

# A guide to financial planning

**Financial planning is an ongoing process. It helps you establish your financial goals, and then achieve them by making the best use of your financial resources.**



## How does financial planning work?

Your financial adviser uses a six-step process that helps you take a 'big picture' look at where you are and where you want to be. Using this process they help you work out what you need to do now and in the future to reach your goals.

Step 1. Gathering your financial data – such as details on your income, debt level, commitments, etc.

Step 2. Identifying your financial goals

Step 3. Identifying any financial issues – or deficiencies between where you are now financially and where you want to be

Step 4. Preparing your financial plan – which will identify recommended investments and will address your attitude to risk

Step 5. Implementing your financial plan

Step 6. Reviewing and revising your plan – to ensure it stays up-to-date and relevant.

## How can a financial adviser help you?

The best way to master your financial affairs is to seek the advice of an expert. Your financial adviser will work through each stage of the planning process with you, and help you manage the trade-off between satisfying your current needs and ensuring that your long-term financial goals are met.

Your financial adviser can assist you in the following areas:

- growing your wealth
- choosing investments
- investment administration
- superannuation
- borrowing to invest
- insurance
- taxation planning
- retirement
- redundancy
- Social Security
- estate planning.

## How to select a financial adviser

When you seek financial advice, it is important to know that your adviser has the appropriate skills and experience, and that the dealer group he or she is associated with has the ability to deliver the ongoing services you require.

The following questions may be useful in helping you to assess the merits of a financial adviser:

### 1. Do they have a Financial Services Guide?

All financial advisers are legally required to produce a Financial Services Guide (FSG) which gives you an easy-to-understand explanation of their fee structure and the services they offer. The FSG should enable

you to make an informed decision about whether you want to use their services.

### 2. Are they, or their company, licensed by the Australian Securities and Investments Commission (ASIC)?

An authorised financial adviser must meet the knowledge, skills and integrity standards required by ASIC.

### 3. What are their qualifications and experience?

Check that the adviser has appropriate qualifications, preferably at least a Diploma of Financial Planning. Ask how long they have been a financial adviser; and the types of clients they typically work with.

### 4. Are they a member of a professional association?

We strongly advise that any financial adviser you use is a member of the Australian Financial Planning Association (FPA), the Institute of Chartered Accountants in Australia (ICAA) or a Certified Practising Accountant (CPA). The FPA is the professional body for financial advisers in Australia, while ICAA and CPA are the professional bodies for Accountants in Australia. Members are bound to adhere to Codes of Ethics and strict operating guidelines to protect clients' rights.

## 5. What services do they offer?

Does the adviser only offer investment advice, or do they offer total financial solutions, including insurance, tax, estate planning and so on. Do they have formal ongoing review services? Do they offer investment administration services?

(This information should be detailed in their FSG.)

## 6. How are they paid for their services?

Find out if they operate on a flat fee, brokerage or commission basis. Ask them to explain all upfront, ongoing and exit fees which might be payable by you (directly or indirectly). (This information should be detailed in their FSG.)

### Case Study 1

Gemma, an executive, accepted a redundancy offer from her company. As she had another job to go to and didn't need her termination payout for income, her well-meaning colleagues suggested that she 'roll over' her golden handshake and superannuation money into another superannuation fund. They told Gemma that this would result in no lump sum tax liability on those payouts.

Gemma thought this sounded a little too good to be true and decided to seek professional advice from a financial adviser.

The adviser told Gemma that while her colleagues were correct with regard to the tax treatment on 'rolling over', they had failed to take into account her Reasonable Benefit Limit (RBL) position. In Gemma's situation, the action of 'rolling over' would result in her being in excess of her RBL by around \$100,000, and may result in her having to pay anywhere between 39.5% and 48.5% in penalty tax.

To prevent that from happening, the adviser recommended that she take the golden handshake in cash, and pay the lump sum tax due on that component.

This action resulted in reducing her RBL problem and may have saved her a substantial amount of tax in the future.

### Case Study 2

Although Wayne and Mary were about to retire with a significant superannuation nest egg, they were concerned that their capital might not live as long as they would. Their calculations indicated that they would have to seriously reduce their standard of living in retirement to make their money last.

When they consulted a financial adviser, he confirmed that their fears would be realised – unless they adopted three specific financial strategies.

The first was to invest their money in such a way that they would pay no income tax for the rest of their lives – a significant saving. This, in part, involved investing some of Wayne's superannuation money into Mary's super fund.

Secondly, they needed to use investments which would allow them to qualify for a Social Security part pension plus fringe benefits.

And, finally, they would need to invest part of their money in growth assets such as shares and property. While this would mean that their portfolio would have fluctuating returns in the short-term, it would generate greater returns over the long-term.

The financial adviser modelled this scenario on the computer, and then developed a detailed financial plan using these strategies. The end result is that

Wayne and Mary can confidently expect their capital to last well beyond their life expectations, with no reduction in their desired standard of living.

### About SECURITOR

SECURITOR financial advisers offer you a complete financial planning package – including investment, superannuation, retirement, insurance and banking solutions. Your SECURITOR financial adviser will work with you to determine the best financial plan for your particular needs and circumstances.

Specialising in technical excellence and recognising the complex legislation that governs investment, tax and superannuation, your SECURITOR financial adviser is able to work within this regulatory framework to develop innovative financial planning solutions for you, especially in the areas of wealth accumulation, superannuation and retirement planning. Using a combination of the right technical advice and the right investment strategies, SECURITOR financial advisers can add significant value to your financial affairs over the long-term.

SECURITOR is one of Australia's largest dealer groups with 430 Authorised Representatives located throughout Australia, managing more than \$6 billion for over 50,000 clients. SECURITOR is supported by SEALCORP, one of Australia's largest suppliers of financial products and services to financial advisers. SEALCORP is part of the St. George group.

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