINANCIAL PLANNERS

Maurice Scott
P.O. Box 614
WINDSOR VIC 3181

30/06/2021

Dear Maurice,

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, Robyn & Greg

Directors of GREGORY CURTIS FINANCIAL PLANNERS PTY LTD

GREGORY CURTIS
FINANCIAL PLANNERS

Table of Contents

GREGORY CURTIS
FINANCIAL PLANNERS

Executive summary

This Statement of Advice reviews your financial position and details our recommendations. We have focused on your aims of saving tax, building wealth and save for retirement. Our recommendations address our concerns that your portfolio does not match your risk profile, and that your holdings are over-weighted towards Australian shares and property.

Our recommendations

We suggest you should:

- **Salary sacrifice** to increase concessional contributions to your superannuation fund. Your cash flow statements show that you are able to contribute more into your superannuation fund and can save $4,463 in tax next year.
- **Reduce your credit card limit** and set up an **automatic payment** every month and can save $4,257 in cash outflows next year.
- Transfer all cash balances including the term deposit into a **mortgage offset** account.
- Consider income protection insurance and private health insurance to reduce your tax liability and mitigate the risk.
- Keep your current TWU Balanced (My Super) option but **diversify your share** portfolio.

Outcomes of our advice

After implementing the recommendations in this Statement of Advice, you will achieve the following outcomes:

- Greater superannuation balance.
- Minimise your tax liability.
- Better debt management.
- Better investment portfolio management.

Future reviews required

This report and recommendations have been prepared with the information provided by yourself and your expressed financial objectives. We recommend regular reviews of this plan going forward. Changes to your employment or changes in your personal situation including health or your family unit will require a more major review and a new Statement of Advice and financial plan considered. Please consider making an appointment for a review of your situation and this plan for six months from now.

The report also has some limitations in scope and included assumptions detailed in the appendix.

Advice Summary

1. Scope of advice

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

Maurice, at this time you have asked us to provide advice on:

- Superannuation: you want to know if your superannuation fund is invested in the most appropriate manner and also if your superannuation balance can accommodate your retirement objective of $90,000 per year in present day values.
- Investment planning: you have spare capital and would like to consider putting it to work for you to set yourself up for your retirement years.
- Limited Debt Management: you wish to reduce the level of debt as quickly as possible.
- Tax minimisation: you indicated that you also want to minimise your tax liability.
- Limited insurance: you indicated that you do not have health insurance and do not have other types of insurance. We provide some advice to consider taking out some insurances to address your above objectives. We exclude insurances beyond these issues.

2. Limitation of our advice

We are not providing advice on:

- Retirement Planning & Aged Care
- Estate Planning & Funeral Arrangements
- SMSFs/Small APRA Funds
- Centrelink
- General Insurance Advice
- Mortgage Broking & Other Interest Products

Your Goals and Objectives

Your objectives

In terms of your financial goals, you have requested for this advice to focus on the following objectives:

- Review your superannuation arrangements.
- Make your capital work harder for you as you see investment markets opportunities.
- Minimise your tax liability as much as possible.
- Reduce your level of debt as quickly as possible.

If the information you have provided, on which we have based our recommendations is incomplete or inaccurate, you should inform us immediately. Before acting on this advice, consider the appropriateness of the advice regarding your financial situation, needs and objectives.

Your current situation

Our recommendations are based on our understanding of your current situation as outlined below. If this summary is not accurate, please let us know immediately as it might have a significant impact on our recommendations to you.

	Maurice Scott
Address	PO Box 61#4 WINDSOR VIC 3181
Current Age	35 years
Employment type	Permanent, Full time
Occupation	Sales Manager
Expected Retirement age	65
Life expectancy[1] (Vic Male age 35)	82.7 years

[1] Victorian Male age 35 years, 3302055001DO001_20172019 Life Tables, 2017-2019 Table 1: Life tables, states, territories and Australia - 2017-2019

Financial analysis

1. Balance Sheet

This balance sheet sets out your current net worth showing assets, both lifestyle assets and investment assets and your liabilities.

Balance Sheet

As at 30/6/2021

Life Style Assets	Cost Base	Market	$
Main Residence	1,150,000	1,150,000	
Vehicle		60,000	
TOTAL			**1,210,000**
Investment Assets			
Cash on demand	-	38,160	
Cash term deposit	-	55,000	
Shares: CSL (400 Shares)	11,200	105,860	
Shares: WES (1000 Shares)	21,600	52,670	
Investment Property Caufield		540,000	
Superannuation		146,500	
TOTAL			**938,190**
Liabilities			
Mortgage (Variable)		400,000	
Mortgage (Fixed)		260,000	
Investment loan		292,000	
Credit Card: Bendigo bank Platinum		21,000	
TOTAL			**973,000**
Net Wealth			**1,175,190**

Maurice, please let us know if there is anything else we should have included in the above balance sheet. Your net worth of $1,175,190 at your age is a strong position to be in. From the information provided above we can conclude that your net worth ratio (total net worth over the total assets) is at 54.7%. The liquidity ratio (liquid assets over current debt) is low at 9.6%. This means that it might be risky to cover your debt if your financial situation changes negatively. You are heading in the right direction to reduce your current level of debt, which we will explain in detail to you in our recommendations section.

GREGORY CURTIS
FINANCIAL PLANNERS

2. Tax calculation

This projected tax calculation is based on your current circumstances before you implement any of our recommendations.

Tax Calcuation Sheet

Annual Cash Flow statement to FY2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25	Notes
Assessable Income & Deductions						
Wages (business income)	160,000	164,800	169,744	174,836	180,081	*1*
Dividend (CSL)	1,127	1,127	1,127	1,127	1,127	
Dividend (WES)	1,830	1,830	1,830	1,830	1,830	
Interest on Term Deposit	193	193	193	193	193	
Franking Credit Gross up	1,267	1,267	1,267	1,267	1,267	
Rental Loss	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	
Net Cap Gain	12,100	-	-	-	-	*6*
CC (Sal. Sacrifice)	-	-	-	-	-	
Income Prot Ins.	-	-	-	-	-	*9*
Other deductions	-	-	-	-	-	*9*
Net Taxable Income	**172,517**	**165,217**	**170,161**	**175,254**	**180,499**	
Less tax						
Income tax	48,898	46,197	48,027	49,911	51,891	
Medicare Levy	3,450	3,304	3,403	3,505	3,610	
MLS	2,588	2,478	2,552	2,629	2,707	
LITO	-	-	-	-	-	*9*
LIMTO	-	-	-	-	-	
FC Offset	(1,267)	(1,267)	(1,267)	(1,267)	(1,267)	
Total Projected tax bill	**53,669**	**50,713**	**52,715**	**54,777**	**56,941**	
Overall tax %	**31%**	**31%**	**31%**	**31%**	**32%**	

See the appendix to see the impact of our recommendations.

