

International Medical Graduates Forum

Financial Planning in Australia



RACGP



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Agenda

- What is Financial Planning?
- Life Insurance
 - Death & TPD Cover
 - Trauma Cover
 - Income (Salary) Protection
 - Business Cover
- Superannuation
 - Rules & Regulations
 - Different Types
 - Industry Funds
 - Retails Funds
 - Self Managed Funds
- Investments



What is Financial Planning?

Financial planning is the process of developing strategies to help you manage your financial affairs so you can build wealth, enjoy life and achieve financial security.



Life Insurance

Whilst we are all naturally optimistic about our future, and that of our family, history has proven time and again that the unexpected occurs. It is important to plan for all eventualities.

Get cover before you get exclusions, loadings or are declined cover.

As a GP, you will be expected to fill out PMAR's
(Personal Medical Attendant Reports)



Life Insurance

Death Cover

Death Cover pays a lump sum in the event of the insured's death.

Most policies pay on diagnosis of a terminal illness and even suicide after the policy has been in force for a 13 month period.

Death Cover is generally cost effective.



Life Insurance

TPD Cover (Total & Permanent Disability)

TPD insurance pays a lump sum benefit for total and permanent disability due to illness or injury.

Own Occupation – assessed against their inability to work in their ‘own occupation’

Any Occupation – assessed against their inability to work in ‘any occupation’ for which they are reasonably suited by training/education/experience.



Life Insurance

Trauma Cover (Critical Illness)

Trauma insurance offers protection by providing a lump sum payment in the event you are diagnosed with one of a range of specified medical conditions.

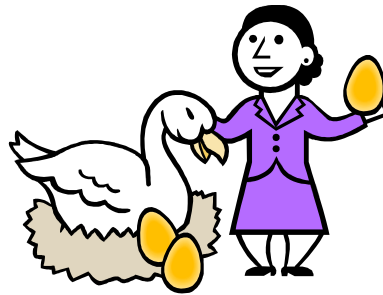
These include: Cancer, Heart Attack, Stroke

The range and depth of medical conditions covered vary from product to product.



Life Insurance

If you had a goose that laid golden eggs...



would you insure the goose or the eggs?

Why then do people insure the product of their income,
such as car & contents, but not
their income?



Life Insurance

Income Protection

- Replaces 75% of your income if you are unable to work due to sickness or injury.
- The premiums can be tax deductible.

Numerous variables – waiting period, benefit period.

Various levels of coverage – needle-stick injury etc

By taking out income protection you can insure your very own 'golden goose' and avoid putting your or your family's lifestyle at risk



Life Insurance

Business Insurance

- Specialist area of advice for business owners.

Buy & Sell - principals and equity holders funding to ensure the equity and share options are transferred seamlessly.

Key Person Asset - reduction or cancellation of business debt.

Key Person Revenue - replacement of revenue where there is a loss of key personnel or a principal.



Superannuation

Australia has one of the world's best superannuation systems.

It currently sits at circa \$1.4 trillion
Roughly \$9 billion added per annum

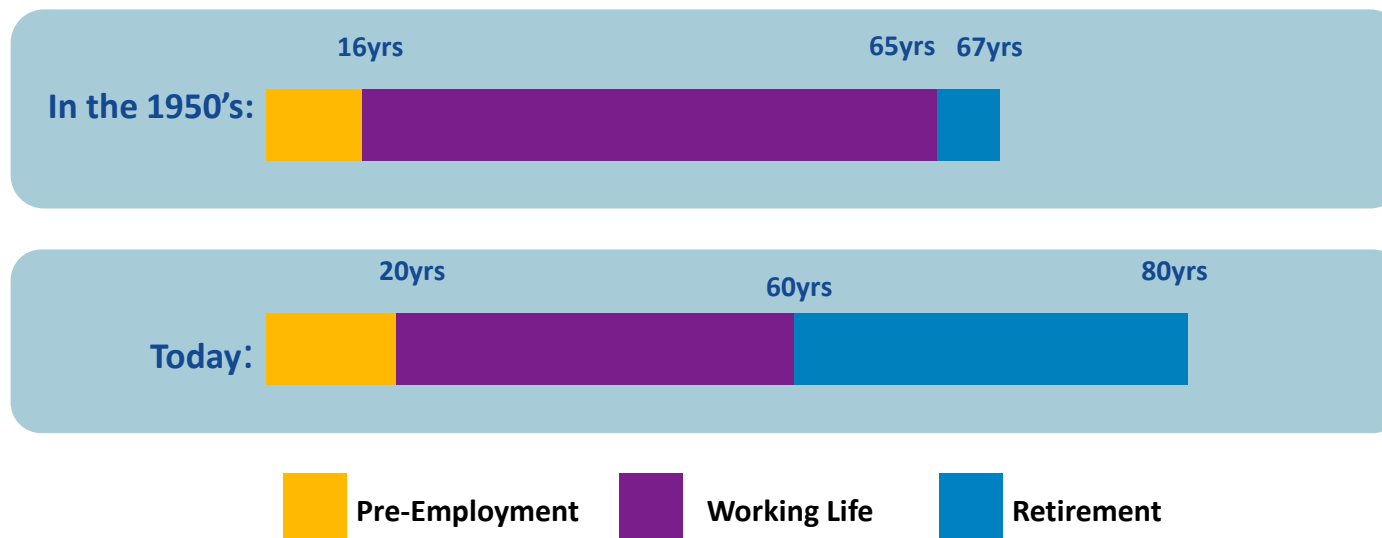
Employers must pay 9% of an employees salary into super (SG contribution).

