



ASIC

Australian Securities & Investments Commission

REGULATORY GUIDE 90

Example Statement of Advice: Scaled advice for a new customer

May 2017

About this guide

This guide is for Australian financial services (AFS) licensees, authorised representatives, and advisers who give personal advice to retail clients.

It explains how and why we have developed an example Statement of Advice (SOA) for scaled advice (i.e. personal advice that is limited in scope) on life insurance for a new customer.

The example SOA was developed in consultation with stakeholders, and we acknowledge their valuable contribution throughout the process.

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About ASIC regulatory documents

In administering legislation ASIC issues the following types of regulatory documents.

Consultation papers: seek feedback from stakeholders on matters ASIC is considering, such as proposed relief or proposed regulatory guidance.

Regulatory guides: give guidance to regulated entities by:

- explaining when and how ASIC will exercise specific powers under legislation (primarily the Corporations Act)
- explaining how ASIC interprets the law
- describing the principles underlying ASIC's approach
- giving practical guidance (e.g. describing the steps of a process such as applying for a licence or giving practical examples of how regulated entities may decide to meet their obligations).

Information sheets: provide concise guidance on a specific process or compliance issue or an overview of detailed guidance.

Reports: describe ASIC compliance or relief activity or the results of a research project.

Document history

This draft updated guide was issued in May 2017 and is based on legislation and regulations as at the date of issue.

Previous versions:

- Superseded Regulatory Guide 90 *Example Statement of Advice: Scaled advice for a new client*, issued August 2013.
- Superseded guide *Example Statement of Advice (SOA) for a limited financial advice scenario for a new client*, issued August 2005, rebadged as Regulatory Guide 90 on 5 July 2007.

Disclaimer

This guide does not constitute legal advice. We encourage you to seek your own professional advice to find out how the Corporations Act and other applicable laws apply to you, as it is your responsibility to determine your obligations.

Examples in this guide are purely for illustration; they are not exhaustive and are not intended to impose or imply particular rules or requirements.

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A Overview

Key points

The focus of this guide is the example Statement of Advice (SOA) in Appendix 2.

The example SOA is based on a hypothetical limited financial advice scenario for life insurance. It illustrates how an adviser can produce a compliant SOA that is concise, structured in a way that is easy to follow and written in simple, plain English.

Our aim is to provide guidance to help make SOAs more effective and easier for customers to read and understand, as well as to assist advisers to make better use of SOAs.

The example SOA has been developed in line with ASIC's increasing use of behavioural research to understand regulatory problems. It is not designed to illustrate what ASIC would consider to be the best advice in this scenario.

Scope of this guide

- RG 90.1 The focus of this guide is the example Statement of Advice (SOA) in Appendix 2. This example SOA is based on a hypothetical financial advice scenario, and provides an example of scaled advice (i.e. personal advice that is limited in scope) about life insurance for a new customer.
- RG 90.2 The guide briefly sets out the aims of the example SOA, highlights the various sections of the example SOA, and explains what these sections contain and why.
- RG 90.3 The example SOA illustrates how an adviser can produce a compliant SOA that is clear, concise and effective. It is structured in a way that is easy to follow and written in simple, plain English.
- RG 90.4 The example SOA has been developed in line with ASIC's increasing use of behavioural research to understand regulatory problems and, in some cases, design and refine solutions for them.
- RG 90.5 We designed the example SOA based on what we think is good disclosure practice (not best disclosure practice) for an SOA dealing with a comparable financial advice scenario.
- RG 90.6 While the example SOA has been prepared for a life insurance advice scenario, we have tried to create an example that can be adapted to other financial advice scenarios. We therefore encourage advisers to use the example SOA as a model for other SOAs.

- RG 90.7 We suggest that advisers consider the style, content and layout of the example SOA in light of the particular SOA they are producing. We recognise that the style, content, layout and length of an SOA will vary depending on various matters, including the scope and complexity of the advice. The example SOA is not intended to be used as a template, so it is unlikely that an adviser could use it without modification.
- RG 90.8 You may reproduce all or any part of the example SOA in Appendix 2, in hard copy and/or in electronic format, without asking for permission from ASIC.
- RG 90.9 For further example SOAs, see the appendix to [Regulatory Guide 244](#) *Giving information, general advice and scaled advice* (RG 244). The examples in RG 244 are designed to illustrate the differences between giving factual information, general advice and scaled advice.
- RG 90.10 Our general approach to compliance with the SOA requirements is set out in Section D of [Regulatory Guide 175](#) *Licensing: Financial product advisers—Conduct and disclosure* (RG 175).
- RG 90.11 We have also provided—in the appendix to [Report 413](#) *Review of retail life insurance advice* (REP 413)—a checklist of matters that advisers should consider when giving life insurance advice. This checklist includes guidance about how to communicate the advice in an SOA.
- RG 90.12 We will continue to assess SOAs against the existing law and our current guidance. The example SOA is an illustrative aid. As stated above, we encourage advisers to consider it as a model when preparing their own SOAs. However, we do not intend to assess any SOAs against the example SOA in a compliance review.