3. Cash Flow Statements

This cash flow statement sets out your current, 2020-21 cash flow; both in and out based on your current receipts and outgoings. Using your information, we have also projected your cashflows head for a further 4 years.

Cashflow Statement

Annual Cash Flow Statements to FY2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25	*Notes*
Cash inflows						
Wages (business income)	160,000	164,800	169,744	174,836	180,081	*1*
Dividend (CSL)	1,127	1,127	1,127	1,127	1,127	
Dividend (WES)	1,830	1,830	1,830	1,830	1,830	*2*
Rental Income	21,580	21,882	22,188	22,499	22,814	*3*
Interst on Term Deposit	193	193	193	193	193	*4*
Sale of Shares	27,000	-	-	-	-	*6*
Total Cash Inflows	**211,730**	**189,832**	**195,082**	**200,485**	**206,045**	
Cash outflows						
Income tax payable	53,669	50,713	52,715	54,777	56,941	
Rent for Maurice	32,100	N/A	N/A	N/A	N/A	
Mortgage Main Res. Fixed	N/A	25,752	25,752	25,752	25,752	
Mortgage Main Res. Var	N/A	17,077	17,077	17,077	17,077	
Rental property interest	9,315	9,315	9,315	9,315	9,315	*7*
Bal. Rental Property outflows	12,265	12,567	12,874	13,184	13,499	*8*
Utilities	4,576	4,640	4,705	4,771	4,838	*3*
Car running costs	9,080	9,207	9,336	9,467	9,599	*3*
Car rego & insurance	2,080	2,109	2,139	2,169	2,199	*3*
Home (rates, repairs, rates)	7,568	7,674	7,781	7,890	8,001	*3*
Food	7,439	7,543	7,649	7,756	7,864	*3*
Alcohol	1,620	1,643	1,666	1,689	1,713	*3*
Health care expenses	1,815	1,840	1,866	1,892	1,919	*3*
Travel	8,350	8,467	8,585	8,706	8,828	*3*
Entertainment & dining	6,462	6,552	6,644	6,737	6,832	*3*
Misc	4,512	4,575	4,639	4,704	4,770	*3*
Credit Card Interest	4,198	4,257	4,316	4,377	4,438	*5*
Total Cash Outflows	**165,049**	**173,932**	**177,060**	**180,264**	**183,585**	
Net Cash Flow	**46,681**	**15,900**	**18,022**	**20,222**	**22,460**	

The cash flow statements show you always have a very strong cash surplus. However, we believe that as a high-income earner, there are strategies which you can take to reduce your debt level, minimise your tax liability and at the same time maintain your lifestyle.

Superannuation analysis: Current projections

The following table sets out your current superannuation balance and how it will grow given the expected salary growth and employer contributions, at known government required rates which will slowly increase to 12% of your salary. This has been projected for 30 years being the time between now and your expected retirement, at age 65.

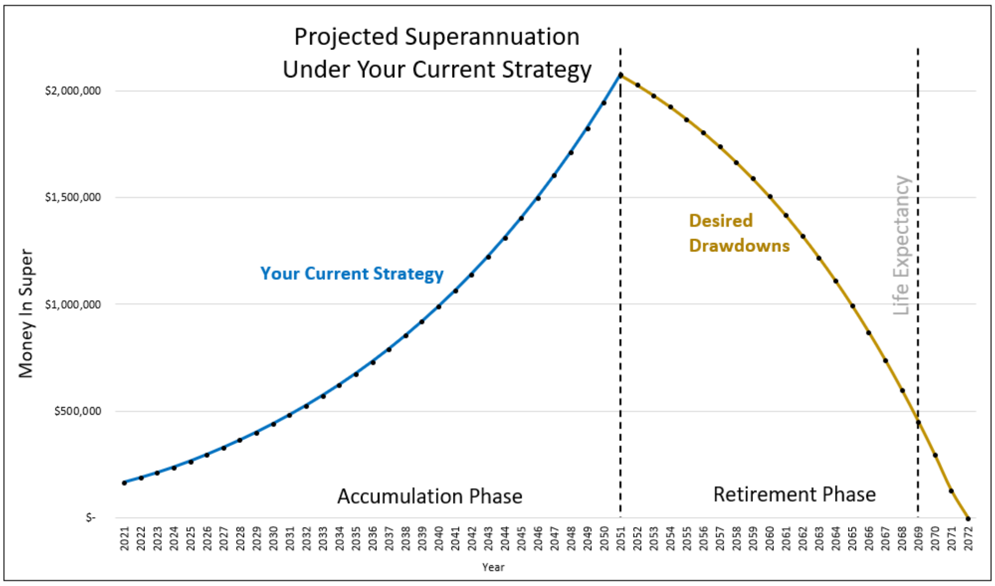
Year	Age	Salary	Opening super balance	Add employer super contributions	Less 15% contributions tax	Add net earnings (net of tax and fees)	Closing Super balance
2021	35	160,000	146,500	15,200	(2,280)	6,593	166,013
2022	36	164,800	166,013	16,480	(2,472)	7,471	187,491
2023	37	169,744	187,491	17,823	(2,673)	8,437	211,078
2024	38	174,836	211,078	19,232	(2,885)	9,499	236,924
2025	39	180,081	236,924	20,709	(3,106)	10,662	265,188
2026	40	185,484	265,188	22,258	(3,339)	11,933	296,041
2027	41	191,048	296,041	22,926	(3,439)	13,322	328,850
2028	42	196,780	328,850	23,614	(3,542)	14,798	363,719
2029	43	202,683	363,719	24,322	(3,648)	16,367	400,760
2030	44	208,764	400,760	25,052	(3,758)	18,034	440,089
2031	45	215,027	440,089	25,803	(3,870)	19,804	481,825
2032	46	221,477	481,825	26,577	(3,987)	21,682	526,098
2033	47	228,122	526,098	27,375	(4,106)	23,674	573,041
2034	48	234,965	573,041	28,196	(4,229)	25,787	622,794
2035	49	242,014	622,794	29,042	(4,356)	28,026	675,505
2036	50	249,275	675,505	29,913	(4,487)	30,398	731,329
2037	51	256,753	731,329	30,810	(4,622)	32,910	790,428
2038	52	264,456	790,428	31,735	(4,760)	35,569	852,972
2039	53	272,389	852,972	32,687	(4,903)	38,384	919,139
2040	54	280,561	919,139	33,667	(5,050)	41,361	989,117
2041	55	288,978	989,117	34,677	(5,202)	44,510	1,063,103
2042	56	297,647	1,063,103	35,718	(5,358)	47,840	1,141,303
2043	57	306,577	1,141,303	36,789	(5,518)	51,359	1,223,933
2044	58	315,774	1,223,933	37,893	(5,684)	55,077	1,311,219
2045	59	325,247	1,311,219	39,030	(5,854)	59,005	1,403,399
2046	60	335,004	1,403,399	40,201	(6,030)	63,153	1,500,722
2047	61	345,055	1,500,722	41,407	(6,211)	67,532	1,603,450
2048	62	355,406	1,603,450	42,649	(6,397)	72,155	1,711,857
2049	63	366,068	1,711,857	43,928	(6,589)	77,034	1,826,229
2050	64	377,050	1,826,229	45,246	(6,787)	82,180	1,946,869
2051	65	388,362	1,946,869	46,603	(6,991)	87,609	2,074,091

