PLANFORIT Financial Planning

Statement of Advice

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For Brad and Zara Black

31 March 2017

What this document is about

This document records my financial advice to you, Brad and Zara.

It is called a Statement of Advice (SOA), which I am required to provide to you under the *Corporations Act 2001*.

This advice does not cover all aspects of your financial situation. This advice is about your personal insurance needs and includes a review of your existing arrangements and recommendations for changes.

I am required by law to act in your best interests when providing you with financial advice.

Attachments

Attached are three Product Disclosure Statements (PDSs) explaining my recommended insurance policies for you:

- OZ Insurance PDS Number 5 dated 22 March 2014
- MNO Insurance PDS Number 4 dated 15 October 2013
- Mantra Insurance PDS Number 4 dated 1 July 2014.

Each PDS discloses information about the financial products that I am recommending to you.

Also attached is educational material containing factual information about life insurance and estate planning. To find out more about life insurance, visit ASIC's MoneySmart website (www.moneysmart.gov.au).

Table of contents

Summary of my insurance recommendations and commissions

Brad, I recommend that you replace your life and total and permanent disability (TPD) insurance, retain your income protection insurance and take out trauma insurance. Zara, I recommend that you increase the amount of cover under your life and TPD insurance and take out trauma insurance.

The tables below provide a summary of the products I recommend for you. For further information, see:

- 'My advice' on pages 9–13 for more details about these recommendations
- 'Reasons for my recommendations' on pages 14–16 for explanations of the product features.

Recommended product overview: Brad

Cover and product	Insurer/ owner	Amount of cover	Premium paid from	Key features of new policy	First year premium
Life and TPD cover (replace life and TPD cover held through First Corporate Superannuation Fund)	MNO/super and Brad	$1,110,000 (life) $510,000 (TPD)	$1,840 (super) $200 (cash)	➢ *Terminal illness advancement* ➢ *Disability definition: 'Unlikely'* ➢ *Occupation definition: 'Own occupation' (via Superlink)* ➢ *Stepped premium*	$2,040
Income protection (retain)	Mantra/ Brad	$5,350 per month plus $642 super contributions	Cash	➢ *90-day waiting period* ➢ *Benefit to age 65* ➢ *Level premium* ➢ *Agreed value* ➢ *Super contribution option*	$1,200
Trauma (establish)	MNO/Brad	$150,000	Cash	➢ *Stepped premium*	$900
Total					**$4,140**

Recommended product overview: Zara

Cover and product	Insurer/ owner	Amount of cover	Premium paid from	Key features of new policy	First year premium
Life and TPD cover (increase)	OZ Industry Superannuation Fund/super	$840,000	Super	➢ *Stepped premium*	$650
Trauma (establish)	MNO	$235,000	Cash	➢ *Stepped premium*	$1,300
Total					**$1,950**

It is important that you understand the consequences and risks of my advice. For an explanation of these consequences, see 'Consequences of my advice' on pages 17–20.

Payments to me and Planforit

If you buy the financial products I recommend, Planforit and I will receive regular payments from the insurers who sell these products. These payments are called commissions.

These commission payments from the insurers to me and Planforit are made up of:

- 60% of the amount you pay in premiums to the insurers in the first year
- 20% of the amount you pay in premiums in the following years.

These commissions are split between me and Planforit. I get 90% and Planforit gets 10%.

Planforit and I will also receive commissions of 20% of your premium for Brad's existing income protection policy. We will not receive commissions for Zara's existing life and TPD policies.

Total commissions

Detail	Planforit	Me	Total
First year	$278	$2,506	$2,784
Following years	$109 per year	$979 per year	$1,088 per year

This table outlines all the payments Planforit and I will receive through commissions paid from your premiums if you follow the advice set out in this Statement of Advice. For full details, see 'My commissions' on page 22.

I do not charge you a fee for my advice in this Statement of Advice.

Conflicts of interest

Aside from the commissions we receive from insurers, Planforit and I do not have any other relationships that may create a conflict of interest or potentially influence our advice to you.

What you want

I met you both on 15 March 2017 for the first time. We had a discussion about your insurance preferences and needs. This section outlines my understanding of your needs.

