

# Statement of Advice

(Your Advice Record)

## 10 Year Savings Plan

John Black and Mary Black

Age: 30 and 30

DOB: and

Report Generated by Simon Simmons of Good Advice



**Simon Simmons**

Good Advice

1 George Street, Sydney 2000. Phone 9999 999

## Disclosure Statement

This software is intended for a **Licensed Financial Adviser** to create a financial plan, based on the information provided in the **Fact Find**, that has been completed by the client. This information is imported into a *Financial Plan* and is optimized by the Financial Adviser generating this report, based on the objectives of the client. Its purpose is to provide a dynamic mathematical model that shows the cause and effect of various financial transactions which are based on the information provided by you and assumptions about future values.

*The software provides a number of Reports for you to view, that show the attributes of the Plan. In addition, the Financial Adviser will write an Advice Document.*

The person writing this **Report** will have taken into consideration the most appropriate advice for your personal financial situation.

Default assumptions used for returns on investments and interest rates on loans will be based on the approximate average investment returns, with the time period being selected by the adviser.

All assumptions made and forecasts produced using this software are based on past performance.

**Past performance is not a reliable indicator of future performance.**

Please ensure the information that you provide is complete and accurate, otherwise, the projections may not reflect accurate future estimations. Before acting on the information consider the appropriateness of it having regard to your objectives, financial situation, and needs.

If you have any concerns, discuss these with your adviser.



# Plan Objectives

## Plan Objectives

In the Fact Find, your Objectives were listed as paying down the credit card and personal loan first using the \$500 a month you have allocated to debt management. After that, you would like to increase your home loan payments.

You have also indicated you would like to save \$200 a month.

## Main Strategy

The general strategy will be to apply the \$600 a month to your credit card which means it will be repaid in 18 months. After that, you should pay down the personal loan and then continue paying down the home loan.

I note you don't have an Emergency Cash Account, so for the first 2 years you should save \$200 a month

From Year year you should open an EFT account as you requested and allocate \$200 per month to this Managed Fund.

## General Comments

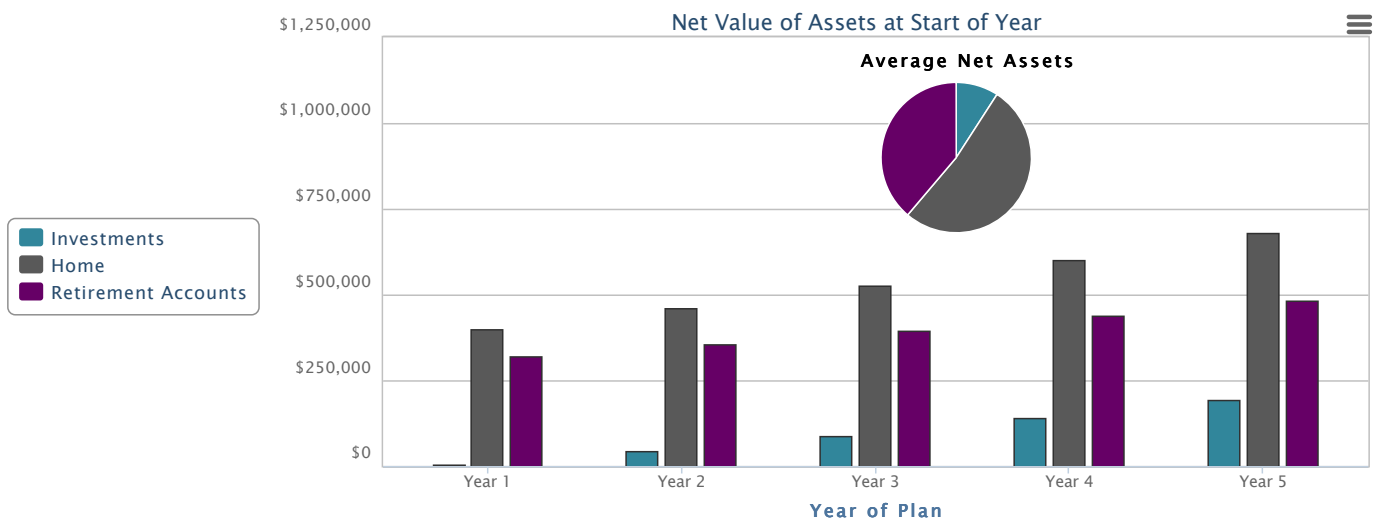
I note you only have Life Insurance with your Super Fund.

I would suggest you book another appointment to consider Income Protection and Trauma Insurance.

## Milestones & Goals

The following milestones and goals are listed in the plan:

- **2028:** Buying a car (John)
- **2028:** Work Full Time Salary \$100,000 (Mary)



## What You Own

Results are displayed in Present Value.

Asset	Value at Start of Plan	Value at End of Plan
Transaction (Bank) Account	\$5,000	\$431,493
Our House	\$800,000	\$1,448,980
Emergency Cash Account	\$0	\$24,454
ETF	\$0	\$148,826
John's Super	\$200,000	\$511,596
Mary's Super	\$120,000	\$332,466

## What You Owe

Results are displayed in Present Value.

Debt	Value at Start of Plan	Value at End of Plan
Holiday Loan	\$5,000	\$0
Our House [Loan]	\$400,000	\$182,161
VISA	\$4,000	\$0

# My Advice

## Executive Summary

You have indicated that you want to allocate 23% of your gross salary to paying down debt and investing. You should commence by paying down your credit card and personal loan using the \$500 you nominated for additional loan payments. Once they are both repaid, you will pay down your home loan. As you don't have an Emergency Cash Account, I recommend that for the first year, you create one using the balance of your savings after paying loans. In the first year, this will be \$47,000 of which \$39,270 is applied to the repayment of your home loan and \$6,730 to your Emergency Cash. After the first year, you should allocate 10% to your cash account and 90% to your EFT Account.

I recommend you view the interactive report, The First 5-years for details of your plan on a year-by-year basis.

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## Scope of Advice

This advice has not provided any specific financial products. You should choose an ETF that will suit your needs.

I have not considered your insurance requirements. This is a report for Self-Evaluation of Insurance Needs. You may wish to complete this report and if you require assistance with choosing more insurance, this will be at an additional cost.

## Reasons for My Recommendations

The Reasons for Recommendations are that you are still young, and I want to set you up for a sound financial future. This means you should not engage in personal loans, but save for these items. If you can pay down your home loan quickly, less non-taxable interest will be charged. By investing in the ETF, you are being exposed to investing in equities. I would suggest your return in 5-years to assess your financial position and expand your investment portfolio




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# Financial Performance Snapshot

Figures are displayed in Future Value, except where indicated as Present Value (PV).

## Legend

-  You have completed this element of the plan
-  There may be elements you should review
-  This element was not completed

Area	Status	
Salary		Your annual salary at the start of your plan is \$200,000.
Savings Allocations		In the first year you have planned to contribute \$46,000 ( 23.00% of your salary) to an Investment Plan.
Cash Flow from Investments		At the start of your plan you have annual income from investments of \$2,533.
Wealth Now		At the start of your plan you have \$5,000 in investments (including investment loans), and \$320,000 retirement funds.
Debt Now		At the start of your plan you have debts of \$409,000 (including personal loans).
Lifestyle Goals		You have included 2 lifestyle goals in your plan.
Risk Management (John)		You have completed the Report Insurance Needs Self Evaluation assessment and a summary is provided in this report.
Risk Management (Mary)		You have completed the Report Insurance Needs Self Evaluation assessment and a summary is provided in this report.

# Home Ownership

## Homes

This plan has 1 home. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Home: *Our House*

*Our House* is an existing home owned jointly with a value of \$800,000 at the start of the plan. The purchase price including costs was \$600,000.

It is estimated that the value of the home will rise at 6.12% p.a.

There are no building improvements planned for this home.

At the end of the plan, this home is worth \$1,131,941 (which is \$1,448,980 in FV).

## Loans

The following loans are assigned to your homes. If the home is sold, the loan is paid out at the same time.

### Home Loan: *Our House [Loan]*

This is an existing loan with a value at the start of the plan of \$400,000.

*Our House [Loan]* is a Principal and Interest loan with a term of 20 Years. It has an interest rate of 6.67% which is not fixed.

You plan to make additional payments totalling the following amounts each year:

- **Year 1:** \$3,000
- **Year 2:** \$2,496
- **Years 3 to 10:** \$6,000

With these additional payments it is estimated you will save \$88,440 (FV) in interest charges.