Aims of the example SOA

- RG 90.13 The purpose of an SOA is to communicate to the customer important and relevant information about the advice being provided to enable the customer to make an informed decision about whether to act on the advice.

Note: In this guide, we have used the term ‘customers’ to refer to retail clients.

- RG 90.14 Section B sets out the legislative requirements that apply to SOAs, and what we think should be included in an SOA to enable a customer to make an informed decision about whether to act on the advice.
- RG 90.15 The example SOA and this guide are underpinned by our current guidance on the SOA requirements, including the requirement for clear, concise and effective disclosure.

- RG 90.16 The design of the example SOA has also been based on insights from behavioural research into how people find and understand the information in SOAs. The language, structure, content and length of the example SOA are designed to make it a relatively simple and effective disclosure document.
- RG 90.17 We have developed the example SOA as a communication tool that sets out and explains the advice. It has not been designed for use as:
- (a) a compliance tool;
 - (b) a mechanism to protect the providing entity against liability;
- Note: A 'providing entity' is the person to whom the obligations in Pt 7.7 of the Corporations Act apply. This is the AFS licensee or authorised representative that provides the financial product advice.
- (c) a complete record of all information that you would expect to find in the customer file (i.e. the information kept about the advice provided to the customer); or
 - (d) a place to include additional information not required by law (e.g. educational material, which may be attached or provided separately).
- RG 90.18 The example SOA also provides an example of scaled advice. It demonstrates how an adviser can clearly communicate the scope of such advice. For more guidance about giving scaled advice, please refer to RG 244.
- RG 90.19 Finally, we developed the example SOA on the basis that the adviser in our financial advice scenario is maintaining information on a customer file, and that this customer file shows that the adviser has met the best interests duty and related obligations in Div 2 of Pt 7.7A of the Corporations Act.
- Note: See RG 90.38–RG 90.40 for a description of the record-keeping obligations that apply when giving personal advice to retail clients.
- RG 90.20 Customers and their advisers will discuss a broad range of matters over the course of their relationship. While these matters may provide context and background for the advice, not all this information should be in the SOA. Information can be communicated to the customer in other ways: see RG 90.44.

Design and structure of the example SOA

- RG 90.21 Section C explains in detail the design and structure of the example SOA. We describe what each section of the example SOA contains and explain why this information has been included. Table 1 summarises the sections included in the example SOA.

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Table 1: Key sections of the example SOA

Front cover	The front cover sets out basic information—including the name of the adviser and their contact details—that the customers need to know before they read the contents of the SOA. A summary of commissions has also been provided on the front cover to strengthen remuneration disclosure: see ‘My commissions’ below.
Table of contents	The table of contents helps the customers to navigate through the document. We consider a table of contents to be particularly useful if an SOA is more than 10 pages long.
What this document is about	This section explains what the SOA is about, and why the customers should read it.
Summary of my insurance recommendations	This section provides an overview of the adviser’s recommended insurance products for quick reference, and refers the customers to the ‘My advice’ section of the SOA for more details.
About you—Brad and Zara	This section summarises details from the customers’ personal and financial profile, which the adviser has gathered to understand the customers’ needs and what is required to meet those needs.
What you want	This section outlines the adviser’s understanding of the customers’ needs.
My advice	This section sets out the adviser’s recommendations.
Overview of recommended products	This section summarises the key features of the products that the adviser has recommended.
Consequences of my advice	This section sets out the financial consequences and risks of the advice.
Why my advice is in your best interests and appropriate	This section explains why the advice is in the customers’ best interests and appropriate in light of their financial circumstances and objectives.
What you should know about my advice	This section sets out the limits on the advice (i.e. the scope) and other key information the customers need to know about the advice and the advice process.
How to follow my advice	This section outlines the steps the customers need to take if they wish to follow the advice.
My commissions	This section sets out any commissions the adviser and their licensee would receive if the customers decide to act on the advice. Note: The SOA should also disclose any fees or costs associated with the advice and, if these apply, this should be made clear in the heading to this section.
Authority to proceed	It is generally industry practice to include some kind of document giving the adviser an ‘authority’ to proceed with the advice. We have included this authority, together with a checklist of important things the customers should make sure have been done before acting on the advice.

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- RG 90.22 The last part of Section C sets out what is not included in the example SOA and why. The types of information we have not included are:
- (a) disclaimers and warnings;
 - (b) financial product information;
 - (c) financial services provided; and
 - (d) additional information not material to the advice or the basis of the advice.

Financial advice scenario

- RG 90.23 We have designed the example SOA based on a hypothetical and limited financial advice scenario for life insurance (i.e. one that does not require a full financial plan).
- RG 90.24 The advice scenario deals with Brad and Zara—a married couple with two young children—who have asked a financial planner, Sally Chong, to advise them on life insurance cover in the event of death or disability, taking into account their current income and assets. This scenario is set out in more detail in Appendix 1.
- RG 90.25 The advice we developed is one of a number of possible outcomes. While we have tried to ensure that the financial advice scenario is as realistic as possible, we recognise that there might be disagreement with some aspects of the scenario.
- RG 90.26 In releasing the example SOA, we aim to illustrate how an adviser could produce a compliant SOA that is clear, concise and effective. The example SOA is structured in a way that is easy to follow and written in simple, plain English. It is not designed to illustrate what ASIC would consider to be the best advice in this scenario.