What you both want

What we discussed	Explanation
At that meeting, you said you were worried about whether or not you had enough personal insurance.	➢ *You both recognise the value of having comprehensive personal insurance cover, especially while you have young children.* ➢ *You want to ensure that if either of you dies or suffers a total and permanent disability, your mortgage can be cleared, your family can maintain their current lifestyle, and funds will be available to help with any funeral costs or medical costs.* ➢ *You also want to ensure that if either of you suffers a severe illness or injury, funds will be available to cover 2 years' worth of mortgage payments, help with medical costs, and replace Brad's salary for a year if he needs to help care for Zara.* ➢ *Finally, if Brad is unable to work due to illness and injury, you want to ensure that as much of his salary as possible is replaced.* ➢ *You expect that as your debts decrease and your children become less dependent on you, the level of insurance cover required will reduce.*
We discussed the availability of trauma insurance cover for children.	➢ *You were not interested in obtaining advice on child insurance. This is because you have flexibility with your working arrangements, access to your cash reserves, and both your parents live nearby to help if one of your children becomes ill.*
Because of the value you place on insurance, you confirmed that you are willing to spend up to $5,000 per year of your surplus cash on personal insurance premiums ($3,800 more than you currently spend), rather than directing these funds to your mortgage.	➢ *We agreed that I would provide you with a full review of your personal insurance needs, to ensure that your family has adequate financial support in the event of death, disability or illness.*
You told me that, where possible, you would like all available surplus cash to be used to reduce your mortgage.	➢ *You agreed that it is important to balance your need for appropriate personal insurance cover with your goal to reduce your mortgage debt as quickly as possible. You would prefer any personal insurance premiums to be funded using your superannuation benefits.*

What you should know about my advice

What my advice covers

As agreed, I am providing a full review of your personal insurance needs to ensure your family has adequate financial support in the event of death, disability or illness. Specifically, my advice:

- aims to ensure you are fully protected in the event of premature death, disablement, serious illness or injury as detailed in the 'What you want' section above
- recommends appropriate types of insurance and insurance products
- recommends how to pay for the insurance premiums
- recommends superannuation contribution strategies to offset the effect of insurance premiums on your retirement benefits
- informs you of the impact of these arrangements on your cash flow and your superannuation benefits
- recommends that you make appropriate death benefit nominations so your superannuation assets and insurance cover are passed on in accordance with your wishes and needs.

What my advice does not cover

My advice is limited to the above, and does not cover:

- strategies about repayment of your home loan
- any other aspect of your financial affairs (including child insurance)
- the suitability of your existing superannuation arrangements
- whether you will have enough superannuation for your retirement
  - ➢ *I can give advice about these if you want it, for an additional cost*
- taxation advice
  - ➢ *I am not a tax adviser. However, I am registered with the Tax Practitioners Board and I am limited to only providing tax advice that is directly related to the matters that my advice covers.*

My advice is limited

My advice expires on 30 April 2017. You should not rely on my advice after that time, if you haven't acted on it by then.

I am able to recommend products from the Planforit approved product list (APL) and products that are not on the APL. If I recommend a product that is not on the Planforit APL, I must seek approval from Planforit.

The Planforit APL is put together by a Planforit research team and is regularly reviewed. Ask me for a copy of the list, if you are interested. When I prepared your advice, I looked only at products on that list and at your existing products. I did not look at other products available on the market.

About you: Brad and Zara

Personal details

Brad	Zara
43 years old	41 years old
Employed as an IT project manager earning $85,000 per year plus 9.5% superannuation guarantee contributions (paid by your employer); currently has 3 months' sick leave available	Employed part time at a primary school as a teacher's aide earning $16,000 per year plus 9.5% superannuation guarantee contributions (14 hours per week)
Excellent health	Excellent health
Non-smoker	Non-smoker
No family history of hereditary diseases or early death	Family history of cancer
Standard private hospital cover	Standard private hospital cover
Has a current will (last updated 2015)	Has a current will (last updated 2015)
Has a current power of attorney (last updated 2015)	Has a current power of attorney (last updated 2015)

You have two children: Lola (10) and Noah (7). They are currently at public primary schools, and not expected to go to private schools. You are not planning to have any other children at this stage.

What you own and what you owe

You own	Owner	Value	You owe	Amount	Total
House	Both	$550,000	Mortgage	$440,000	
ABC Bank joint-access savings account	Both	$5,000			
ABC Bank mortgage offset account	Both	$25,000			
Superannuation: First Corporate Superannuation Fund	Brad	$100,000			
Superannuation: OZ Industry Superannuation Fund	Zara	$30,000			
Other assets	Both	$10,000			
Total		**$720,000**		**$440,000**	
Net wealth					**$280,000**

What you earn each year

Details	Amount
Brad's annual net income (after tax)	$63,903
Zara's annual net income (after tax)	$16,000
Payment from Centrelink (Family Tax Benefit)	$1,896
Total annual income (after tax)	**$81,799**

What you spend each year

Details	Amount
Mortgage repayments (principal and interest, 4% interest rate)	$25,000
Living expenses	$45,000
Total annual expenses	**$70,000**
Estimated annual surplus cash	**$11,799**

Your $45,000 living expenses includes $1,200 for income protection insurance (see the following table).