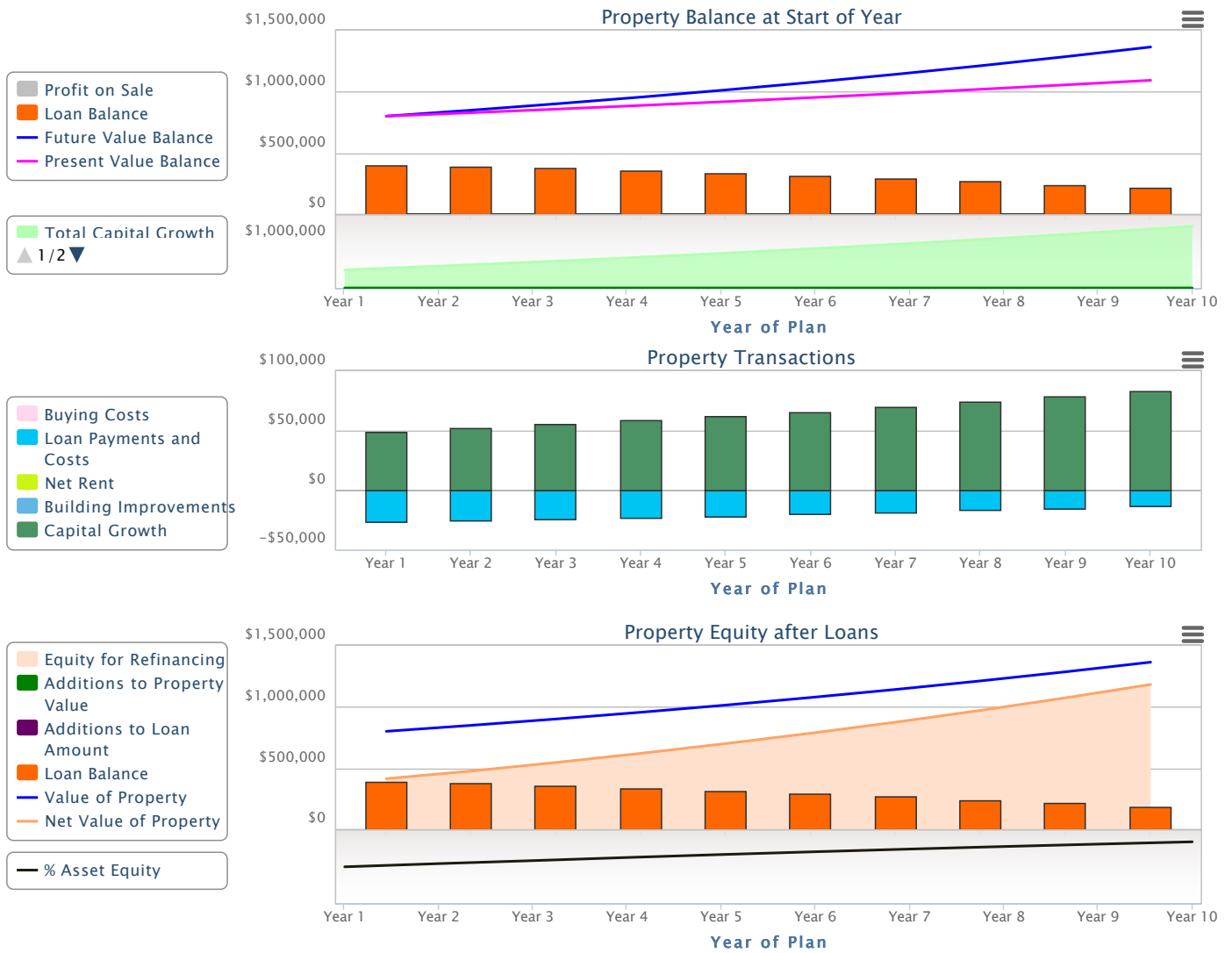
## Notes

When using cash flow modelling software to estimate future changes in real estate prices, an average Capital Growth is selected. The value of each property will change year by year and no one can predict what these changes will be for a specific property or property in general.

The Bureau of Statistics keeps an historical record of changes in property prices. They have estimated that the price rise of Established Houses for the 20-year period from 2001 was 6.46% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated price rise was 3.13% with an Inflation Rate of 1.57%. The Real (after-inflation) Capital Growth Rates were 3.99% for the 20-year period and 1.53% for the 5-year period.

Where loans have been included, the interest rates are assumed to remain the same. Where the interest rate is not a fixed rate, then the interest charges may change. According to the Reserve Bank of Australia, the average Standard Variable Home Loan rate for the 20-year period from 2001 was 6.52% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated rate was 5.16% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 4.33% and 3.57%.

## Our House





# Investments

## Interest Earning Accounts

In the cash flow modelling software, money invested in interest earning accounts are of four types.

- Transaction (Bank) Account
- Cash Accounts such as savings or cash management accounts
- Term Deposits
- Bonds

The Transaction Account is the account through which all transactions occur.

Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Transaction Account

The balance of the Transaction Account at the start of the plan is \$5,000. The investment return is 5.18%. During the plan, the account is not overdrawn at the end of any years.

At the end of the plan, the balance is \$431,493 (which is \$552,347 in FV).

### Cash Account: *Emergency Cash Account*

*Emergency Cash Account* is an existing cash account owned by John with a value of \$0 at the start of the plan.

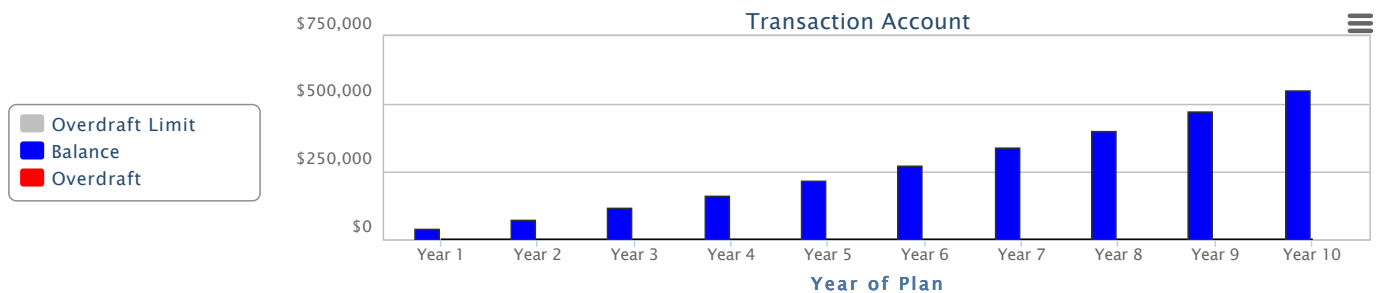
The investment return is 5.18% and interest is reinvested. The interest is taxed as income.

This plan uses the automated Investment Plan which allocates salary savings by a percentage. This percentage is calculated from the total savings allocation less any loan expenses. The allocation in the Investment Plan is:

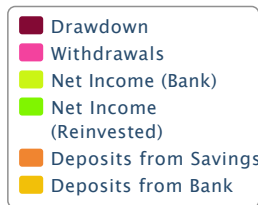
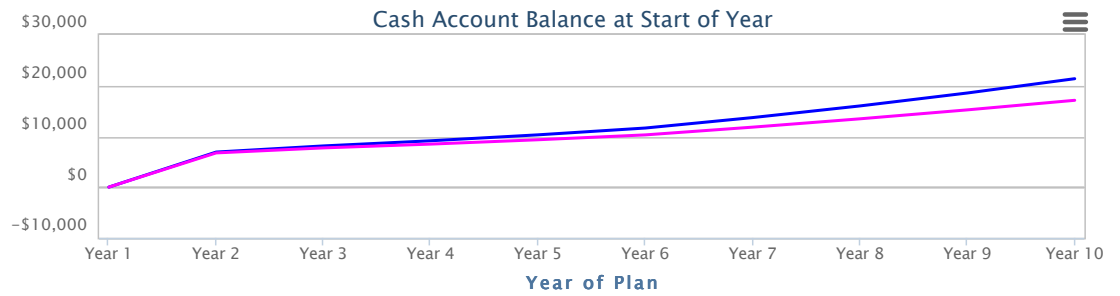
- **Year 1:** 100.00%
- **Years 2 to 10:** 10.00%

At the end of the plan, this cash account is worth \$19,104 (which is \$24,454 in FV).