You can see from our estimate, you will accumulate the total of $2,074,091 in your superannuation fund, based on the current return of the selected superannuation fund and investment option you have chosen. We also assume that you will stay employed in the same organisation with steady increments in your salary.

The following table sets out how your retirement superannuation balance will allow you your desired income, equivalent to $90,000 in today's dollar terms. You will be able to enjoy this annual income for at least 19 years and based on current life expectancy rates this could equate to you enjoying your desired income for the rest of your life after retirement, provided that the assumptions we used to generate this figure are not changed. It is advised that you come to see us on an annual basis to review your investment option within your super fund to ensure your objective will be met.

Year	Age	Opening super balance	Less pension withdrawal (real income required)	Add net earnings (net of tax and fees)	Closing Super balance
2052	66	2,074,091	(138,490)	93,334	2,028,935
2053	67	2,028,935	(140,429)	91,302	1,979,808
2054	68	1,979,808	(142,395)	89,091	1,926,504
2055	69	1,926,504	(144,389)	86,693	1,868,808
2056	70	1,868,808	(146,410)	84,096	1,806,494
2057	71	1,806,494	(148,460)	81,292	1,739,327
2058	72	1,739,327	(150,538)	78,270	1,667,058
2059	73	1,667,058	(152,646)	75,018	1,589,430
2060	74	1,589,430	(154,783)	71,524	1,506,171
2061	75	1,506,171	(156,950)	67,778	1,416,999
2062	76	1,416,999	(159,147)	63,765	1,321,617
2063	77	1,321,617	(161,375)	59,473	1,219,715
2064	78	1,219,715	(163,634)	54,887	1,110,968
2065	79	1,110,968	(165,925)	49,994	995,036
2066	80	995,036	(168,248)	44,777	871,564
2067	81	871,564	(170,604)	39,220	740,181
2068	82	740,181	(172,992)	33,308	600,497
2069	83	600,497	(175,414)	27,022	452,105
2070	84	452,105	(177,870)	20,345	294,580

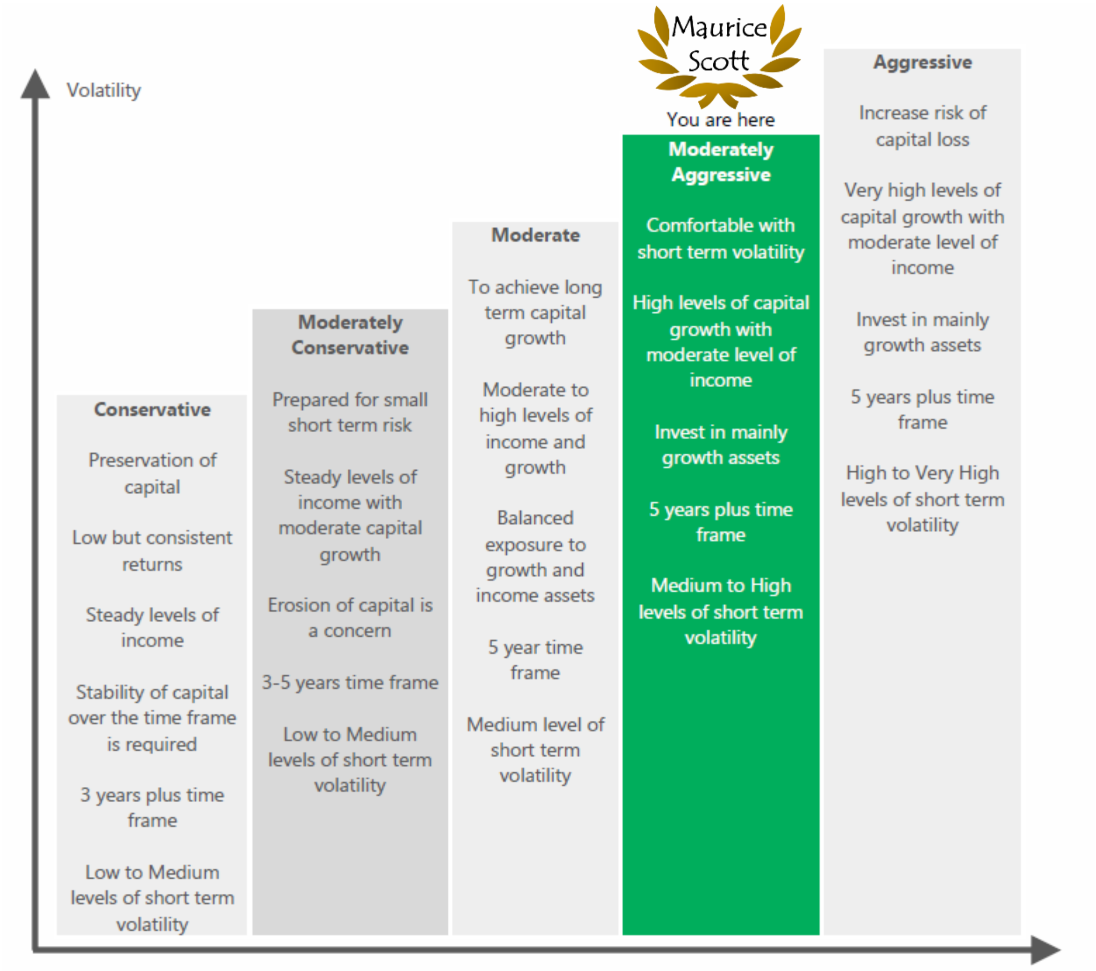
We note that although your current super balance and desired drawdowns are projected to cover you to your life expectation of 82.7 years (2069), we are concerned that this balance will only last for another two and half years. Given your fitness, we believe you have a high chance of outliving the average Australian male, and thus running out of funds in your twilight years.