You are happy living in your current house and have no immediate plans to move or renovate. You have no major expenditure planned.

Your current personal insurance

Cover and product	Insurer	Owner	Amount of cover	Annual premium
Income protection (Brad): Mantra Income Protection cover – 90-day waiting period until age 65, agreed value, level premium, super contribution option	Mantra Financial Services Pty Ltd (Mantra)	Brad	$5,350 per month plus $642 super	$1,200 paid from cash
Life and total and permanent disability (TPD) (Brad): First Term Life and TPD	First Corporate Superannuation Fund (provided by ABC Insurance)	Super	$200,000	$615 paid from super
Life and TPD (Zara): OZ Life and TPD	OZ Industry Superannuation Fund (provided by XYZ Insurance)	Super	$200,000	$280 paid from super
Total annual premium				**$2,095**

My advice

This is my advice as at 31 March 2017. My advice should be reviewed annually to ensure that your goals of comprehensive insurance cover and debt reduction are balanced, while taking into account any impacts on your superannuation.

Insurance needs: Brad

Life insurance

Financial need	Amount of cover	Explanation
Clear mortgage	$440,000	➢ *In the event of your death, your mortgage can be cleared.*
Funeral costs	$10,000	➢ *In the event of your death, $10,000 will be available to help with funeral costs.*
Replacement of income	$760,000	➢ *In the event of your death, your family will receive $760,000 to replace approximately 50% of your salary to age 65, to help them to maintain their current way of life (based on inflation at 3% per year and investment returns of 5% per year).*
Subtotal	$1,210,000	➢ *This is the subtotal of all life insurance required to meet Brad's needs.*
Total	**$1,110,000**	➢ *The total is the subtotal minus total superannuation ($100,000). This is because it is assumed that your superannuation benefit will be available if/when you die.*

Total and permanent disability (TPD) insurance

Financial need	Amount of cover	Explanation
Clear mortgage	$440,000	➢ *If you become totally and permanently disabled, your mortgage can be cleared.*
Medical costs	$100,000	➢ *If you become totally and permanently disabled, you will receive $100,000 to cover medical costs.*
Replacement of income	N/A	➢ *If you become totally and permanently disabled, your income protection policy will replace 75% of your salary and cover employer superannuation guarantee contributions. Additionally, your household expenses will be reduced as a result of the mortgage being cleared.*
Subtotal	$540,000	➢ *This is the subtotal of all TPD insurance required to meet Brad's needs.*

Financial need	Amount of cover	Explanation
Total	**$510,000**	➢ *The total is the subtotal minus existing superannuation ($100,000) and including tax ($70,000).* ➢ *If you become totally and permanently disabled, your superannuation benefit is assumed to be available.* ➢ *Based on your current position, if you make a TPD claim, you would have to pay approximately $70,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability.*

Trauma insurance

Financial need	Amount of cover	Explanation
Reduce mortgage	$50,000	➢ *If you suffer a severe illness or injury (i.e. trauma), you will receive $50,000 to cover 2 years' worth of mortgage repayments.*
Medical costs	$100,000	➢ *If you suffer a severe illness or injury (i.e. trauma), you will receive $100,000 to cover medical costs.*
Total	**$150,000**	➢ *This is the total of all trauma insurance required to meet Brad's needs.*

Income protection insurance

Financial need	Explanation
You obtain coverage for 75% of your salary ($5,312.50 per month) plus an additional amount to cover employer superannuation guarantee contributions.	➢ *This is the maximum percentage of your salary you are generally able to insure.*
Noting that you have $25,000 in a mortgage offset account, a 90-day waiting period and a benefit period to age 65 is appropriate.	➢ *You have access to 3 months' sick leave and therefore do not need the money immediately.* ➢ *You have indicated that you expect to work until you are 65 years of age.* ➢ *Please note that these policies make payments monthly in arrears, including the first payment, so it is important to retain access to cash via your savings and mortgage offset accounts.*

➢ *Note that premiums paid on income protection insurance are generally tax deductible. However, it should also be noted that payments received under income protection insurance are generally assessable as taxable income.*

Superannuation contribution strategy

Recommendation	Explanation
You do not make additional contributions to superannuation to offset the impact of the insurance premiums at this time.	➢ *One of your stated goals is to reduce your mortgage. Making additional contributions to superannuation would adversely impact that goal.* ➢ *Your current employer contributions substantially exceed the recommended insurance premiums that will be deducted from your superannuation.*