## Bank Account – Balance at End of Year



## Emergency Cash Account



## Managed Funds

This plan has 1 managed fund. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Managed Fund: *ETF*

*ETF* is an existing managed fund owned jointly with a value of \$0 at the start of the plan.

The managed fund's asset allocation is described as **Aggressive**. Following is the breakdown.

Cash	10.00%
Domestic Fixed Interest	0.00%
Global Fixed Interest	0.00%
<b>Defensive Assets</b>	<b>10.00%</b>
Domestic Equities	60.00%
Global Equities	30.00%
Other Investments	0.00%
Property Trusts	0.00%
<b>Growth Assets</b>	<b>90.00%</b>

The estimated income from dividends is 5.00% and the estimated capital growth rate is 7.00%, a total return of 12.00%.

Dividends from this portfolio are:

- Reinvested during the Savings Phase.

The dividends are taxed as income.

Imputation credits for Australia have been activated and it is estimated that 40.00% of the fund will be eligible for these tax credits.

This plan uses the automated Investment Plan which allocates salary savings by a percentage. This percentage is calculated from the

total savings allocation less any loan expenses. The allocation in the Investment Plan is:

- **Years 2 to 10: 90.00%**

At the end of the plan, this managed fund is worth \$116,262 (which is \$148,826 in FV).

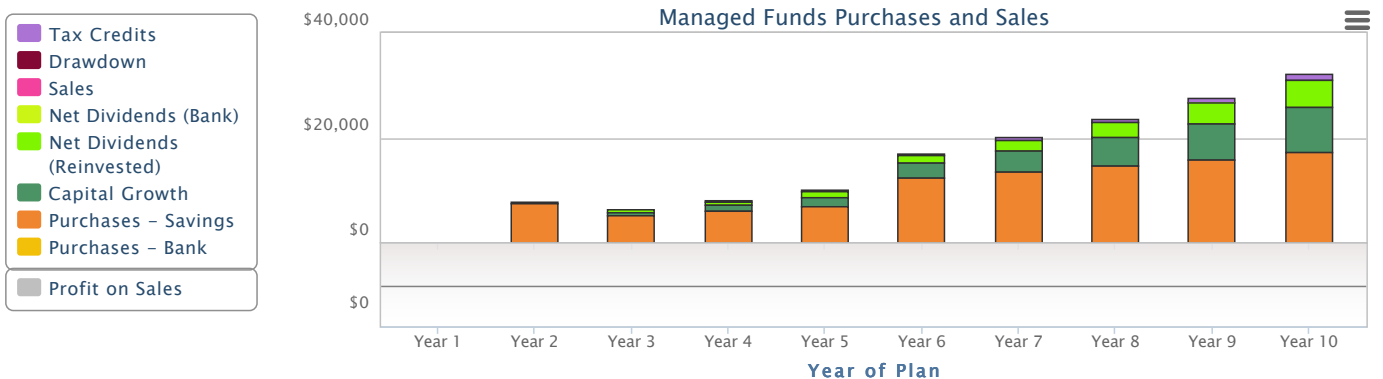
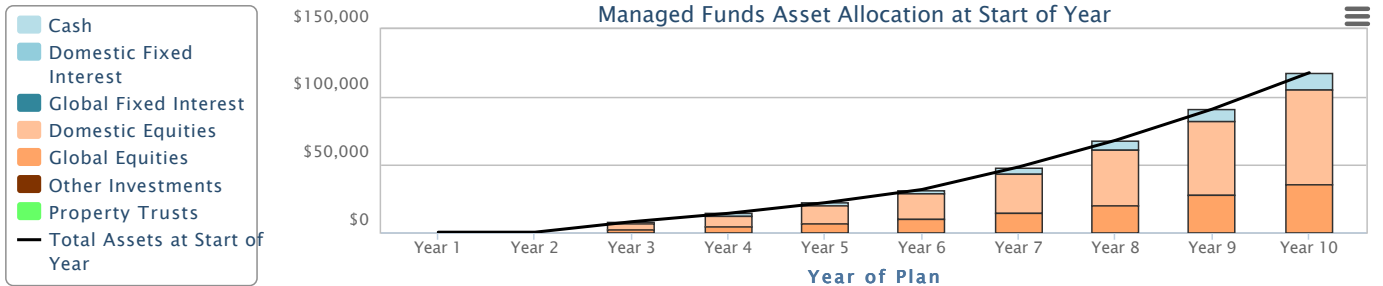
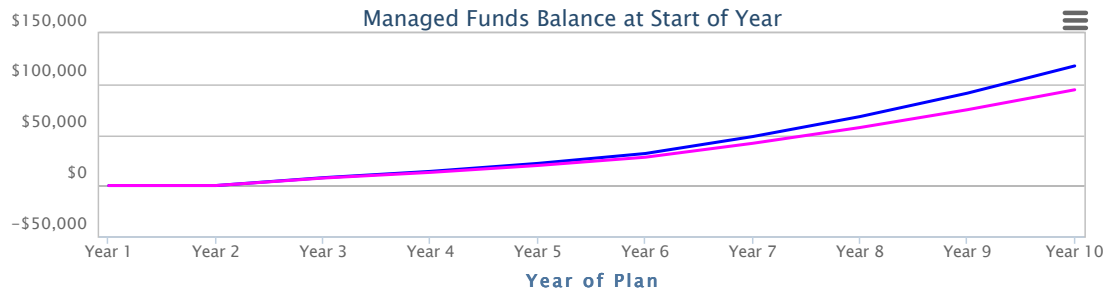
## Notes

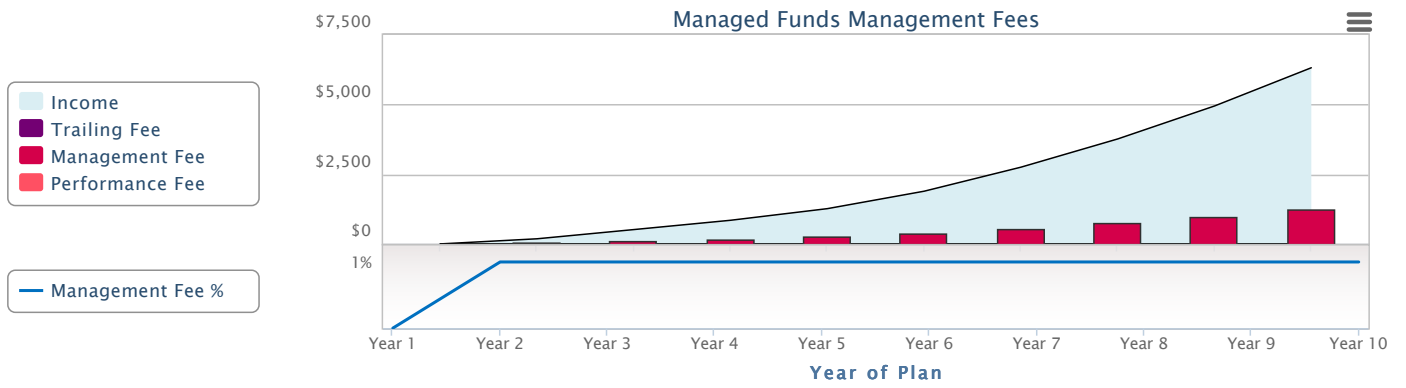
In this plan, it is assumed that dividends and capital growth remain the same. However, there may be considerable rise and falls of share prices for any specific share portfolio or the ASX200. It is estimated that the total return for the ASX200 for the 20-year period from the year 2001 was 9.38% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated total return was 9.29% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 6.82% and 7.60%.

Where loans have been included, the interest rates are assumed to remain the same. Where the interest rate is not a fixed rate, then the interest charges may change. According to the Reserve Bank of Australia, the average Standard Variable Home Loan rate for the 20-year period from 2001 was 6.52% with an average Inflation Rate of 2.39%. In the 5-year period from 2016, the estimated rate was 5.16% with an average Inflation Rate of 1.53%. These are Real (after-inflation) rates of 4.33% and 3.57%.

Margin loans, where the shares are the only security, are likely to attract a higher interest rate than the standard home loan.

## ETF





## Share Portfolios

This plan has no allocation to purchase Australian shares directly.

## Investment Properties

This plan has no investment properties.