Investment and Risk
Investment and Risk

a. Risk profiles illustrated

The chart below sourced from Morningstar provides an overview of 5 different risk profiles.

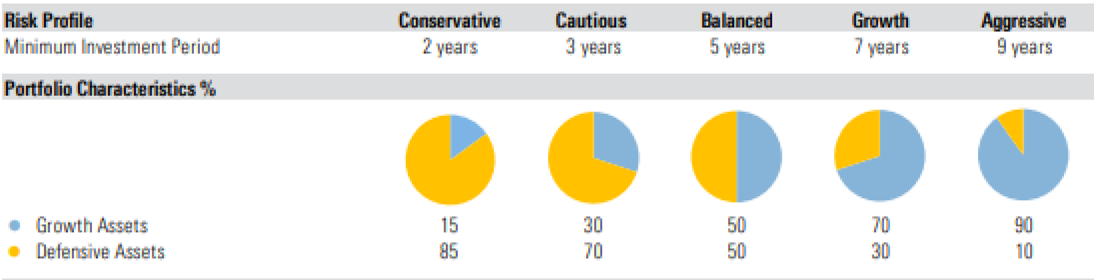


We consider:

- You can accept **some** volatility in order to achieve a **reasonable** rate of return.
- You are 35 years old, planning to retire in 30 years' time. Your income is high and stable, and you have no dependents. If you start a family this may change our analysis.
- You have a reasonably good financial knowledge and enjoy managing your investments.
- Your target retirement income is $90,000 to afford international travel.

We believe you fit a "**Moderately aggressive**" risk profile. The "Moderately aggressive" risk profile is also considered as Growth investors.

You can see the suggested asset allocation for each investor category as below:



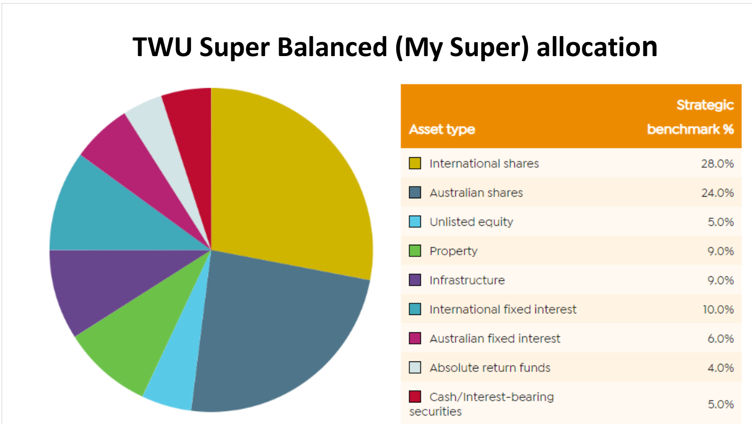
Risk Profile	Conservative	Cautious	Balanced	Growth	Aggressive
Minimum Investment Period	2 years	3 years	5 years	7 years	9 years
Portfolio Characteristics %					
Growth Assets	15	30	50	70	90
Defensive Assets	85	70	50	30	10

(Morningstar benchmark)[2]

It is suggested that you should allocate your investment assets to 70% growth assets and 30% defensive assets.

b. Your current risk position and gap analysis:

We have reviewed allocation of your TWU Super Balanced (My Super) option[3] allocated as: 71% growth assets and 29% defensive assets. We are feel your Balanced (My Super) investment matches your risk profile. However, when we combine all of your investment assets and their allocation, we can conclude that your defensive assets are low and your growth asset are at the aggressive investors level rather than moderately aggressive. This means that at the moment, you have about 85% of assets allocated to growth assets and only 15% allocated to defensive assets.



TWU Super Balanced (My Super) allocation

Asset type	Strategic benchmark %
International shares	28.0%
Australian shares	24.0%
Unlisted equity	5.0%
Property	9.0%
Infrastructure	9.0%
International fixed interest	10.0%
Australian fixed interest	6.0%
Absolute return funds	4.0%
Cash/Interest-bearing securities	5.0%

[2] https://cdn.morningstar.com.au/mca/s/documents/Morningstar-Portfolio-Construction-Guide.pdf

[3] https://www.twusuper.com.au/investments/your-investment-options/asset-classes/

This together with your liquidity ratio of less than 10% means if your financial situation changes quickly, you will face a lot of challenges financially. Our calculation is as below:

	Current investment asset allocation					
Name of investment	**Cash**	**Fixed interest**	**Property**	**Australian shares**	**International shares**	**Total**
Investment Property			540,000			540,000
Superannuation	7,325	36,625	26,370	35,160	41,020	146,500
CSL Shares				105,860		105,860
WES Shares				52,670		52,670
Term Deposit		55,000				55,000
Cash Account	38,160					38,160
Total - $	**45,485**	**91,625**	**566,370**	**193,690**	**41,020**	**938,190**
Total - %	**4.84%**	**9.76%**	**60.36%**	**20.64%**	**4.37%**	**100%**

We strongly advise you to move some growth assets into defensive assets to reduce your risk level to be more appropriate to your risk tolerance.