Self-employed people are not compelled to contribute to their own super fund.



Superannuation

Today we are retiring earlier and living longer



Make your super work for YOU



Superannuation

Taxation

- Superannuation contributions are taxed at 15% unless they are made with after-tax dollars
- Superannuation earnings are taxed at 15% whilst in 'accumulation phase'
- Superannuation earnings are taxed at 0% whilst in 'pension phase'



Superannuation

Other Key Points

- You can usually choose your own super fund.
- Overseas Pension/Super funds may be able to be “rolled into” your Australian fund.
- You can generally not access your super unless you have reached preservation age.
- There are strict limits on how much can be contributed per annum – seek advice.



Superannuation

Choice of funds

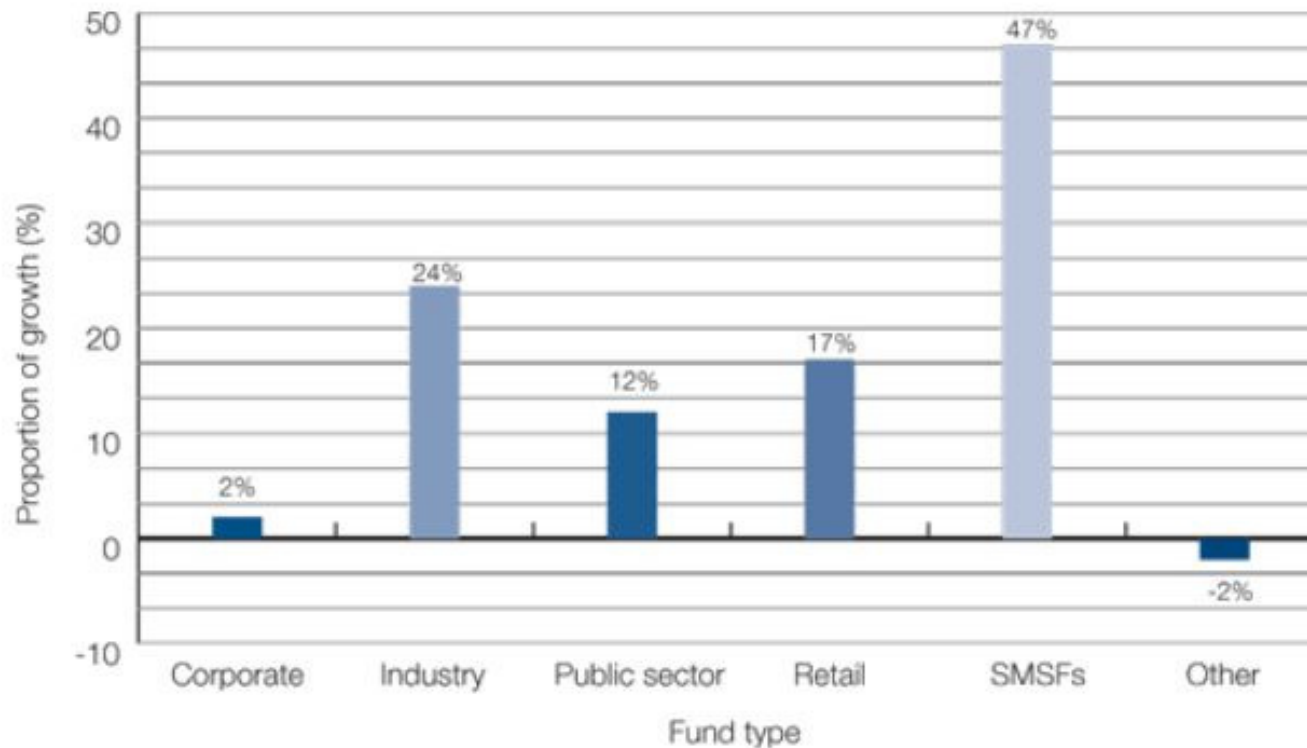
- Industry Funds – Normally set up by unions. Traditionally low cost & low features
- Retail Funds – On the wane. Higher cost.
- Wrap Platforms – Offer numerous investment options but requires moderate balance to be cost effective.
- SMSF's – Fastest growing sector. More complex but offers the most flexibility, choice & control.