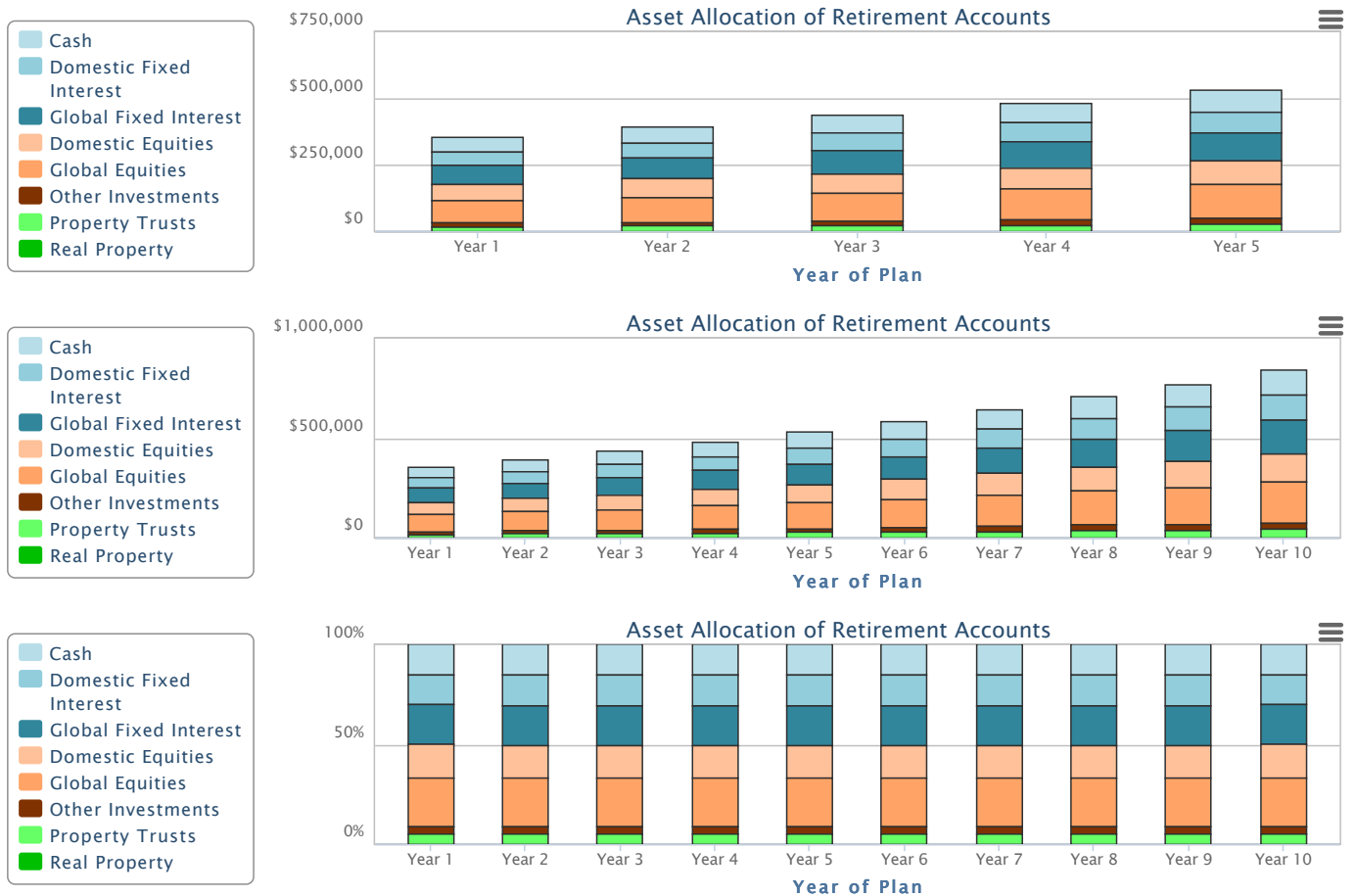
# Superannuation

The combined value of all Superannuation Funds at the start of the Retirement Plan is \$320,000.

The combined value of all Superannuation Funds at the end of the Savings Plan is \$844,062 >> which is a Present Value (or Today's Dollar Value) of \$844,062 .

The graphs represent:

- Dollar value for the first 5 years – including Asset Allocation
- Dollar value for the length of the plan - including Asset Allocation
- Asset Allocation for the length of the plan



## Superannuation/Pension Funds

This plan has 2 superannuation/pension funds that are employer sponsored and are defined contribution funds. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Super/Pension/KiwiSaver Fund: *John's Super*

*John's Super* is a fund for John. Employer contributions are paid to this superannuation account.

At the start of the plan, the total value of the fund is \$200,000. The account balances are:

**Advice Record (Savings Plan)**

Superannuation

Based on plan "10 Year Savings Plan"

John Black and Mary Black

- Employer funded contributions: \$200,000
- Personal pre-tax contributions: \$0
- Personal after-tax contributions: \$0

The following investment profiles are selected:

Start Year	Investment Profile	% pa Return
Year 1	Balanced	7.00%

At the end of the plan, this super/pension/KiwiSaver fund is worth \$399,658 (which is \$511,596 in FV).

**Super/Pension/KiwiSaver Fund: *Mary's Super****Mary's Super* is a fund for Mary. Employer contributions are paid to this superannuation account.

At the start of the plan, the total value of the fund is \$120,000. The account balances are:

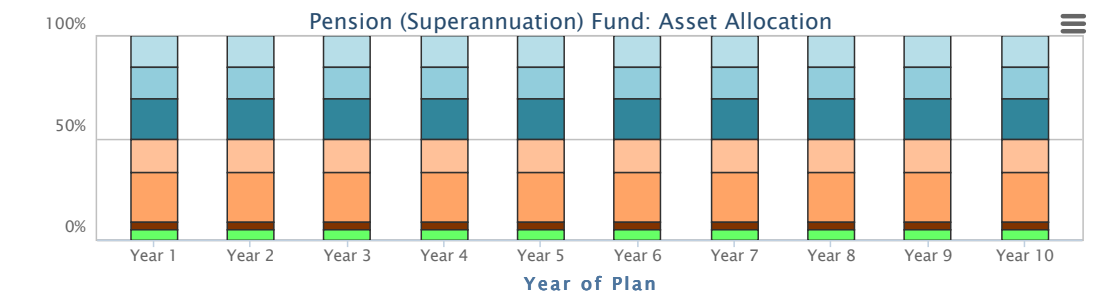
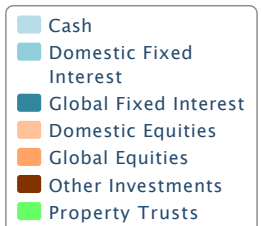
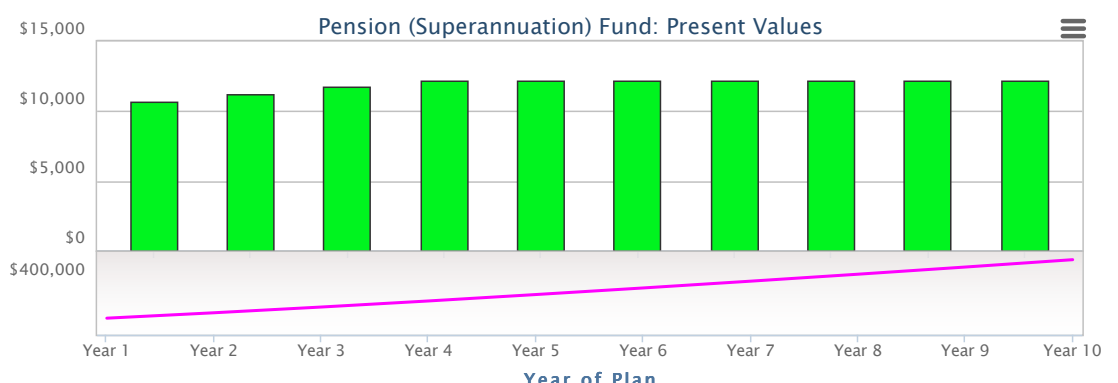
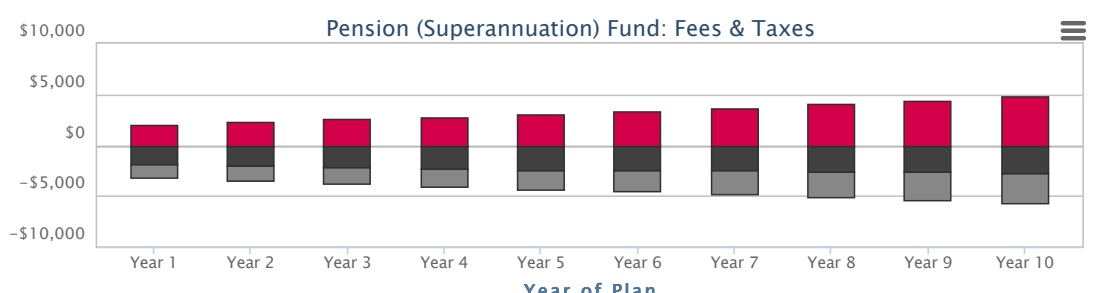
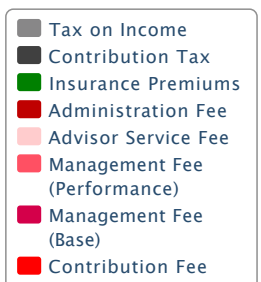
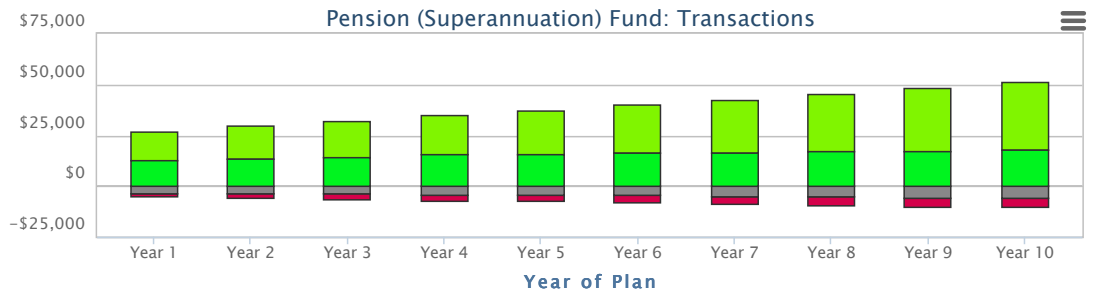
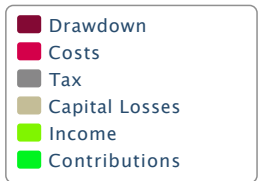
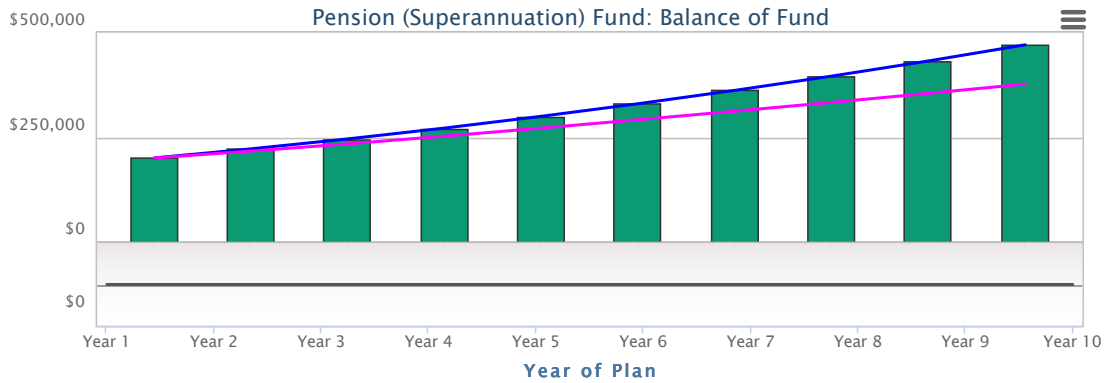
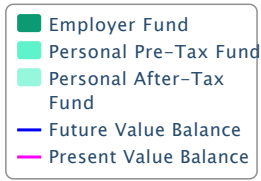
- Employer funded contributions: \$120,000
- Personal pre-tax contributions: \$0
- Personal after-tax contributions: \$0

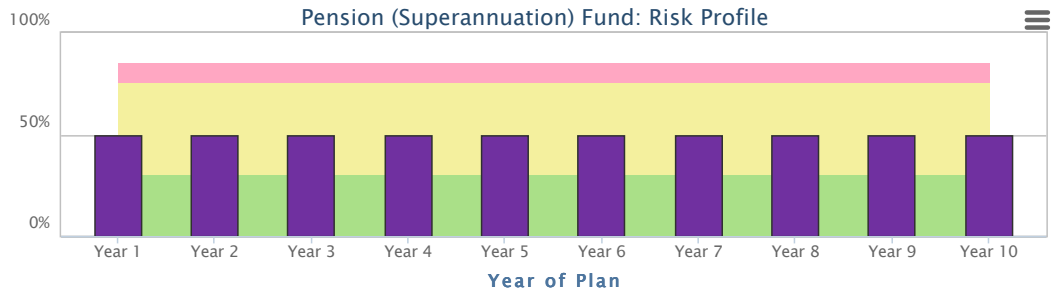
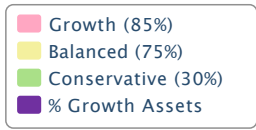
The following investment profiles are selected:

Start Year	Investment Profile	% pa Return
Year 1	Balanced	7.00%

At the end of the plan, this super/pension/KiwiSaver fund is worth \$259,722 (which is \$332,466 in FV).

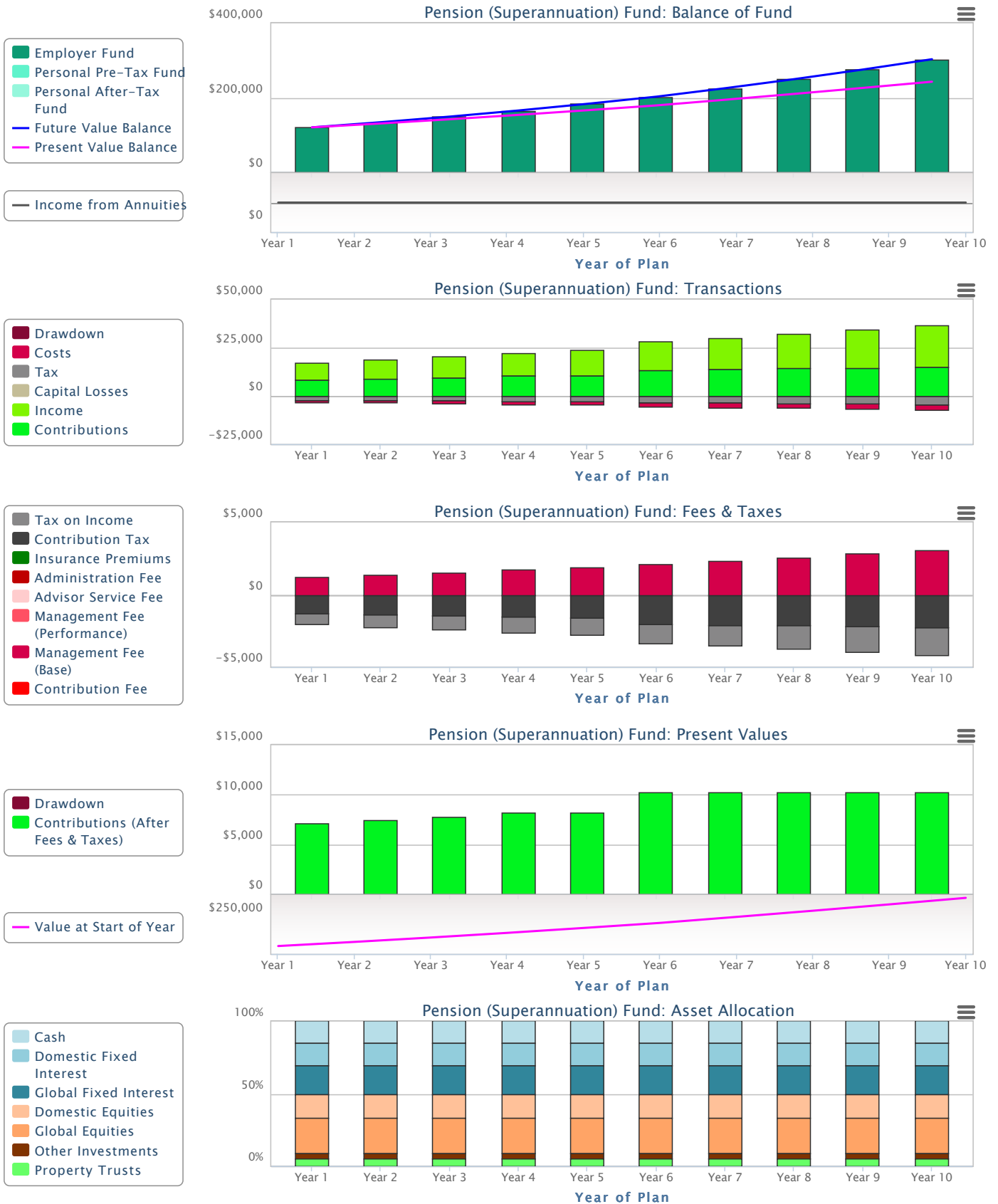
# John's Super (John)