Insurance needs: Zara

Life insurance

Financial need	Amount of cover	Explanation
Clear mortgage	$440,000	➢ *In the event of your death, your mortgage can be cleared.*
Funeral costs	$10,000	➢ *In the event of your death, $10,000 will be available to help with funeral costs.*
Income supplement	$240,000	➢ *In the event of your death, your family will receive an amount of $240,000 to generate an income stream of about $30,000 per year. This will help them to maintain their current lifestyle until the children are less dependent (in about 9 years, when Noah is 16). The income stream has been calculated based on inflation at 3% per year and investment returns of 5% per year.*
Subtotal	$690,000	➢ *This is the subtotal of all life insurance required to meet Zara's needs.*
Total	**$660,000**	➢ *The total is the subtotal minus existing superannuation ($30,000). This is because it is assumed that your superannuation benefit will be available if/when you die.*

Total and permanent disability (TPD) insurance

Financial need	Amount of cover	Explanation
Clear mortgage	$440,000	➢ *If you become totally and permanently disabled, your mortgage can be cleared.*
Medical costs	$100,000	➢ *If you become totally and permanently disabled, you will receive $100,000 to cover medical costs.*
Income supplement	$240,000	➢ *If you become totally and permanently disabled, you will receive $240,000 to generate an income stream of about $30,000 per year. This will help your family to maintain their current lifestyle until the children are less dependent (in about 9 years, when Noah is 16). The income stream has been calculated based on inflation at 3% per year and investment returns of 5% per year.*
Subtotal	$780,000	➢ *This is the subtotal of all TPD insurance required to meet Zara's needs.*
Total	**$840,000**	➢ *The total is the subtotal minus existing superannuation ($30,000) and including tax ($90,000).* ➢ *In the event of your death, or if you become totally and permanently disabled, your superannuation benefit is assumed to be available.* ➢ *Based on your current position, if you make a TPD claim, you would have to pay approximately $90,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability.*

Trauma insurance

Financial need	Amount of cover	Explanation
Reduce mortgage	$50,000	➢ *If you suffer a severe illness or injury (i.e. trauma), you will receive $50,000 to cover 2 years' worth of mortgage repayments.*
Medical costs	$100,000	➢ *If you suffer a severe illness or injury (i.e. trauma), you will receive $100,000 to cover medical costs.*
Replacement of income	$85,000	➢ *If you suffer a severe illness or injury (i.e. trauma), $85,000 will allow Brad the flexibility to take one year away from work to support the family.*
Total	**$235,000**	➢ *This is the total of all trauma insurance required to meet Zara's needs.*

Income protection insurance

Financial need	Explanation
You are not eligible for income protection insurance.	➢ *This is because you are employed for only 14 hours per week.* ➢ *There are other 'home maker' products, similar to income protection insurance, which pay an agreed monthly benefit if you become significantly disabled. However, taking into account the other types of insurance recommended, I do not recommend these products to you because covering your income is not a high priority.*

Superannuation contribution strategy

Recommendation	Explanation
You make a non-concessional contribution of $1,000 to your superannuation this financial year.	➢ *This will enable you to receive a co-contribution amount.* ➢ *A non-concessional contribution is an 'after-tax' contribution. If you earn less than $51,021 per year (before tax) and make after-tax superannuation contributions, you are eligible to receive matching contributions from the Government. This is called the Government co-contribution. If you earn less than $36,021, the maximum co-contribution is $500 based on $0.50 from the Government for every $1 you contribute.* ➢ *This recommendation will have a small impact on your goal to reduce your mortgage. However, it is a small contribution which, when matched with the co-contribution, will benefit your superannuation balance because it will help to offset the impact of the premiums.*

Reasons for my recommendations

Brad and Zara, I have recommended that you obtain higher levels of life and TPD cover and that you obtain trauma cover. The amounts I have recommended take into account your salary, your cover under your existing superannuation, your current assets including savings, investments and superannuation balances, and the cost of hiring help to replace the work carried out by Zara. Ensuring that you have the right types and levels of insurance is important for you both because of the roles you play in the family. Brad, your family relies on your salary to meet the majority of expenses. Zara, you have significant carer responsibilities.

My advice will leave you in a better position because in the event of death, accident or illness your family will have adequate protection that you can afford. Your insurance will be funded through a combination of your surplus cash flow and superannuation, not only to ensure that you meet your goal of reducing your mortgage, but also to account for the impact of premiums on your superannuation balances. As a result of my advice, Zara's superannuation balance will also benefit from a Government co-contribution.