Superannuation

Growth in different super

Graph 1: Proportion of 5 Year Total Superannuation Growth by fund type



Source:

<http://www.ato.gov.au/superfunds/content.aspx?menuid=0&doc=/content/00316375.htm&page=3>

Superannuation

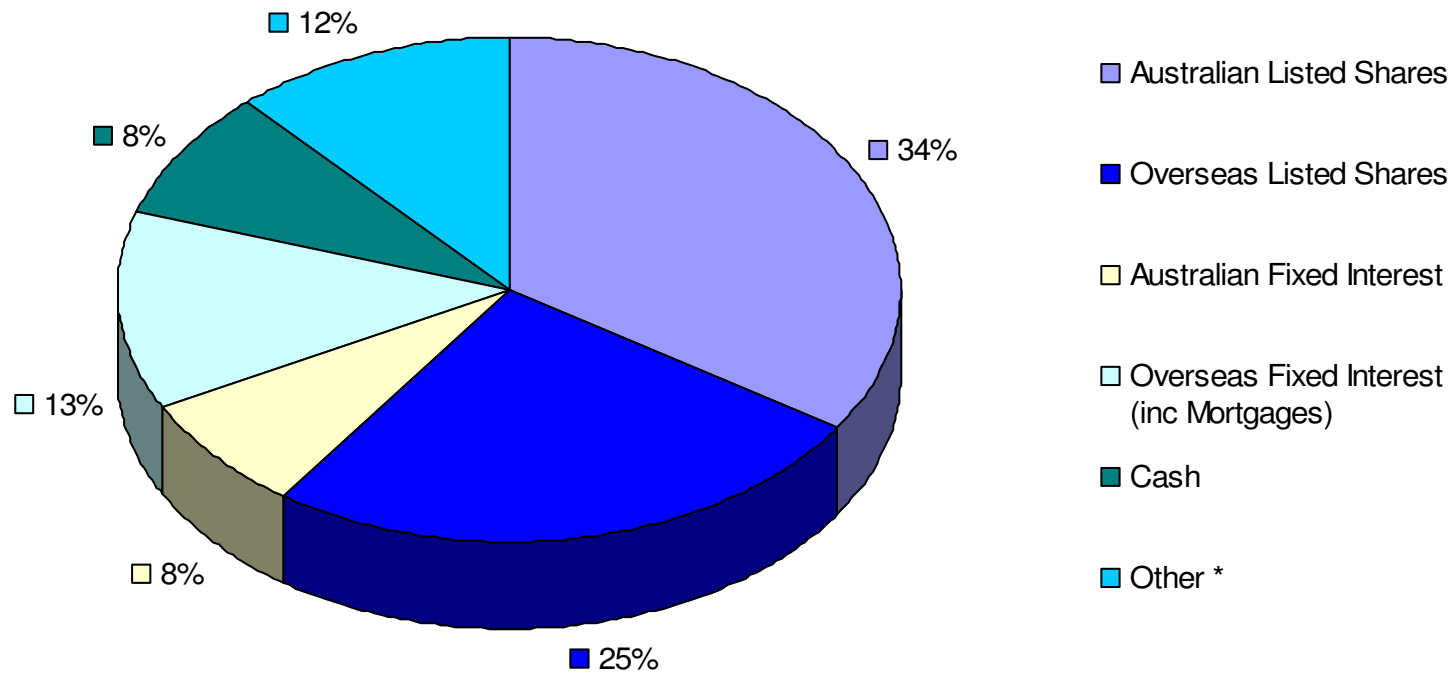
Strategies

- Hold Insurance inside superannuation – Death, TPD & Income Protection (SCI)
- Salary Sacrifice
- Transition to Retirement
- Government Co-Contribution
- Don't leave it in the 'default investment option' without looking at the other options