B Aims of the example SOA

Key points

The example SOA, together with this guidance, is intended to help advisers produce a relatively simple and effective SOA that complies with the SOA requirements in Pt 7.7 of the Corporations Act.

This section sets out the relevant legislative requirements, and provides a brief overview of how the best interests duty affects the content of SOAs: RG 90.30–RG 90.32.

In preparing an SOA, we consider that the presentation requirements (i.e. structure, layout and language) are as important as the content requirements. This is why we have used insights from behavioural research to improve the way our example SOA communicates information to customers.

It is particularly important to ensure that SOAs are not too long or complicated as this detracts from customer understanding. Although an adviser is likely to consider and discuss a broad range of matters with the customer, not all this information needs to be in the SOA: RG 90.41–RG 90.44.

Legislative requirements

- RG 90.27 We consider that the example SOA will help advisers comply with the SOA requirements in Pt 7.7 of the Corporations Act.
- RG 90.28 Under s947B, 947C and 947D, an SOA must contain:
- (a) a statement setting out the advice (s947B(2)(a) and 947C(2)(a));
 - (b) information about the basis on which the advice is or was given (s947B(2)(b) and 947C(2)(b));
 - (c) a statement setting out the name and contact details of the providing entity and, where relevant, the authorising licensee (s947B(2)(c) and 947C(2)(c)–(d));
 - (d) information about remuneration, commission and other benefits capable of influencing the providing entity in providing the advice (s947B(2)(d) and 947C(2)(e));
 - (e) information about any other interests, associations or relationships that might be expected to be or have been capable of influencing the providing entity in providing the advice (s947B(2)(e) and 947C(2)(f));
 - (f) where the personal advice is based on incomplete or inaccurate information, a statement setting out the warning required by s961H (s947B(2)(f) and 947C(2)(g)); and

- (g) where the personal advice recommends the replacement of one financial product with another financial product (also known as ‘switching advice’), the additional information required by s947D.

Note: Under s947B(2)(g) and 947C(2)(h), an SOA must also contain any other statements or information required by the regulations. Currently, there are no requirements other than those specified above.

RG 90.29 These requirements are subject to two general limitations, as set out in Table 2.

Table 2: General limitations on the SOA requirements

Level of detail	The level of detail for each matter is generally what a person as a retail client would reasonably require to make a decision about whether to act on the advice: s947B(3) and 947C(3).
Clear, concise and effective	The statements and information in an SOA must be worded and presented in a clear, concise and effective manner: s947B(6) and 947C(6). Note: For guidance on clear, concise and effective disclosure, see RG 175.183–RG 175.187.

RG 90.30 Part 7.7A of the Corporations Act contains a series of obligations that financial advisers must meet in providing advice. These are designed to reduce conflicts of interest and ensure the adviser gives priority to their customer’s interests and provides advice of sufficient quality.

RG 90.31 Under Div 2 of Pt 7.7A, financial advisers must comply with a best interests duty when providing personal advice to retail clients. This duty requires advisers to act in the best interests of their customers and to place the interests of their customers ahead of their own: s961B(1) and 961J(1).

RG 90.32 An adviser is deemed to have satisfied the best interests duty in s961B(1) if they can prove they have taken the steps set out in s961B(2)—referred to in RG 175 as the ‘safe harbour’. One way for an adviser to demonstrate they have satisfied the best interests duty is to ensure that the customer file reflects that the adviser has taken these ‘safe harbour’ steps. However, this is not the only way an adviser may demonstrate they have acted in the best interests of a customer.

Note: See Section E of RG 175 for more guidance on our expectations for complying with the best interests duty and related obligations.

Purpose of an SOA

RG 90.33 The purpose of an SOA is to communicate to the customer important and relevant information about the advice so they can make an informed decision about whether to act on the advice. The example SOA and this guide are underpinned by our current guidance on the SOA requirements, including the requirement for clear, concise and effective disclosure. The design of the

example SOA has also been influenced by behavioural insights and primary research on how people find and use information in SOAs.

Note: See Section D of RG 175 and the Good Disclosure Principles in Section C of [Regulatory Guide 168](#) *Disclosure: Product Disclosure Statements (and other disclosure obligations)* (RG 168).

- RG 90.34 As outlined in RG 175, we consider that an SOA should clearly, concisely and effectively summarise, for the benefit of the customer:
- (a) the advice; and
 - (b) the reasoning that led to the advice, including:
 - (i) a concise summary of the customer's relevant circumstances, as ascertained after making the inquiries required by s961B;
 - (ii) the scope of the advice;
 - (iii) the subject matter of the advice sought by the customer;
 - (iv) a generic description of the range of financial products, classes of financial product or strategies considered and investigated for the purposes of s961B;
 - (v) an explanation of how the adviser has acted in their customer's best interests. We consider that it is good practice to set out the basis on which a reasonable adviser would believe that the advice is likely to leave the customer in a better position if the customer follows the advice; and
 - (vi) an explanation of why the advice and recommendations were considered appropriate, including in light of the alternative options considered, and the advantages and disadvantages (including risks) for the customer if the customer follows the advice.