How my advice is appropriate

Recommendation	Why it is appropriate
You both obtain higher levels of life and TPD cover; you both obtain trauma cover.	➢ *Brad, your recommended level of life cover will provide Zara with a lump sum in the event of your death.* ➢ *The amount of life cover (if invested) will generate enough to replace 50% of what you currently earn, to age 65.* ➢ *This will give some financial protection to Zara and the children because there will be no mortgage to pay.* ➢ *Your recommended level of TPD cover takes into consideration that if you become totally and permanently disabled, your income protection policy will provide you with $5,350 per month, which would be sufficient because you will have no mortgage to pay.* ➢ *Funds will also be provided to cover additional expenses, such as medical or recovery costs.* ➢ *If you suffer a severe illness or injury (i.e. trauma), your recommended trauma cover will provide funds to meet medical expenses and also to cover 2 years' worth of mortgage repayments.* ➢ *Zara, your recommended level of life cover is higher than the amount identified to meet your needs, because OZ Industry Superannuation Fund requires the levels of life and TPD cover to match. Your life cover will therefore be $180,000 (that is, $840,000 minus $660,000) above your identified need.* ➢ *Your recommended level of TPD cover will provide supplementary income for about 9 years until your children are less dependent. This takes into account your inability to obtain income protection cover given your current working hours.* ➢ *Funds will also be provided to cover additional expenses, such as medical or recovery costs.* ➢ *If you suffer a severe illness or injury (i.e. trauma), the recommended trauma policy will provide funds to meet medical expenses and also to cover 2 years' worth of mortgage payments.* ➢ *It will also provide funds to replace Brad's income for 12 months so he can take time off work to support you.*

Recommendation	Why it is appropriate
Brad, you replace your First Corporate Superannuation Fund Term Life and TPD cover and you both obtain trauma cover through MNO insurance.	➢ *Brad, I first considered increasing your existing First Corporate Superannuation Fund Term Life and TPD policy up to the recommended levels. The initial annual premium would have been $1,920, which is $120 per year cheaper than the MNO recommended policy.* ➢ *However, the First Corporate Superannuation Fund TPD policy would only pay if your disability left you unable to work in any occupation for which you are reasonably qualified given your education, training or experience. This is called an 'any occupation' definition or condition. Given you currently work in a specialised occupation, it is beneficial that you obtain TPD cover which would pay if you are unable to work in your own occupation. This is called an an 'own occupation' definition or condition.* ➢ *Researching your existing products and the products available on Planforit's approved product list, I found that MNO Insurance ranked well in relation to cost and quality of cover with respect to life, trauma and TPD.* ➢ *This is primarily due to MNO Insurance's favourable classification of your occupation for the purposes of the TPD cover.* ➢ *The MNO policy will make a TPD benefit payment when, in the opinion of medical specialists, you are unlikely to ever work again due to injury or illness.* ➢ *In addition, the MNO Life policy contains 'terminal illness advancement', which means if you are diagnosed with a terminal illness you may be eligible to receive the benefit payment before your death.* ➢ *Brad and Zara, MNO Trauma Insurance also offers advantageous terms. For example, it will make partial payments for certain conditions such as benign tumours, where other providers of trauma cover will not, without an additional cost. This is important for you, Zara, given your family history.* ➢ *The superior terms and conditions provided by MNO should provide broader coverage and more certainty if you make a claim, and therefore I consider the higher premium is justified.* ➢ *MNO Insurance allows policy holders to link policies to reduce costs. By linking the trauma cover to the life and TPD cover, you pay only one policy fee.* ➢ *In my experience, MNO Insurance is efficient during the claims process.*
You both hold life and TPD insurance within superannuation. Brad, your TPD cover is recommended to be held under a 'Superlink' arrangement.	➢ *Brad and Zara, paying for life and TPD cover from your superannuation fund will have less impact on your cash flow. It will, however, affect your superannuation fund balance. Please see the 'Consequences of my advice' section for more details.* ➢ *Brad, a 'Superlink' arrangement means your TPD cover will be owned inside and outside of superannuation. This means a portion of the premium will be funded from your superannuation and the balance from your personal cash flow. A 'Superlink' arrangement will enable access to more comprehensive cover and improved terms and conditions, which are not accessible for policies held solely within superannuation.*
Your life, trauma and TPD cover be arranged with a stepped premium.	➢ *A stepped premium means that the premium you pay to maintain your cover increases each year with your age.* ➢ *A stepped premium is more affordable in the short term and appropriate because you aim to reduce the sum insured when your mortgage balance has reduced and your children are less dependent on you.*