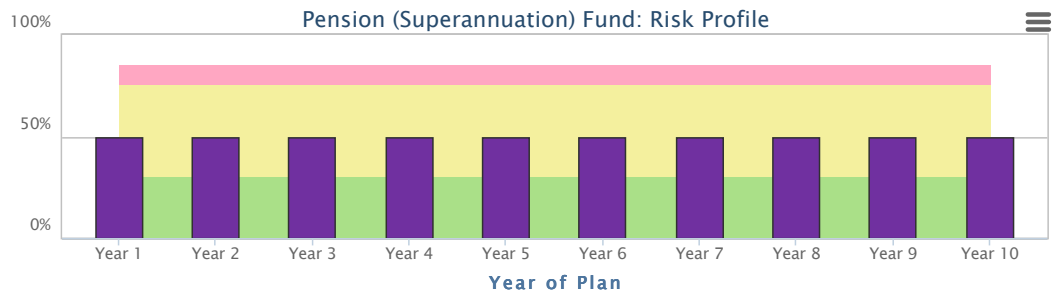
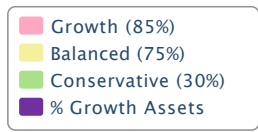






# Mary's Super (Mary)





# Credit Cards, Personal Loans & Personal Savings

## Credit Cards

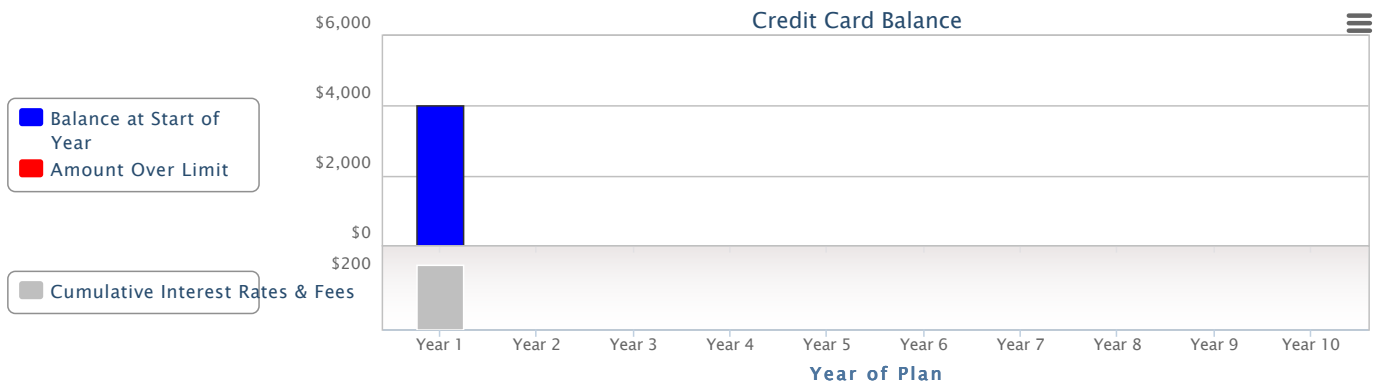
This plan has 1 credit card. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Credit Card: VISA

VISA has a balance of \$4,000 at the start of the plan, and the debt is owned jointly.

The interest rate is 15.00%. It is estimated that the debt will be repaid in 6 months.

## VISA



## Personal Loans

This plan has 1 personal loan. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Personal Loan: *Holiday Loan*

This is an existing loan with a value at the start of the plan of \$5,000. It is owned jointly.

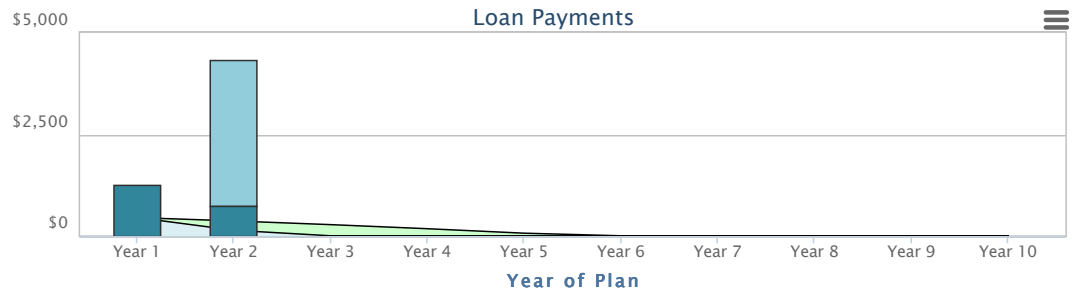
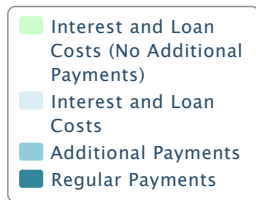
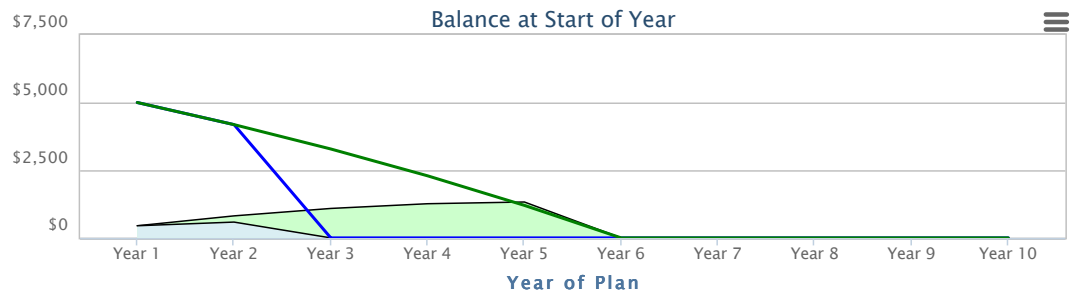
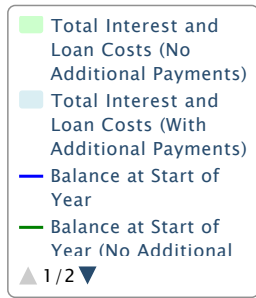
*Holiday Loan* is a Principal and Interest loan with a term of 5 Years. It has an interest rate of 9.67% which is not fixed.

You plan to make additional payments totalling the following amounts each year:

- **Year 2:** \$3,494

With these additional payments it is estimated you will save \$742 (FV) in interest charges.

## Holiday Loan



## Lifestyle Goals

Lifestyle Goals are savings for personal expenses which are deducted from the budget. This plan has 2 lifestyle goals. Note all values are listed in "Today's Dollar Value" (PV), unless listed as (FV), the inflation-indexed value.

### Lifestyle Goal: Saving for John's new car

You plan to start saving for your *Saving for John's new car* in Year 1. The total cost is \$30,000 and you will save \$7,500.00 per year for 4 Years.

### Lifestyle Goal: Saving for Mary's new Car

You plan to start saving for your *Saving for Mary's new Car* in Year 6. The total cost is \$30,000 and you will save \$7,500.00 per year for 4 Years.

Lifestyle Goals (PV)	2023	2024	2025	2026	2027
Age (John, Mary)	Age 30, 30	Age 31, 31	Age 32, 32	Age 33, 33	Age 34, 34
<b>Balance at Start of Year</b>	<b>\$0</b>	<b>\$7,500</b>	<b>\$15,375</b>	<b>\$23,639</b>	<b>\$0</b>
Savings	\$7,500	\$7,688	\$7,880	\$8,077	\$0
Saving for John's new car	\$7,500	\$7,688	\$7,880	\$8,077	\$0
Saving for Mary's new Car	\$0	\$0	\$0	\$0	\$0
Purchases	\$0	\$0	\$0	\$32,307	\$0
Saving for John's new car	\$0	\$0	\$0	\$32,307	\$0
Saving for Mary's new Car	\$0	\$0	\$0	\$0	\$0
<b>Balance at End of Year</b>	<b>\$7,500</b>	<b>\$15,375</b>	<b>\$23,639</b>	<b>\$0</b>	<b>\$0</b>

# Additional Information

**When preparing this document, I have taken into consideration the personal information you provided.**

## Family

We have been married for 10 years and have two children aged 6 and 8.