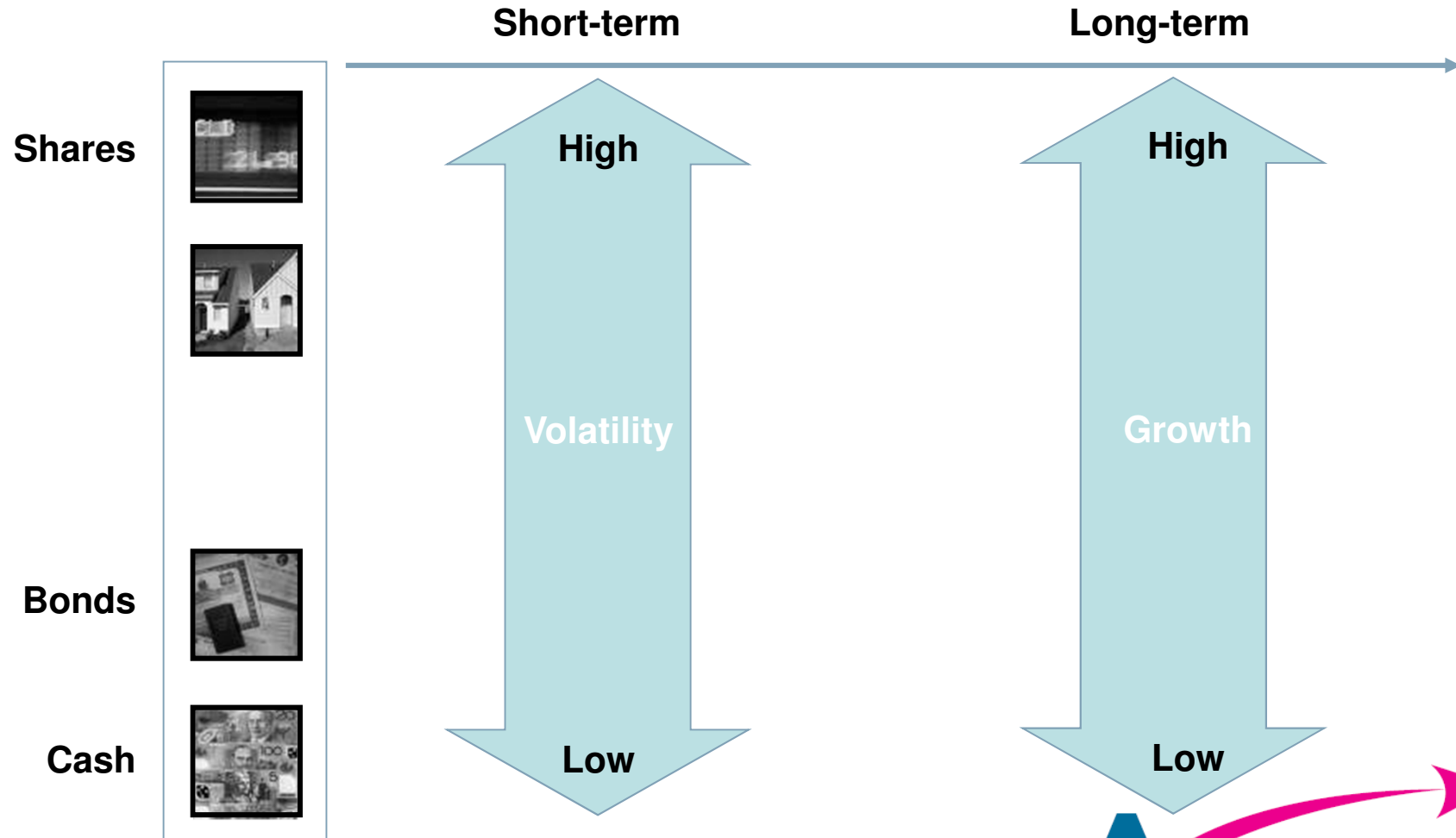


Superannuation

A typical default fund (Diversified fund)