Note: For further guidance on preparing and providing an SOA, see Section D of RG 175.

- RG 90.35 Consistent with this purpose, we have developed the example SOA as a communication tool that sets out and explains the advice. It has not been designed for use as:
- (a) a compliance tool;
 - (b) a mechanism to protect the providing entity against liability;
 - (c) a complete record of all the information that you would expect to find in the customer file (i.e. the information kept about the advice provided to the customer); or
 - (d) a place to include additional information not required by law (e.g. educational material, which may be attached or provided separately).

Note 1: For more detail about the design of the SOA, see Section C.

Note 2: For guidance on preparing and providing suitable personal advice, see Section B of RG 175 and Sections D–F of RG 244.

Note 3: For guidance on including additional information in an SOA, and the clear, concise and effective disclosure requirement, see RG 175.183–RG 175.187.

- RG 90.36 We have developed the example SOA on the basis that the adviser in our financial advice scenario is maintaining information on a customer file. This customer file should show the steps that the adviser has taken to satisfy the best interests duty and related obligations in Div 2 of Pt 7.7A.
- RG 90.37 We have not included in the example SOA all of the information that we would usually expect to find in the customer file. For instance, the example SOA does not include information about the alternative financial products or strategies that were considered but rejected by the adviser in providing the advice. However, we would expect this information to be clearly set out in the customer file.
- RG 90.38 An AFS licensee must ensure that records of advice are kept for a period of at least seven years after the day the personal advice is provided to the customer. [Class Order \[CO 14/923\] Record-keeping obligations for Australian financial services licensees when giving personal advice](#) modifies Div 3 of Pt 7.6 of the Corporations Act, as it applies to all AFS licensees, to insert a new section—s912G—which sets out the record-keeping requirements for AFS licensees when the licensee or its representatives (including advisers) give personal advice to retail clients.
- RG 90.39 Section 912G(2)(c) requires that, when an AFS licensee or its representative provides personal advice to retail clients, the licensee must ensure that records are kept of the advice given. This includes an obligation to keep copies of SOAs.
- Note: We have provided guidance on the record-keeping obligations in Section D of RG 175.
- RG 90.40 The information we require to be kept, under the record-keeping obligations, will help to demonstrate that the adviser has satisfied the best interests duty and related obligations.

Other communications with a customer

- RG 90.41 It is important to remember that an SOA forms only one part of the advice process. In developing the example SOA, we considered what information could be excluded, based on both the disclosure requirements and the purpose of the SOA in the context of the whole adviser–customer relationship.
- RG 90.42 The SOA is intended to communicate to the customer specific information at a particular point in time. Over the course of their relationship, an adviser and customer will generally consider and discuss a broad range of matters that help provide the background to (and eventual basis for) the advice that is provided.

- RG 90.43 Some of these matters include:
- (a) the customer's:
 - (i) personal circumstances (including their risk tolerance);
 - (ii) financial situation; and
 - (iii) goals and objectives;
 - (b) financial concepts, including the concept of risk and return and what this means for asset allocation when investing;
 - (c) the financial services that the providing entity is authorised to provide (including the cost of those services and any limitations that apply to those services);
 - (d) information about financial strategies and financial products; and
 - (e) the advice itself (including its cost, the advantages and disadvantages, and the alternative financial products and strategies that were considered by the adviser).

RG 90.44 While these matters may provide context and background for the advice, not all this information needs to be in the SOA. Information about these matters could be provided to the customer in:

- (a) other documents, including the Financial Services Guide (FSG), Product Disclosure Statements (PDSs), promotional literature and educational material;
- (b) verbal communications, such as face-to-face meetings and telephone conversations; and
- (c) other written communications, such as emails and letters.

Note: For more information about what has not been included in the example SOA, see RG 90.86–RG 90.95.

C Design and structure of the example SOA

Key points

This section explains in detail the design and structure of the example SOA, and describes what each section contains and why.

The example SOA has been designed to make it as easy as possible for customers to understand and navigate.

The design also takes into account any technical constraints that an adviser may face in adapting the example SOA to different personal advice scenarios. It has been created in a basic word-processing package, using simple design and layout techniques that should be available to all advisers.

In keeping with the requirement for clear, concise and effective disclosure, the example SOA does not contain any information that does not need to be in an SOA. For example, the body of the example SOA does not contain standard disclaimers or warnings, financial product information, advertising material or educational information.