Recommendation	Why it is appropriate
Brad, you retain your existing income protection policy without changes and, Zara, you retain your insurance through your existing OZ Industry Superannuation Fund.	➢ *Brad, I reviewed your Mantra Income Protection cover to ensure that it was appropriate given your personal circumstances. When this policy commenced 7 years ago, it was structured on a 'level' premium basis, so the premium has remained level over the life of the policy.* ➢ *When compared with a similar policy with a 'stepped' premium, funded through superannuation, the initial annual premium was $1,100 per year, which is slightly cheaper than your current policy.* ➢ *However, when projected over the longer term, your current level premium will be significantly more cost effective. This is important given that you plan to retain your income protection policy until much closer to retirement.* ➢ *Because your current income protection policy is an agreed value policy, you may be able to claim up to the full $5,350 per month. As most income protection policies will only insure up to 75% of your income, your current income protection policy will pay $37.50 per month above the maximum amount that a new policy is likely to pay. Therefore, this policy meets your goal of ensuring that as much of your salary as possible is replaced.* ➢ *In addition, because the policy contains the superannuation contribution option, $642 per month will be contributed to your superannuation. This will ensure your superannuation balance continues to grow while you are unable to work.* ➢ *Zara, I reviewed your insurance through the OZ Industry Superannuation Fund to ensure it was appropriate for your personal circumstances. Its terms and conditions compared well to other products available, and the cost of the cover also compared well.* ➢ *By retaining your insurance cover within your existing superannuation fund, the payment of the insurance premiums is a straightforward process because the premium is simply deducted from your account balance.* ➢ *Also, by retaining your insurance cover within your existing superannuation fund, which you have held since 2005, you will not restart the 3-year period in relation to innocent non-disclosure (which is explained in the 'Consequences of my advice' section)* ➢ *To offset the impact of premiums on your superannuation balance, I recommend that you make a $1,000 non-concessional contribution to your superannuation this financial year. This will not only offset the effect of premiums on your superannuation, but it will enable you to receive a co-contribution amount of $500.*
Brad and Zara, you nominate each other as the beneficiary on your superannuation and life insurance.	➢ *Because your life insurance is held in superannuation, it is important to ensure that you nominate a beneficiary to formally record with the fund the person who you wish to receive your benefits in the event of your death.*

Consequences of my advice

Consequences of replacing products

Brad, the tables below compare the relevant costs and features of your current First Corporate Superannuation Fund Term Life and TPD cover with the recommended MNO Insurance Term Life and TPD cover. I have also included relevant cost information if you modify your insurance in the First Corporate Superannuation Fund and increase the level of life and TPD cover to match my recommendations.

Comparison of replacement and existing insurance products: Brad

Details	Current cover	Modified cover based on current products	Recommended cover
Insurer	First Corporate Superannuation Fund	First Corporate Superannuation Fund	MNO Insurance
Term life insurance	$200,000	$1,110,000	$1,110,000
TPD insurance	$200,000	$510,000	$510,000
Premium	$615 per year	$1,920 per year	$2,040 per year

Comparison of features and definitions of replacement and existing insurance products

Insurance type	First Corporate Superannuation Fund Term Life and TPD cover	MNO Insurance Term Life and TPD cover
Term life insurance: Terminal illness advancement	➢ *No*	➢ *Yes*
TPD insurance: Disability definition	➢ *'Unable' to work*	➢ *'Unlikely' to work*
TPD insurance: Occupation definition	➢ *'Any occupation'*	➢ *'Own occupation' – via Superlink*

Additional consequences and risks you should understand

Recommendation	Consequences and risks
You both obtain higher levels of life and TPD cover; you both obtain trauma cover.	➢ *Your overall combined premiums will increase from $2,095 per year to $6,090 per year.* ➢ *You will need to fund an additional $2,400 per year (on top of the $1,200 you are already paying for Brad's income protection) from your surplus cash.* ➢ *Before the insurance company agrees to insure you for the level of cover you need, they will require you to complete a personal statement answering questions relating to your health and lifestyle. Zara, your family history of cancer, for example, will be disclosed in your personal statement. You may also be asked to complete a medical examination. This is called underwriting and you should be aware that as a result of this process your application for new or increased cover may be accepted, or it may be offered, but with special terms, including a higher premium or with exclusions, or it may be declined.* ➢ *The insurance premiums you will pay as outlined in this Statement of Advice are indications only and are subject to change depending on your responses to the personal statement relating to your health and lifestyle.* ➢ *Any new policy you buy may provide the insurer with the right to refuse a claim if you have not met your obligation to give them all relevant information at the time you apply. This applies even when you have made an honest mistake ('innocent non-disclosure'). The insurer's right to refuse a claim in this situation lasts for 3 years.* ➢ *As your existing life and TPD policies have been in force for more than 3 years, your current insurer cannot refuse a claim due to innocent non-disclosure.* ➢ *Brad, if you change your insurer, the 3-year period starts over again.* ➢ *Zara, if you increase your existing life and TPD cover, the 3-year period relates only to the increased amount.* ➢ *No payments will be made under the recommended trauma policies in relation to certain illnesses if they occur within 3 months of the policy start date.* ➢ *Zara, your life and TPD insurance held within your OZ Industry Superannuation Fund is offered as units of cover with the amount of insurance attached to each unit determined by your age. Currently, you have 2 units of cover, which, given your current age, equates to $200,000 in life and TPD insurance. Oz Industry's unitised structure is designed to gradually reduce the amount insured on an annual basis until age 50. After age 50, the amount insured will decrease more rapidly. As such, it is important to review your insurance needs regularly, especially at age 50.* ➢ *The new or increased amount on your recommended respective life cover policies will have exclusions for death due to suicide for the first 13 months. Brad, this exclusion applies to the recommended life cover. Zara, this exclusion only applies to the increase in your life cover.*