Superannuation



Investments

Volatility

\$10,000 invested in a single asset class for 30 years



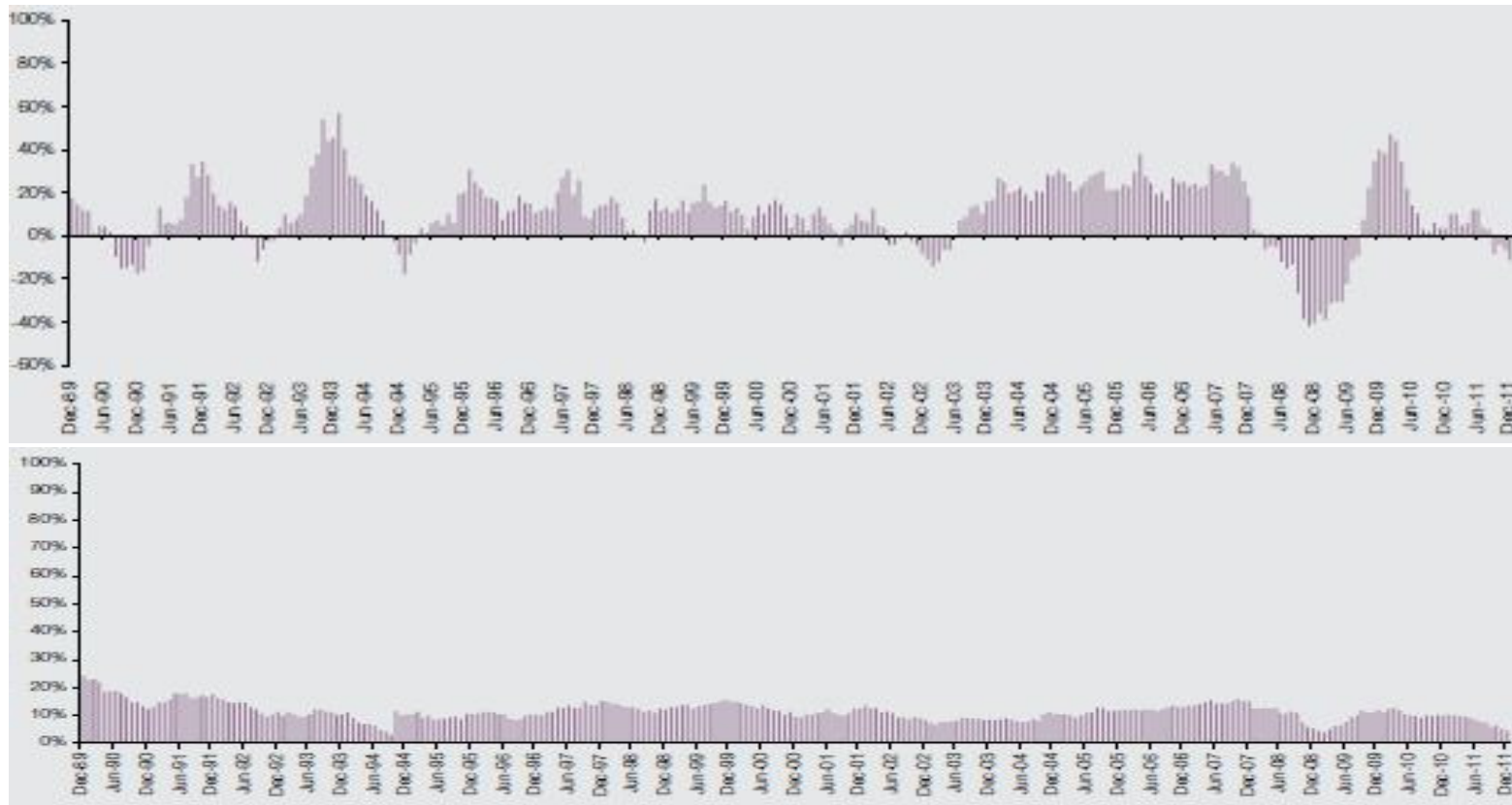
Source: Perennial Partners



Investments

Long term asset class performance

Rolling 1 and Rolling 7 year returns



Source: Perennial Partners

Investments

An overlooked benefit of investing in Australia

Franking Credits

Companies pay dividends and these dividends contribute to the overall return from share based investments.

If company ABC makes \$1.00 profit they are required to pay 30% tax on the profit.

If the company then pays a franked dividend then the 30% that has already been taxed (\$0.30) can be used to offset your taxable income.



Thank you for your time

All delegates here today can make an appointment for a free 1 hour consultation to discuss your individual situation

This presentation is available at
www.avantfinancial.com.au