Design and layout

- RG 90.45 We have used simple design and layout techniques in the example SOA (e.g. headings, tables and bullet points) to help highlight key information and make the document easier to read and navigate. Where possible, tables and bullet points have been used to break up the text and make it easier for customers to find and compare information.
- RG 90.46 We have deliberately used language that is simple and easy to understand. Our aim was to develop a disclosure document that could be read and understood by anyone seeking personal insurance advice, regardless of their previous level of understanding about insurance products.
- RG 90.47 We have used the following strategies to make the SOA easier to read and understand:
- (a) where possible, technical words and phrases have been replaced with more commonly understood terms;
 - (b) where legal terms have been used, these are explained at the first point of usage;
 - (c) the use of acronyms and abbreviations has been minimised;
 - (d) short, simple sentences have been used, with no complex sentence structures;
 - (e) where possible, tables and bullet points have been used to break up the text and present information in a clear, accessible way; and

- (f) different types of information have been identified and separated into two ‘voices’, using a different style to represent each voice:
 - (i) the first ‘voice’ (in normal text) is the voice of the adviser and sets out key information, facts and recommendations; and
 - (ii) the second ‘voice’ (in italics with an arrow bullet) provides further explanation or expands on the implications of what the first voice has said.

RG 90.48 In addition, some repetition has been employed throughout the example SOA, based on the knowledge that many people do not read these types of documents from cover to cover. Some people may only skim the document and/or engage with specific sections. For these people, the table of contents allows them to find the information they want and only read that information. Some repetition has been necessary to make each section make sense by itself.

RG 90.49 The example SOA has been designed in accordance with the principles of the Web Content Accessibility Guidelines (WCAG) 2.0, which apply to all material published on Australian government websites. This ensures that the document can be accessed and understood by people with disabilities, including those using assistive technologies such as screen readers.

RG 90.50 We note that SOAs are challenging documents for customers. We would expect the adviser to talk through the SOA with the customer as part of the advice process.

RG 90.51 In our view, the structure of the example SOA reflects the process of giving advice, including a discussion of:

- (a) the customers’ personal circumstances and financial situation;
- (b) the customers’ goals and objectives;
- (c) the advice;

Note: The example SOA does not include information about the alternative financial products or strategies that were considered but do not form part of the final recommendations given by the adviser. However, we would expect this information to be recorded on the customer file in accordance with the record-keeping obligations: see RG 90.38–RG 90.40.

- (d) the financial consequences and risks of the advice, including the consequences of replacing one financial product with another;
- (e) why the advice is in the customers’ best interests and appropriate;
- (f) what the advice does not cover (i.e. its scope);
- (g) what the customer should do to follow the advice; and
- (h) the commissions associated with the advice—these have also been summarised on the front cover in order to strengthen the remuneration disclosure.

- RG 90.52 The design of the example SOA also takes into account any technical constraints that an adviser may face in adapting the SOA to different personal advice scenarios. The example SOA has been formatted in a common word-processing package that should be available to all advisers.

Key sections of the example SOA

Front cover

- RG 90.53 The front cover sets out the basic information that the customers need to know before they read the contents of their SOA. This includes:
- (a) the fact that the document is called a Statement of Advice;
 - (b) the name of the adviser and their contact details; and
 - (c) the name of the authorising licensee and its contact details.
- RG 90.54 We have provided a summary of the commissions associated with the advice on the front cover to illustrate how an adviser can provide prominent, upfront disclosure of commissions: see also RG 90.80–RG 90.83.

Table of contents

- RG 90.55 The table of contents helps the customers to navigate through the document.

What this document is about

- RG 90.56 This section follows the table of contents and explains what the SOA is about and why the customers should read it. We have also provided a list of the attached PDSs for the financial products that have been recommended.

Summary of my insurance recommendations

- RG 90.57 This section provides a short summary of the adviser's individual insurance recommendations for Brad and Zara, and refers the customers to the 'My advice' section of the SOA for more details.

About you—Brad and Zara

- RG 90.58 This section summarises details from the customers' personal and financial profile that are relevant to the advice being provided and the basis for the advice.
- RG 90.59 While the customer file would contain more detailed information about the customers' personal circumstances and financial situation, we did not consider it necessary to include all of this information in the example SOA.

- RG 90.60 We recognise that the level of relevant personal and financial information included in an SOA may vary depending on the scope and complexity of the advice being sought and the circumstances of the particular customer.
- RG 90.61 The information in the ‘About you’ section of the example SOA has been organised under separate headings, as set out in Table 3.

Table 3: Headings used in the ‘About you’ section of the example SOA

Heading	Explanation
Personal details	This section summarises the customers’ relevant circumstances.
What you own and what you owe	This section sets out the customers’ existing assets and liabilities.
What you earn each year	This section outlines the customers’ individual and combined earnings after tax and benefits.
What you spend each year	This section calculates the customers’ combined total annual expenses.
Your current personal insurance	This section summarises the customers’ existing personal insurance products.

What you want

- RG 90.62 This section summarises the adviser’s understanding of the customers’ needs and preferences.
- RG 90.63 As with the preceding section, the information has been organised under separate headings, as set out in Table 4.

Table 4: Headings used in the ‘What you want’ section of the example SOA

Heading	Explanation
What you both want	This section broadly outlines the customers’ combined goals and objectives, as described by Brad and Zara, including their priorities and attitudes to risk.
What you want—Brad	This section sets out specific objectives for Brad.
What you want—Zara	This section sets out specific objectives for Zara.

My advice

- RG 90.64 This section sets out clearly and concisely the advice and the basis for the advice. We have not included a detailed discussion of any of the recommended financial products because this would be in the relevant PDSs.
- RG 90.65 The information in the ‘My advice’ section has been organised under the separate headings listed in Table 5.