Recommendation	Consequences and risks
You both hold life and TPD insurance within superannuation.	➢ *If you accept the recommendations, your retirement savings will decrease due to the increase in insurance premiums to be funded using your superannuation.* ➢ *Brad, an additional $1,225 per year of insurance premiums (on top of the current $615) will be deducted from your superannuation. Based on the expected level of annual superannuation guarantee contributions ($8,075) and the amount of premiums ($1,840), the premiums represent 23% of contributions.* ➢ *Zara, an additional $370 per year of insurance premiums (on top of the current $280) will be deducted from your superannuation. Based on the expected level of annual superannuation guarantee contributions ($1,520) and the amount of premiums ($650), the premiums represent 43% of contributions.* ➢ *Brad and Zara, because the insurance premiums will be funded from your superannuation, I estimate (based on modelling) that in 9 years' time:* - *Brad's superannuation will be $17,730 lower* - *Zara's superannuation will be $5,300 lower.* *This excludes any additional contributions above annual superannuation guarantee contributions and assumes 5% investment returns and an annual premium increase of 7% per year.* ➢ *Brad, I considered whether you should make additional contributions to superannuation to offset the impact of the premiums. However, given that you want to reduce your mortgage, I do not recommend this action at present.* ➢ *Additionally, the recommended levels of cover rely on using your existing superannuation balances to meet your financial needs if one of you dies or becomes totally and permanently disabled.* ➢ *If you make a TPD claim, the proceeds paid to you as a lump sum from your TPD insurance (held within superannuation) and from your superannuation benefit may be partially or fully taxable up to 22%. A calculation has been done based on your current tax liability in the event of a TPD claim, and this amount is included in the recommended TPD cover.* ➢ *Brad, if you make a successful claim under an 'own occupation' definition, this tax will not apply – which may mean you are over-insured. A TPD policy provided on an 'own occupation' basis is one that pays if your disability leaves you unable to work in your own occupation.* ➢ *Zara, given that your TPD policy is provided on an 'any occupation' basis, your policy would only pay if your disability left you unable to work in any occupation for which you are reasonably qualified given your education, training or experience.* ➢ *If you suffer a TPD event, a delay of 3 months will apply before your claim is assessed. This is called a qualifying period and will impact the timing of you receiving a TPD benefit payment. This is also a condition of your existing products.*
You link your insurance policies where possible.	➢ *By bundling your life cover with TPD cover, you reduce your amount of life cover when a TPD benefit is paid. This is also a condition of your existing product.*

Recommendation	Consequences and risks
Brad, you make a partial rollover (payment) from your First Corporate Superannuation Fund to MNO Super Life to fund the superannuation component of the recommended MNO Insurance Term Life and TPD cover.	➢ *This should be done as an enduring rollover, meaning that the rollover will occur each year when your policy is renewed.* ➢ *Please note that your First Corporate Superannuation Fund allows members one partial rollover each year without incurring an exit fee (subsequent rollovers are $40). As your First Corporate Superannuation Fund is a unitised fund, there are not expected to be any buy/sell costs or capital gains tax relating to units that will be sold to fund the insurance premium.*
Zara, you make a $1,000 non-concessional contribution to your superannuation using funds held in your joint ABC Bank account.	➢ *The investment management fees on your OZ Industry Superannuation Fund will increase by $5 per year (being $1,000 x 0.5% per year for the 'Balanced' investment option).* ➢ *Your joint ABC Bank account will be reduced by $1,000. If you require access to cash, you can access funds from your mortgage offset account.* ➢ *There are no fees and costs associated with withdrawing $1,000 cash from ABC Bank.* ➢ *There are eligibility criteria and limits to the amount of non-concessional contributions you are permitted to make and co-contributions you are eligible to receive.* ➢ *If your income for this financial year exceeds $36,021, you will not be eligible for the full co-contribution payment.* ➢ *If your income exceeds $51,021, you will not be eligible for a co-contribution payment at all.*
Brad and Zara, you nominate each other as the beneficiary on your superannuation and life insurance.	➢ *Superannuation is not a personal asset and therefore does not automatically form part of your estate. The superannuation fund trustees will use their discretion on how, and to whom, they pay death benefits, which may include insurance proceeds. Therefore, it is important to nominate each other as beneficiaries.*