Analysing your portfolio, we note that you are heavily invested in property. Your risk profile is moderately aggressive, and you are young with a stable high income. Your current asset allocation indicates you have 60% invested in property. We highly suggest for the present time, not to invest further in property rather diversify your portfolio. The current situation means that if there was a property market crash, your portfolio would experience a larger decline than a diversified portfolio.

It also looks like you have more Australian shares than International shares. You need to keep in mind for the future to not only have Australian shares in your portfolio, for the same reason, diversification of markets.

c. Overall analysis of your situation

We have conducted a detailed analysis of your financial and investment situation. There are a few weaknesses that we would like to address:

- You do not have an adequate level of insurance and private health insurance. Income protection insurance and health insurance can provide tax advantages. We encourage you to speak to an insurance specialist for landlord insurance on your Caufield property and other general insurance matters
- You are high income earner on highest marginal tax rate. You have not utilised salary sacrifice contributes to your superannuation fund. Also, you have not taken out private health insurance, therefore incur a Medicare level surcharge.
- Your debt is high, and we are concerned about your credit card not being paid off before month end, meaning you are spending unnecessary interest costs on everyday items.
- Your current investment portfolio is insufficiently diversified resulting in a concentrated investment risk.

Actionable advice and recommendations

1. Consolidate and manage debt

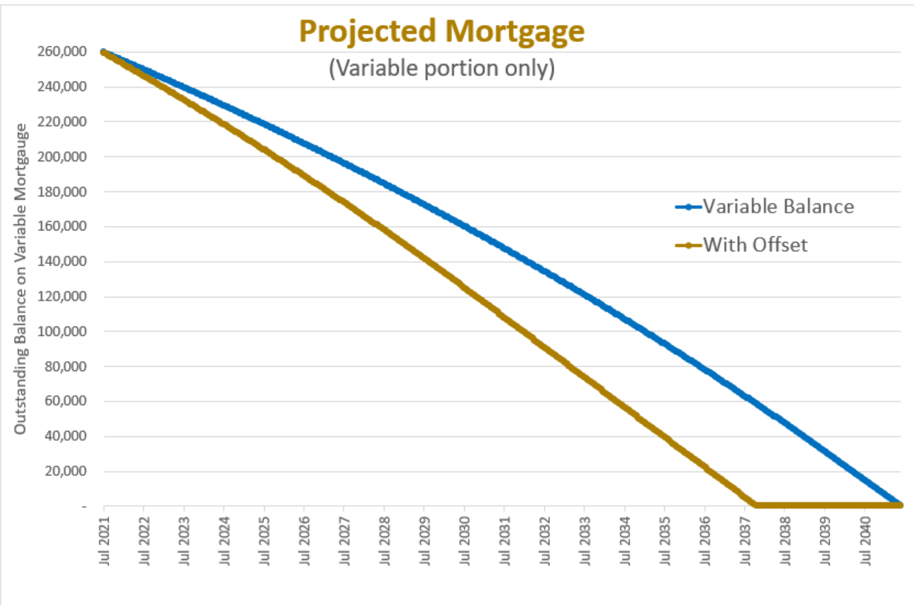
Your credit card with its balance outstanding cost you interest charges of $4,198 in 2021 and is expected to cost $4,257 in 2022. This money could be used for mortgage repayments. You should firstly reduce the credit card limit to $5,000. Your monthly living expenses totals $4,159, so if you hit the limit, it's a reminder to pay off the card! **Pay it in full**. You can keep the card for the points and rewards, however, you should set up an automatic payment every month, otherwise the interest payment quickly outweighs the benefits. Your savings are not earning interest so they can be used to avoid 19.99% of interest charges on the credit card balance. Use of the credit card to make monthly purchases and the balance paid each month on or immediately prior to its due date allows free use of cash for the period between purchase and credit card due date. Further reward program rewards can be gained at no cost to you and they are non-cash gains which are not taxable.

Manage Credit Card:
Save $4,257 per year

We urge you to open a mortgage **offset account.** Banks change interest on the net balance of the variable mortgage and the offset accounts. That is:

$Interest = (Mortgage - Offset) × Interest Rate%

Now your cash will "offset" your mortgage balance, reducing the interest you pay. Note, you still make your regular loan repayments. Note this isn't the same as early debt repayments as money held in offset is still "your" money. Nevertheless, it saves you substantial amounts of loan repayments due to the compounding of interest. We estimate that after you pay off your credit card and shift your current cash holdings into an offset account you will have $121,992. If you can maintain roughly this level you will save $3,675 on interest in next year, and a total of $62,534 over the life of the loan. You can expect to pay the loan off 3 years 8 months earlier, without the need to make a single extra repayment!



Interest on offset accounts reduce interest impacts on your mortgage and so the interest is not receivable in your hands and is not included in your taxable income. This will save you having to pay tax on interest income from your term deposit or interest-bearing deposit accounts.

However, we understand some people prefer to see a lower balance on debt to make themselves more comfortable.

You can do that as well. Bear in mind that leaving the money in the offset account gives you the full flexibility in the future. For example, if you need cash urgently you will not have to seek a further loan.

ADVANCED TAX CONCEPT: Offset accounts can be helpful for tax too. If you move out of this house and decide to rent it out, your tax deductions on interest will be limited to the loan balance at the time; you cannot shift equity into the new main residence and maximise interest deductions with a new loan. This is an advanced tax topic, but the takeaway is that smart property investors building their portfolio should always use offset accounts.

Offset Account:
Save $3,675 in year 1 & $62,534 over loan life

2. Make additional concessional contributions to superannuation through salary sacrifice

See Appendix 3 for updated projections

Starting from July 2021, you can annually contribute up to $27,500[4] to your superannuation which will be concessionally taxed at 15% within the fund. Note, this includes super paid by your employer currently calculated as 9.5% for your annual salary, increasing to 10% from July 2021.