Table 5: Headings used in the ‘My advice’ section of the example SOA

Heading	Explanation
Insurance needs—Brad	This section calculates the total cover required to meet Brad’s objectives.
Insurance needs—Zara	This section calculates the total cover required to meet Zara’s objectives.

Overview of recommended products

RG 90.66 This section provides an overview of the products recommended for Brad and Zara.

Consequences of my advice

RG 90.67 We have limited the information in this section to the relevant information that the customers need to know in order to:

- (a) understand the financial consequences and risks of the advice; and
- (b) decide whether to follow the advice.

RG 90.68 However, we recognise that the level of information provided in an SOA may vary depending on the advice being sought and the circumstances of the particular customer.

RG 90.69 In providing personal advice, advisers must comply with the best interests duty and related obligations. This means that, among other things, advisers must conduct a reasonable investigation into the financial products that might achieve the objectives and meet the needs of the customer that would reasonably be considered relevant to the advice on that subject matter. However, the SOA does not need to set out all the details of this investigation.

RG 90.70 We have provided detailed guidance on the best interests duty and related obligations in Section E of RG 175.

RG 90.71 This section of the example SOA has been organised under the broad headings listed in Table 6.

Table 6: Key headings used in the ‘Consequences of my advice’ section of the example SOA

Heading	Explanation
Consequences of replacing products	<p>This section addresses the disclosure obligation in s947D of the Corporations Act. Section 947D applies where personal advice is, or includes, a recommendation to replace one financial product with another.</p> <p>We have included a table under the heading ‘Comparison of replacement and original insurance products—Brad’, which sets out the immediate consequences of following the advice, including a comparison between the sums insured and the total annual premiums for each policy. If there are costs associated with cancelling an existing insurance policy and obtaining a new policy, these should be included here.</p>
Additional consequences you should understand	<p>This section explains the financial consequences of following the advice in detail, including the estimated impact of the recommendations on the customers’ cash flow and retirement savings.</p>
Risks of my advice	<p>This section sets out the risks associated with following the advice. We consider that a discussion about the financial consequences of the advice should be followed by clearly pointing out the key disadvantages and risks of the advice, so that customers have all the information they need to make a decision. We have tailored the information to the particular customers and the recommendations made.</p> <p>We have deliberately not included generic information about risk (e.g. generic references to inflation risk).</p>

Why my advice is in your best interests and appropriate

- RG 90.72 In this section, we have summarised why each recommendation is considered appropriate for the customers, and the basis on which it would be reasonable to conclude that they will be better off if they follow the advice.
- RG 90.73 We have limited the information to key points that we think the customers need to know about each recommendation to understand why the advice is in their best interests and appropriate in light of their relevant circumstances.
- RG 90.74 We have not included a detailed analysis of each of the recommended insurance products. We consider that the example SOA provides sufficient information for the customers to understand why the type and amount of insurance cover has been recommended. However, we have assumed that the adviser has recorded sufficient information on the customer file to demonstrate that the advice is in the customers’ best interests and appropriate.

What you should know about my advice

- RG 90.75 This section outlines the scope of the advice and other key information the customers need to know about the advice and the advice process.
- RG 90.76 It highlights any limits on the advice and reminds the customers that the adviser can provide them with further advice, if they want it, at an additional

cost. This gives the customers enough information to make them aware of other matters they might need to consider in the future. We have deliberately drafted this information so it is not a disclaimer or warning.

RG 90.77 We have also included an expiry date for the advice to highlight that the advice has a time limit and that the customers should not act on the advice after a certain date. It is important for the customers to know that the advice is only appropriate for them at this point in time, based on their current personal circumstances and financial situation, and other factors such as the financial products currently on the licensee's approved product list.

RG 90.78 Other details included in this section are:

- (a) whether the customers can change their minds about any of the purchases and investments after they have invested their money; and

Note: It is important that customers know about their cooling-off rights. Because the example SOA refers the customers to the PDS for each financial product, rather than providing detailed information in the SOA, we have assumed that the adviser has explained to the customers the importance of their cooling-off rights and has shown them where that information can be found in the PDS.

- (b) how the customers' personal information is protected.

How to follow my advice

RG 90.79 This section outlines the steps that the customers need to take if they wish to follow the advice.

My commissions

RG 90.80 While the provisions on conflicted remuneration and other banned remuneration in Divs 4 and 5 of Pt 7.7A of the Corporations Act (conflicted remuneration provisions) prohibit many benefits that an adviser can receive, some commissions are excluded from the conflicted remuneration provisions and are still permitted. For advice on life insurance, commissions are permitted if requirements imposed by ASIC setting out maximum levels of upfront and ongoing commissions are met: see *Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017*.

RG 90.81 If an adviser and their licensee do receive allowable commissions, they will need to provide details of this in the SOA: s947B(2)(d) and 947C(2)(e).

Note: For further guidance on complying with the conflicted remuneration provisions, see [Regulatory Guide 246](#) *Conflicted remuneration* (RG 246).