➢ *The attached PDSs provide more information about the products that I have recommended in this Statement of Advice.*

How to follow my advice

Steps you should take to follow my advice: Brad

Step	Description
1	Apply for $1,110,000 life cover and $510,000 TPD cover through MNO Insurance, using a 'Superlink' ownership structure. ➢ *A 'Superlink' ownership structure means that the TPD cover ownership will be split between you and your superannuation fund.*
2	Roll over $1,840 from your First Corporate Superannuation Fund to MNO Super Life to fund the superannuation premium component of your MNO Insurance Term Life and TPD cover.
3	Apply for $150,000 of trauma cover through MNO Insurance. Link the MNO Insurance Trauma cover in your personal name to the MNO Insurance Term Life and TPD cover held in superannuation.
4	Cancel your existing First Corporate Superannuation Fund Term Life and TPD cover once the MNO insurance is approved. ➢ *WARNING: Do not cancel your existing insurance until your new insurance is in place.*
5	Maintain your existing Mantra Income Protection cover.
6	Nominate Zara as your beneficiary on your First Corporate Superannuation Fund.
7	Nominate Zara as your beneficiary on your MNO Life Insurance policy plan. ➢ *If circumstances change, review your death benefit nominations to ensure they remain appropriate.*

Steps you should take to follow my advice: Zara

Step	Description
1	Increase your existing OZ Industry Superannuation Fund Life and TPD cover by $640,000, bringing it to a total of $840,000.
2	Apply for $235,000 of trauma cover through MNO Insurance.
3	Make a non-concessional contribution of $1,000 to your OZ Industry Superannuation Fund using personal cash reserves.
4	Nominate Brad as your beneficiary on your OZ Industry Superannuation Fund. ➢ *If circumstances change, review your death benefit nominations to ensure they remain appropriate.*

I will assist you with the completion of the required paperwork to implement my recommendations as well as the application process.

My commissions

The providers of some of the recommended personal insurance products pay commissions to Planforit, who share that commission with me.

Commission for Brad's Mantra Income Protection policy: Annual premium $1,200

Time period	Planforit	Me
Each year	$24	$216

Commission for Brad's MNO Insurance Term Life and TPD policy: Annual premium $2,040

Time period	Planforit	Me
First year	$122	$1,102
Following years	$41	$367

Commission for Brad's MNO Insurance Trauma policy: Annual premium $900

Time period	Planforit	Me
First year	$54	$486
Following years	$18	$162

Commission for Zara's MNO Insurance Trauma policy: Annual premium $1,300

Time period	Planforit	Me
First year	$78	$702
Following years	$26	$234

Total all commissions

Time period	Planforit	Me	Total
First year	$278	$2,506	$2,784
Following years	$109 per year	$979 per year	$1,088 per year

These figures comprise 60% of the premiums in the first year and 20% in the following years. Of this, 90% goes to me and 10% goes to Planforit. There is no fee for my advice.

Authority to proceed

Before you sign this authority, 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 that I have recommended
- ❑ talked to you about your personal circumstances, insurance needs and financial goals in a way you understand, and answered your questions
- ❑ discussed any commissions I will receive.

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

Before you sign this authority, please also 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 that you want clarified.

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

☞ Signed...Zara Black

Date: .... / ..... / 20 .....

☞ Signed...Brad Black

Date: .... / ..... / 20 .....

Continuing review service

I recommend that your needs and products be reviewed at least once a year to accommodate changes to your personal goals or circumstances, such as births, marital status, employment, debt levels, and tax implications of insurance.

➢ *To confirm that you wish to participate in an ongoing review service, please let me know and I can provide details of services and costs.*

Cooling-off period

If you apply for a life insurance product recommended in this Statement of Advice, and then change your mind, you are entitled to cancel the product within a 14-day cooling-off period.

➢ *Refer to the Product Disclosure Statements for further information.*