## Employment

John works full-time as a public servant and Mary works part-time as a bookkeeper.

## Health

We are both in good health as are the children.

## Estate Planning

We both have wills and power of attorney kept with our solicitor Williams Law Queen Street Brisbane.

## Investment Experience

I don't understand Risk/Return and Debt Servicing Ratio

## Investment Risk Profile

Currently, we only have money in a Deposit Account.

We would like to consider EFTs

## Your Objectives for the Next 5 Years

Our order of priority for the next 5 years is:

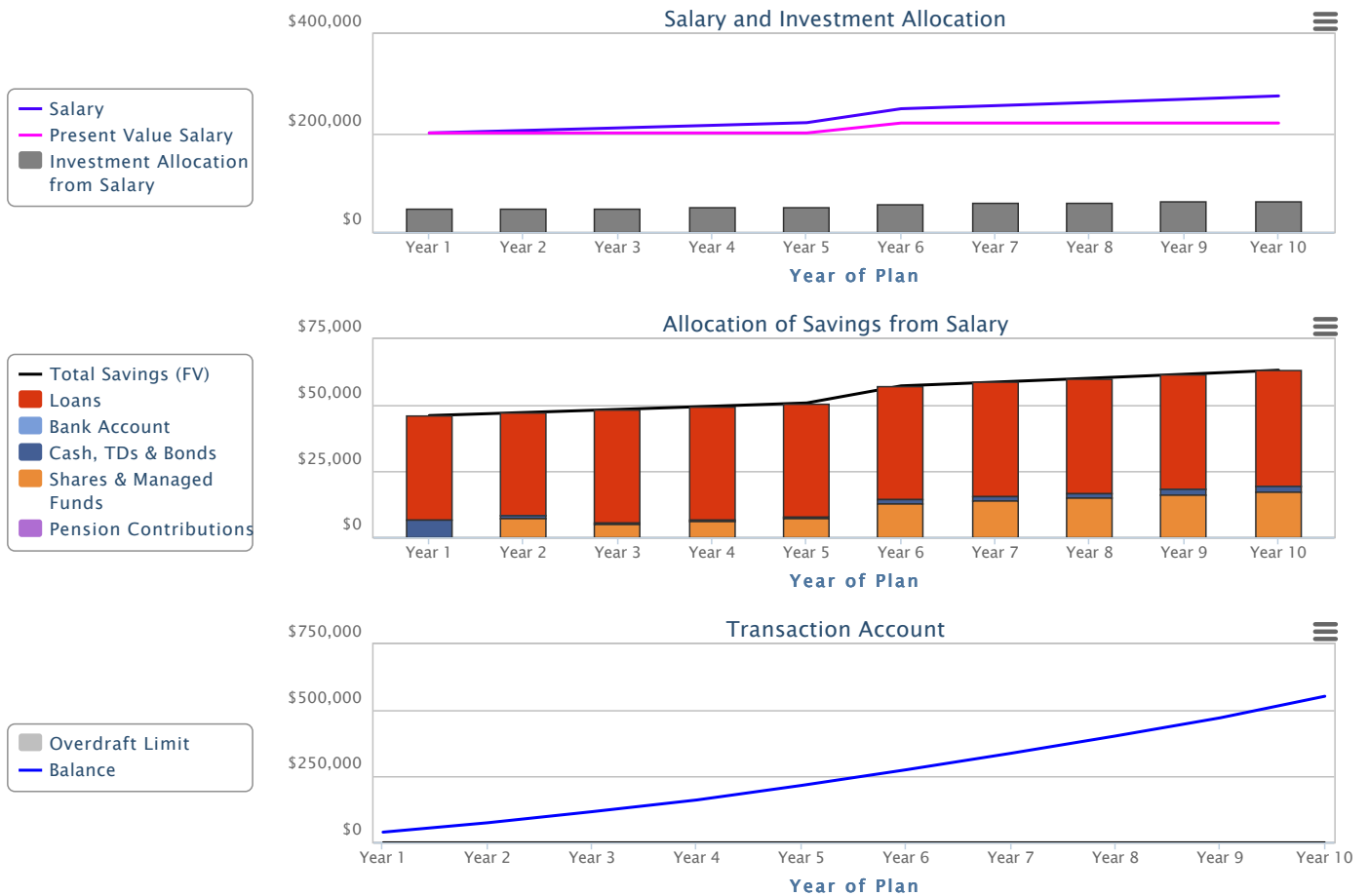
- Pay off the credit card and personal loans
- Increase our home loan payments
- Start an Investment Plan

## Advice You Require

We would like advice on how to manage our finances for the next 10 years based on the objectives we have listed

## Key Indicator Graphs

The following three graphs give an overview of the most important aspects of your plan.



## Salaries

Note all values are listed in "Today's Dollar Value" (PV).

### Salary: John's Salary (John)

This salary is increased at the inflation rate.

The salary has been listed as:

- **Years 1 to 10:** \$120,000

Following is the percentage of the gross salary that is allocated to savings from salary. This money is used to pay for home loans and home improvements, investment loans net of rent, investments, and personal contributions to retirement accounts.

- **Years 1 to 10:** 23.00%

### Salary: Mary's Salary (Mary)

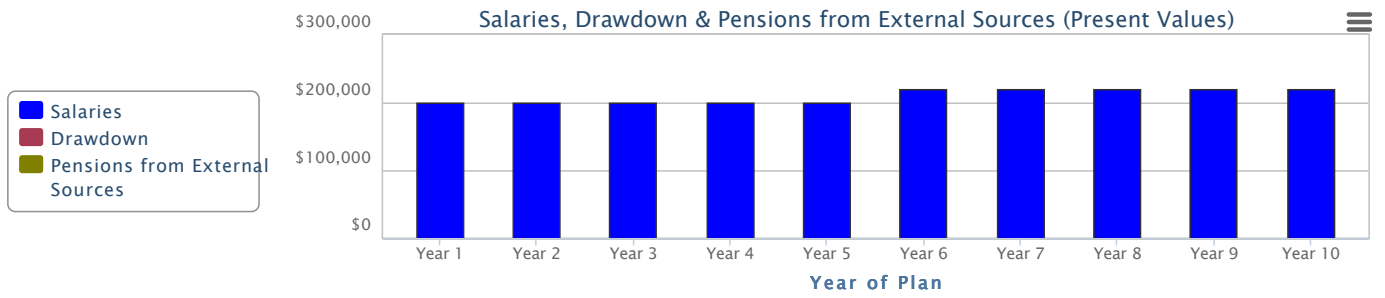
This salary is increased at the inflation rate.

The salary has been listed as:

- **Years 1 to 5:** \$80,000
- **Years 6 to 10:** \$100,000

Following is the percentage of the gross salary that is allocated to savings from salary. This money is used to pay for home loans and home improvements, investment loans net of rent, investments, and personal contributions to retirement accounts.

- **Years 1 to 10:** 23.00%



## Insurance

### Life Insurance (Death & TPD): *ABC Life* (John)

John has *ABC Life* as Life Insurance (Death & TPD) with a value of \$500,000 and premiums of \$200. This cover is from Age 30 to Age 40.

The payments are made from superannuation.

### Life Insurance (Death & TPD): *ABC Life* (Mary)

Mary has *ABC Life* as Life Insurance (Death & TPD) with a value of \$500,000 and premiums of \$200. This cover is from Age 30 to Age 40.

The payments are made from superannuation.

## Insurance Cover and Cash Flows

This information should be read in conjunction with the detailed *Insurance Needs Evaluation Report*. This summary shows the results for the first three years of your plan. The results are displayed in Future Value.