RG 90.82 In the example SOA, we have sought to strengthen remuneration disclosure by including a summary of the commissions associated with the advice on the front cover. This disclosure is in addition to a full breakdown of commissions, within the body of the SOA, which appears before the authority to proceed. This is intended to draw the customers' attention to the

information and give them an opportunity to review the commissions before signing the document.

RG 90.83 In addition to information about commissions, the SOA should clearly disclose:

- (a) any fees payable for the advice and for preparing the SOA; and
- (b) any product costs the customers will pay if they purchase the recommended financial products.

RG 90.84 If the above apply, this should be made clear in the heading.

Authority to proceed

RG 90.85 It is generally industry practice to include some kind of document giving the adviser an ‘authority’ to proceed according to the advice. We have included an ‘Authority to proceed’, together with a checklist of important things the customers should make sure have been done before they act on the advice.

What is not included in the example SOA

Disclaimers and warnings

RG 90.86 Consistent with its purpose as a communication tool (and not a mechanism to protect against liability), we have not included in the example SOA any disclaimers designed to protect advisers from liability for the advice.

RG 90.87 We have excluded this information because it is not designed to help the customers understand (and decide whether to rely on) personal advice. We think it would be more appropriate to include this type of information in other documents (e.g. documents that establish the legal relationship between the adviser and the customers, such as the FSG or the letter of engagement).

RG 90.88 However, where personal advice is, or may be, based on incomplete or inaccurate information, a warning must be given to the customer. If the SOA is the means by which the advice is provided, or the SOA is given to the customer at the same time as the advice is provided, the warning may be given by including it in the SOA: s961H.

Financial product information

RG 90.89 We have not included detailed information about the recommended financial products in the example SOA because this information would be in the PDS for each product. We have assumed, however, that the adviser has drawn the customers’ attention to the relevant information in each PDS.

RG 90.90 The PDS is the point-of-sale document that sets out the significant features of a financial product, including its risks, benefits and cost. Its broad objectives are to help customers compare and make informed choices about financial products.

Note: For further guidance about complying with PDS requirements, see RG 168.

Financial services provided

RG 90.91 We have not included information about any of the other financial services provided by the adviser because this information would be available in the FSG. We have assumed, however, that the adviser has drawn the customers' attention to the relevant information in the FSG.

RG 90.92 Under the Corporations Act, the FSG must include (among other things) information about the kinds of financial services that the adviser is authorised to provide: s942B(2)(c) and 942C(2)(d).

Note: For further information and guidance about what must be included in an FSG, see Section C of RG 175—in particular, RG 175.88–RG 175.104.

Additional information

RG 90.93 We believe that an SOA should be confined to explaining the advice and the basis for the advice. This means that we have not included any information in the example SOA that does not satisfy this purpose.

RG 90.94 In this context, we consider that it might be more appropriate for additional information that is not material to the advice, or to the basis for the advice, to be given to, and discussed with, customers through some other means (e.g. in other documents such as promotional material, or in face-to-face meetings). In developing the example SOA, we have assumed that the adviser has told the customers that additional information can be provided on request.

RG 90.95 While we recognise that the SOA may have some educational value, its primary purpose is to disclose to the customer key information about the advice. We do not consider that it is necessary to provide information in an SOA to educate a customer about financial products. We have therefore not included additional educational information in the body of the example SOA. Instead, we have included a reference to some (hypothetical) attached educational material and provided a link to [ASIC's MoneySmart website](http://www.moneySMART.gov.au) (www.moneySMART.gov.au) below the table of contents. Educational material may also be provided separately.

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Key terms

Term	Meaning in this document
advice	Personal advice given to retail clients
adviser	<p>A natural person providing personal advice to retail clients on behalf of an AFS licensee who is either:</p> <ul style="list-style-type: none"> • an authorised representative of an AFS licensee; or • an employee representative of an AFS licensee <p>Note: This is the person to whom the obligations in Div 2 of Pt 7.7A of the Corporations Act apply when providing personal advice to a retail client: see key term definition of 'advice provider' in RG 175.</p>
AFS licence	<p>An Australian financial services licence under s913B of the Corporations Act that authorises a person who carries on a financial services business to provide financial services</p> <p>Note: This is a definition contained in s761A.</p>
AFS licensee	<p>A person who holds an AFS licence under s913B of the Corporations Act</p> <p>Note: This is a definition contained in s761A.</p>
approved product list	A list of financial products, determined by the AFS licensee, and considered suitable for the licensee's representatives to recommend to customers
ASIC	Australian Securities and Investments Commission
authorised representative	<p>A person authorised by an AFS licensee, in accordance with s916A or 916B of the Corporations Act, to provide a financial service or services on behalf of the licensee</p> <p>Note: This is a definition contained in s761A.</p>
best interests duty	The duty to act in the best interests of the customer when giving personal advice to a customer as set out in s961B(1) of the Corporations Act
best interests duty and related obligations	The obligations in Div 2 of Pt 7.7A of the Corporations Act
conflicted remuneration	<p>A benefit given to an AFS licensee, or a representative of an AFS licensee, who provides financial product advice to customers that, because of the nature of the benefit or the circumstances in which it is given:</p> <ul style="list-style-type: none"> • could reasonably be expected to influence the choice of financial product recommended by the licensee or representative to customers; or • could reasonably be expected to influence the financial product advice given to customers by the licensee or representative. <p>In addition, the benefit must not be excluded from being conflicted remuneration by the Corporations Act or Corporations Regulations 2001</p>