In 2022, your employer will contribute $16,480 to your TWU Superannuation fund meaning you can contribute a further $11,020 which will compound at 4.5% per annual based on current superannuation fund earnings. Not only will this increase your superannuation balance it will reduce your taxable income and hence will reduce your tax payable by $4,463 in 2022. Both increasing your superannuation and reducing your tax payable are both objectives you have requested us to provide you advice on.

This small change will mean that your savings will now until 2074, or 5 years past your current life expectancy. This also ensures that if there are any negative changes with your employment, you are still more likely to be able to meet your retirement objective of retiring at $90,000 per year (current dollars) because you can generate your superannuation at a faster rate.

Tax saving
Save $4,463 next financial year

[4] From 1 July 2021. Note, the concessional cap is currently $25,000 for 2020-21.

3. Risk management and insurance

Insurance is a way of outsourcing financial risks that are too great to cover with your current level of financial resources. Common risks insured include our homes, possessions and individual health. An even greater risk than this is 'personal' risk. The risk of financial hardship due to injury, illness or death is of even greater concern. The ability to pay our debts and other expenses are risks that can be readily outsourced if you do not have the financial resources available.

Purchase Income Protection

Maurice, you have not disclosed any current income protection insurance. The single biggest risk to your lifestyle and financial security is likely to be the inability to earn an income through injury or illness. Income protection is an ongoing cover that will ensure you can meet your day-to-day expenses if you are unable to work for a short or long period. Instead of receiving a one-off lump sum, income protection can provide ongoing cover to replace a portion of your income while you are unable to work. From your balance sheet statement, you can see that liquidity ratio is less than 10%, which is risky if you do not have income protection insurance to cover your debt.

Ongoing cover	Income Protection Cover: Maurice
Current income	$175,200
Percentage of income to cover	75%
Super contributions to be covered	0%
Annual income covered	**$131,400**
Monthly benefit	**$10,950**
Recommended Cover	**$10,950 pm** (90 day wait, up to age 65)

Income protection insurance, if sits outside of your superannuation can be tax deductible which further reduces your tax liability. We recommend you buy the insurance in your name given your strong cash flow meaning you can afford it outside of your superannuation and your high rate of tax. We certainly can provide a quotation if you wish.

Purchase Private Health Insurance

Not only will the purchase of private health insurance provide protection for your lifestyle and treatment options in the event of an unfortunate injury or illness, having insurance will remove the requirement to pay the Medicare surcharge which cost you $2,585 in 2021 and will cost $2,475 in 2022. This cost will offset the cost of the insurance cover and reduce your tax payable. Depending on what level of health insurance cover you select you may end up with a net cash saving through tax savings less insurance premium costs.

Tax saving
Save another $2,475 per year

GREGORY CURTIS
FINANCIAL PLANNERS

4. Diversification for your portfolio

As mentioned, your current risk profile is moderately aggressive and the allocation to property is 60.36%. With the current property market boom, obviously you will benefit in the short-term. However, if the property market were to crash, your portfolio will suffer.

You also have more Australian shares rather than international shares and are holding more cash. Your current superannuation investment option is well suited for your risk profile. You do not need to change your investment option within TWU, nor roll to a different super fund if you are currently happy.

You could sell your Caufield property to reallocate your assets. There will be no (or very little) CGT but you will incur transactions costs such as agent's fees, listing fees and opportunity cost. For these reasons, rather than selling your property, instead allocate future funds into other assets classes such as international shares.

Same with the Australian shares that you inherited, if you sell these shares you will be subject to CGT tax. However, you also need to consider the long-term effect of diversification rather than short term expenses.

We understand that you enjoy spending time managing your investments. You might want to consider using a wrap account to choose your own investments/managed fund. This can be an effective and fun way of managing your own portfolio. A platform like *Netwealth* can assist you managing both investments and cash flow from one single platform. There are other platforms in the market which you can use. Perhaps start with one of these and then make a decision after trailing if your wish to better diversify your portfolio for the longer term.

DID YOU KNOW?

Your Caufield property will be CGT free from when bought it until 30/6/2021 to the time you acquired your new main residence. We strongly recommend you immediately get a licenced property valuer to legally establish the capital gain for that period under which you can claim you a main residence exemption. This will be handy when you eventually sell the property.

Appendices

Appendix 1 - Assumptions

The following items have been assumed for the sake of this assessment. The authors acknowledge that in practice we would simply direct these queries to the client to ensure data is correct.

Caulfield rental	➢ The rental costs are perfectly match the rental income. The tax loss is 100% due to tax depreciation. ➢ Rental loss of $4,000 is constant as Mr Scott uses straight line tax depreciation.
Salary	➢ Salary is a package which includes super.
CGT: CSL Shares	➢ The cost base of the shares are taken to be $28, which ought to be at the value at the time Mr Scott's grandfather acquired the shares and not the value at the time of Mr Scott's acquisition
Term deposit and interest	➢ Interest on the term deposit is paid out in cash; TD rolled over.
Super and tax	All projections use ➢ 2020-21 tax rates ➢ known SG rates rising form 9.5% to 12% ➢ A contributions cap of 27,500. We expect this will rise over time, but we can not know by how much. This change will be favourable to the client.