### Expenses and Investment Income

Item	Status		Year 1	Year 2	Year 3
Total Expenses	✓	Your plan has annual expenses of:	\$101,692	\$100,519	\$96,372
Investment Income	✓	Your plan has annual investment income of:	\$2,533	\$4,693	\$7,093
	⚠	Income less Expenses:	-\$99,158	-\$95,826	-\$89,279

### Liquid Assets

Item	Status		Year 1	Year 2	Year 3
Liquid Assets	✓	Your plan has liquid assets of:	\$5,000	\$44,473	\$89,022

### Insurance Cover – John Black

Item	Status		Year 1	Year 2	Year 3
Life	✓	Your plan has life insurance.	\$500,000	\$500,000	\$500,000
Total & Permanent Disability	✓	Your plan has total & permanent disability insurance.	\$500,000	\$500,000	\$500,000
Trauma	✗	Your plan has no trauma insurance.	\$0	\$0	\$0
Income Protection	✗	Your plan has no income protection insurance.	\$0	\$0	\$0

### Insurance Cover – Mary Black

Item	Status		Year 1	Year 2	Year 3
Life	✓	Your plan has life insurance.	\$500,000	\$500,000	\$500,000
Total & Permanent Disability	✓	Your plan has total & permanent disability insurance.	\$500,000	\$500,000	\$500,000
Trauma	✗	Your plan has no trauma insurance.	\$0	\$0	\$0
Income Protection	✗	Your plan has no income protection insurance.	\$0	\$0	\$0



# Summary

## Savings Phase

### Final outcome of your Savings Plan in Present Value

At the end of your 10 year savings plan, you will be 39 (John) and 39 (Mary) years old.

It is estimated that, in Net Present Value, your home will be worth \$989,637, your investments will be worth \$566,859 and your retirement funds will be worth \$659,380.

Your investments will be yielding a Real (After Inflation) Return of 2.87%.

Dear John and Mary,

I believe my recommendations to help you secure a better financial future will benefit you greatly.

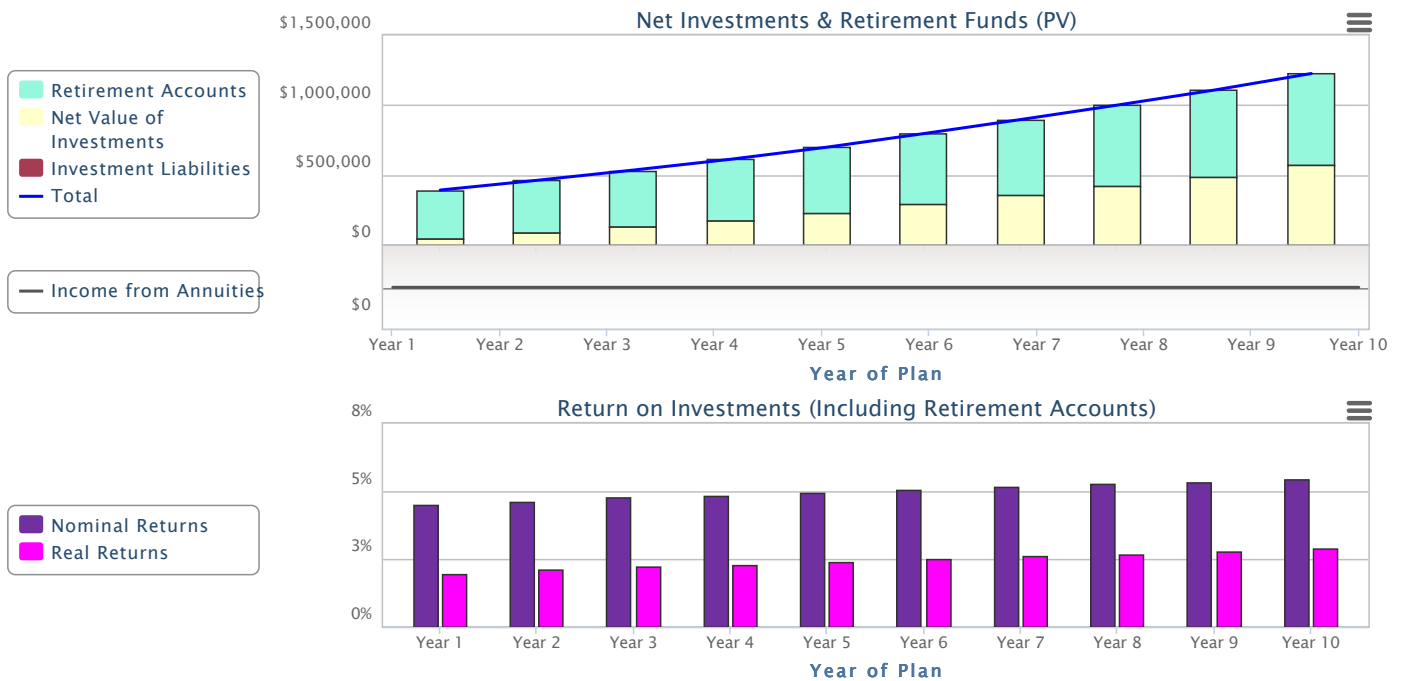
Listed below is a summary of your financial situation at the start and end (in brackets) of this Savings Plan in Present Value:

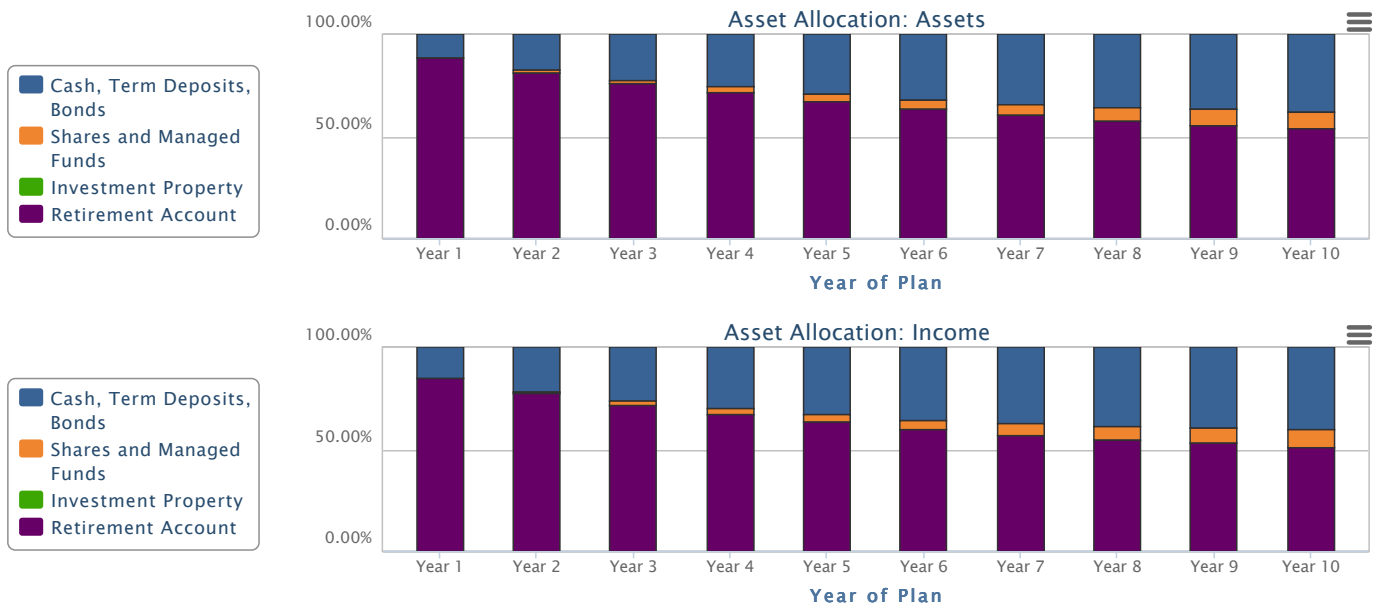
- Net Value of Home: \$400,000, (\$989,637)
- Net Value of Investments: \$5,000, (\$989,637)
- Retirement Funds: \$320,000, (\$659,380)

Please reach out if you have any questions.

Simon Simmons

Good Advice





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

- Given you my Financial Services Guide (FSG).
- Given you a Product Disclosure Statement (PDS) for each financial product I have recommended.
- Talked to you about your personal circumstances, insurance needs, and financial goals in a way you understand and answered your and discussed any commissions I will receive.

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

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

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

By signing below, you agree to representatives of Good Advice, applying on your behalf for the products recommended in this Advice Record.

**Signed,**

\_\_\_\_\_  
John Black

\_\_\_\_\_  
Mary Black

\_\_\_\_\_  
Date

\_\_\_\_\_  
Simon Simmons  
Good Advice

\_\_\_\_\_  
Date