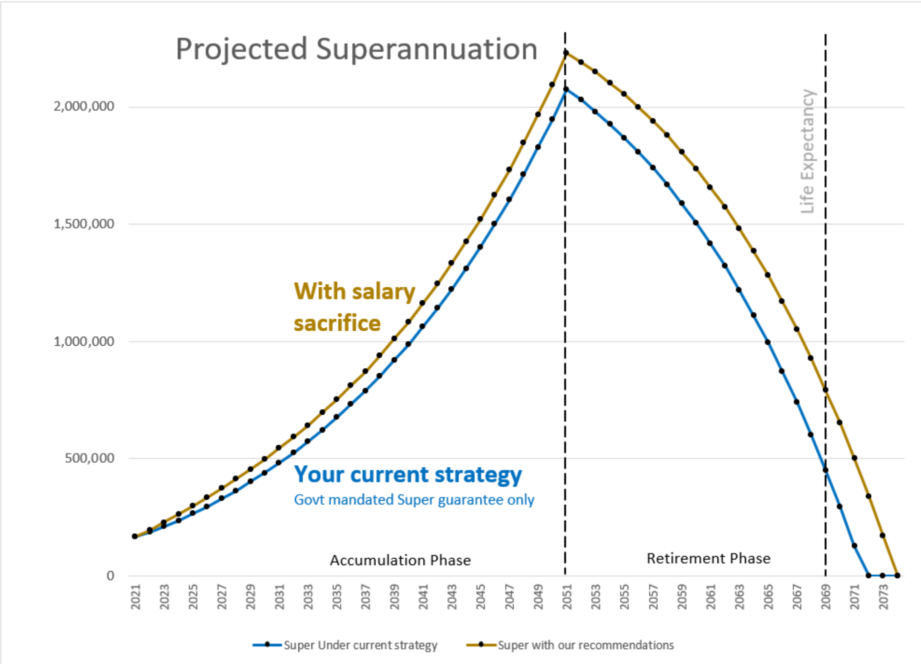
Appendix 2 – Notes to financial statements

1 Salary increases by 3% each year
2 Dividends are assumed to remain unchanged
3 Inflate by CPI increase (1.4%p.a.)
4 Term Deposit interest rate 0.35% and term deposit amount expected to remain constant
5 Credit card interest currently 19.99% for Bendigo Bank Platinum Awards Credit Card
6 Sale of 100 WES Shares
7 3.19% on interest only loan
8 Other rental costs exclude interest on investment loan and balance of costs that the rental property makes a nil net cash flow and property has a tax loss for depreciation only
9 This will be considered in Actionable advice
10 Long term capital growth on Melbourne housing is 6.2%

GREGORY CURTIS
FINANCIAL PLANNERS

Appendix 3 – Superannuation projection with salary sacrifice

These projections show the impact of maximalising your salary sacrifice to a maximum of $27,500 concessional contributions per year under the current law. We expect that these limits will be revised upwards in the coming years, and your gains will be even more pronounced.



Accumulation phase maximising salary sacrifice.

Year	Age	Salary	Opening super balance	Add employer SGC & CC	Less 15% contributions tax	Add net earnings (net of tax and fees)	Closing Super balance
2021	35	160,000	146,500	15,200	(2,280)	6,593	166,013
2022	36	164,800	166,013	27,500	(4,125)	7,471	196,858
2023	37	169,744	196,858	27,500	(4,125)	8,859	229,092
2024	38	174,836	229,092	27,500	(4,125)	10,309	262,776
2025	39	180,081	262,776	27,500	(4,125)	11,825	297,976
2026	40	185,484	297,976	27,500	(4,125)	13,409	334,760
2027	41	191,048	334,760	27,500	(4,125)	15,064	373,199
2028	42	196,780	373,199	27,500	(4,125)	16,794	413,368
2029	43	202,683	413,368	27,500	(4,125)	18,602	455,344
2030	44	208,764	455,344	27,500	(4,125)	20,490	499,210
2031	45	215,027	499,210	27,500	(4,125)	22,464	545,049
2032	46	221,477	545,049	27,500	(4,125)	24,527	592,951
2033	47	228,122	592,951	27,500	(4,125)	26,683	643,009
2034	48	234,965	643,009	28,196	(4,229)	28,935	695,911
2035	49	242,014	695,911	29,042	(4,356)	31,316	751,913
2036	50	249,275	751,913	29,913	(4,487)	33,836	811,175
2037	51	256,753	811,175	30,810	(4,622)	36,503	873,866
2038	52	264,456	873,866	31,735	(4,760)	39,324	940,165
2039	53	272,389	940,165	32,687	(4,903)	42,307	1,010,256
2040	54	280,561	1,010,256	33,667	(5,050)	45,462	1,084,335
2041	55	288,978	1,084,335	34,677	(5,202)	48,795	1,162,606
2042	56	297,647	1,162,606	35,718	(5,358)	52,317	1,245,283
2043	57	306,577	1,245,283	36,789	(5,518)	56,038	1,332,591
2044	58	315,774	1,332,591	37,893	(5,684)	59,967	1,424,767
2045	59	325,247	1,424,767	39,030	(5,854)	64,115	1,522,057
2046	60	335,004	1,522,057	40,201	(6,030)	68,493	1,624,720
2047	61	345,055	1,624,720	41,407	(6,211)	73,112	1,733,027
2048	62	355,406	1,733,027	42,649	(6,397)	77,986	1,847,265
2049	63	366,068	1,847,265	43,928	(6,589)	83,127	1,967,731
2050	64	377,050	1,967,731	45,246	(6,787)	88,548	2,094,738
2051	65	388,362	2,094,738	46,603	(6,991)	94,263	2,228,614

Retirement phase given additional salary sacrificed amounts

Year	Age	Opening super balance	Less pension withdrawal (real income required)	Add net earnings (net of tax and fees)	Closing Super balance
2052	66	2,228,614	(138,490)	100,288	2,190,412
2053	67	2,190,412	(140,429)	98,569	2,148,551
2054	68	2,148,551	(142,395)	96,685	2,102,841
2055	69	2,102,841	(144,389)	94,628	2,053,080
2056	70	2,053,080	(146,410)	92,389	1,999,059
2057	71	1,999,059	(148,460)	89,958	1,940,556
2058	72	1,940,556	(150,538)	87,325	1,877,343
2059	73	1,877,343	(152,646)	84,480	1,809,178
2060	74	1,809,178	(154,783)	81,413	1,735,808
2061	75	1,735,808	(156,950)	78,111	1,656,970
2062	76	1,656,970	(159,147)	74,564	1,572,386
2063	77	1,572,386	(161,375)	70,757	1,481,768
2064	78	1,481,768	(163,634)	66,680	1,384,814
2065	79	1,384,814	(165,925)	62,317	1,281,205
2066	80	1,281,205	(168,248)	57,654	1,170,611
2067	81	1,170,611	(170,604)	52,677	1,052,685
2068	82	1,052,685	(172,992)	47,371	927,063
2069	83	927,063	(175,414)	41,718	793,367
2070	84	793,367	(177,870)	35,702	651,199
2071	85	651,199	(180,360)	29,304	500,143
2072	86	500,143	(182,885)	22,506	339,764
2073	87	339,764	(185,445)	15,289	169,608
2074	88	169,608	(177,241)	7,632	-

Appendix 4 – Projections including recommendations

The following three financial statements include the impact of our recommendations.

Tax Calcuation Sheet

Annual Cash Flow statement to FY2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25	Notes
Assessable Income & Deductions						
Wages (business income)	160,000	164,800	169,744	174,836	180,081	*1*
Dividend (CSL)	1,127	1,127	1,127	1,127	1,127	
Dividend (WES)	1,830	1,830	1,830	1,830	1,830	
Franking Credit Gross up	1,267	1,267	1,267	1,267	1,267	
Net Rental Loss	(4,000)	(4,000)	(4,000)	(4,000)	(4,000)	
Interest on Term Deposit	193	N/A	N/A	N/A	N/A	
Net Cap Gain	12,100	-	-	-	-	*6*
CC (Sal. Sacrifice)		(11,020)	(9,677)	(8,268)	(6,791)	
Income Prot Ins.	-	-	-	-	-	*9*
Other deductions	-	-	-	-	-	*9*
Net Taxable Income	**172,517**	**154,005**	**160,292**	**166,793**	**173,516**	
Less tax						
Income tax	48,898	42,049	44,375	46,781	49,268	
Medicare Levy	3,450	3,080	3,206	3,336	3,470	
MLS	2,588	-	-	-	-	
LITO	-	-	-	-	-	*9*
LIMTO	-	-	-	-	-	
FC Offset	(1,267)	(1,267)	(1,267)	(1,267)	(1,267)	
Total Projected tax bill	**53,669**	**43,861**	**46,313**	**48,849**	**51,471**	
Overall tax %	**31%**	**28%**	**29%**	**29%**	**30%**	
Tax Saving $	-	6,851	6,401	5,928	5,471	
Decreasing your tax bill by:	**0%**	**14%**	**12%**	**11%**	**10%**	

Our recommendations will save you substantial amounts on tax.

This statement includes the changes we recommend.

Cashflow Statement

Annual Cash Flow Statements to FY2024-25

	2020-21	2021-22	2022-23	2023-24	2024-25	Notes
Cash inflows						
Wages (business income)	160,000	164,800	169,744	174,836	180,081	1
Dividend (CSL)	1,127	1,127	1,127	1,127	1,127	
Dividend (WES)	1,830	1,830	1,830	1,830	1,830	2
Franking Credit Gross up						
Rental Income	21,580	21,882	22,188	22,499	22,814	3
Interst on term deposit	193	-	-	-	-	4
Sale of Shares	27,000	-	-	-	-	6
Total Cash Inflows	**211,730**	**189,640**	**194,890**	**200,293**	**205,853**	
Cash outflows						
Income tax payable	53,669	43,861	46,313	48,849	51,471	
Salary Sacrifice	-	11,020	9,677	8,268	6,791	
Rent for Maurice	32,100	N/A	N/A	N/A	N/A	
Mortgage Main Res Fixed	N/A	25,752	25,752	25,752	25,752	
Mortgage Main Res Var	N/A	17,077	17,077	17,077	17,077	
Interest: Rental Property	9,315	9,315	9,315	9,315	9,315	7
Bal. Rental Property outflows	12,265	12,567	12,874	13,184	13,499	8
Utilities	4,576	4,640	4,705	4,771	4,838	3
Car running costs	9,080	9,207	9,336	9,467	9,599	3
Car rego & insurance	2,080	2,109	2,139	2,169	2,199	3
Home (rates, repairs, rates)	7,568	7,674	7,781	7,890	8,001	3
Food	7,439	7,543	7,649	7,756	7,864	3
Alcohol	1,620	1,643	1,666	1,689	1,713	3
Health care expenses	1,815	1,840	1,866	1,892	1,919	3
Travel	8,350	8,467	8,585	8,706	8,828	3
Entertainment & dining	6,462	6,552	6,644	6,737	6,832	3
Misc	4,512	4,575	4,639	4,704	4,770	3
Credit Card Interest	4,198	-	-	-	-	5
Total Cash Outflows	**165,049**	**173,844**	**176,019**	**178,227**	**180,467**	
Net Cash Flow	**46,681**	**15,795**	**18,871**	**22,066**	**25,386**	
Additional cash flow	**-**	**(105)**	**848**	**1,845**	**2,926**	

By following our advice, you will save tax and build wealth faster, but experience an almost imperceptible impact on your daily cashflow.

Your money is working smarter!

This balance sheet includes the changes we recommend.

Balance Sheet

Projected to FY2024-25

	Cost Base	2020-21	2021-22	2022-23	2023-24	2024-25	Notes
Life Style Assets							
Main Residence	1,150,000	1,150,000	1,221,300	1,297,021	1,377,436	1,462,837	*10*
Vehicle		60,000	60,001	60,002	60,003	60,004	
TOTAL		**1,210,000**	**1,281,301**	**1,357,023**	**1,437,439**	**1,522,841**	
Investment Assets							
Cash on Demand		38,160	N/A	N/A	N/A	N/A	
Cash Term Deposit		55,000	N/A	N/A	N/A	N/A	
Offset Account		N/A	118,541	134,336	153,207	175,273	
Shares: CSL	11,200	105,860	105,860	105,860	105,860	105,860	
Shares: WES	21,600	52,670	52,670	52,670	52,670	52,670	
Investment Property	11,200	540,000	573,480	609,036	646,796	686,897	*10*
TOTAL		**791,690**	**850,551**	**901,902**	**958,533**	**1,020,700**	
Liabilities							
Mortgage		341,627	341,627	341,627	341,627	341,627	
Investment loan		292,000	292,000	292,000	292,000	292,000	
Credit Card: Bendigo Bank Platinur		21,000	5,000	5,000	5,000	5,000	*1*
TOTAL		**654,627**	**638,627**	**638,627**	**638,627**	**638,627**	
Net Wealth		**1,347,063**	**1,493,225**	**1,620,297**	**1,757,344**	**1,904,914**	