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Term	Meaning in this document
Corporations Act	<i>Corporations Act 2001</i> , including regulations made for the purposes of that Act
customer (or client)	Retail client
customer's relevant circumstances	The objectives, financial situation and needs of a customer that would reasonably be considered relevant to the subject matter of advice sought by the customer
example SOA	The example SOA set out in Appendix 2
factual information	Objectively ascertainable information whose truth or accuracy cannot reasonably be questioned
financial adviser	See 'adviser'
financial product	Generally a facility through which, or through the acquisition of which, a person does one or more of the following: <ul style="list-style-type: none"> • makes a financial investment (see s763B); • manages financial risk (see s763C); • makes non-cash payments (see s763D) <p>Note: This is a definition contained in s763A of the Corporations Act: see also s763B–765A.</p>
financial product advice	A recommendation or a statement of opinion, or a report of either of these things, that: <ul style="list-style-type: none"> • is intended to influence a person or persons in making a decision about a particular financial product or class of financial product, or an interest in a particular financial product or class of financial product; or • could reasonably be regarded as being intended to have such an influence. <p>This does not include anything in an exempt document</p> <p>Note: This is the definition contained in s766B of the Corporations Act.</p>
financial service	Has the meaning given in Div 4 of Pt 7.1 of the Corporations Act
Financial Services Guide (FSG)	A document required by s941A or 941B to be given in accordance with Div 2 of Pt 7.7 of the Corporations Act <p>Note: This is a definition contained in s761A.</p>
FOFA	Future of Financial Advice
general advice	Financial product advice that is not personal advice <p>Note: This is a definition contained in s766B(4) of the Corporations Act.</p>
licensee	An AFS licensee
PDS	Product Disclosure Statement

Term	Meaning in this document
personal advice	<p>Financial product advice given or directed to a person (including by electronic means) in circumstances where:</p> <ul style="list-style-type: none"> the person giving the advice has considered one or more of the customer's objectives, financial situation and needs; or a reasonable person might expect the person giving the advice to have considered one or more of these matters <p>Note: This is the definition contained in s766B(3) of the Corporations Act.</p>
Product Disclosure Statement	<p>A document that must be given to a customer in relation to the offer or issue of a financial product in accordance with Div 2 of Pt 7.9 of the Corporations Act</p> <p>Note: See s761A for the exact definition.</p>
providing entity	<p>A person to whom the obligations in Pt 7.7 of the Corporations Act apply. This is the AFS licensee or an authorised representative that provides the financial product advice</p>
Pt 7.7A (for example)	<p>A part of the Corporations Act (in this example number 7.7A)</p>
representative of an AFS licensee	<p>Means:</p> <ul style="list-style-type: none"> an authorised representative of the licensee; an employee or director of the licensee; an employee or director of a related body corporate of the licensee; or any other person acting on behalf of the licensee <p>Note: This is a definition contained in s910A of the Corporations Act.</p>
retail client	<p>A client as defined in s761G of the Corporations Act and Div 2 of Pt 7.1 of the Corporations Regulations 2001</p>
reg 7.7A.12A	<p>A regulation of the Corporations Regulations 2001 (in this example numbered 7.7A.12A)</p>
RG 175 (for example)	<p>An ASIC regulatory guide (in this example numbered 175)</p>
s961 (for example)	<p>A section of the Corporations Act (in this example numbered 961), unless otherwise specified</p>
scaled advice	<p>Personal advice that is limited in scope</p>
Statement of Advice (SOA)	<p>A document that must be given to a customer for the provision of personal advice under Subdivs C and D of Div 3 of Pt 7.7 of the Corporations Act</p> <p>Note: See s761A for the exact definition.</p>
Trowbridge report	<p>John Trowbridge, <i>Review of retail life insurance advice: Final report</i>, 26 March 2015</p>

Related information

Headnotes

advice provider, adviser, best interests duty, best interests duty and related obligations, communications with a customer, example SOA, factual information, financial advice scenario, financial product, financial product advice, Financial Services Guide, FSG, general advice, goals and objectives, PDS, personal advice, Product Disclosure Statement, retail client, life insurance, life insurance advice, scaled advice, scope of the advice, SOA, Statement of Advice, subject matter of advice sought by the customer

Regulatory guides

[RG 168](#) *Disclosure: Product Disclosure Statements (and other disclosure obligations)*

[RG 175](#) *Licensing: Financial product advisers—Conduct and disclosure*

[RG 244](#) *Giving information, general advice and scaled advice*

[RG 246](#) *Conflicted remuneration*

Reports

[REP 413](#) *Review of retail life insurance advice*

Information sheets

[INFO 182](#) *Super switching advice: Complying with your obligations*

Legislation

Corporations Act, Ch 7, Pt 7.7, Pt 7.7A Divs 4 and 5, s947A, 947B, 947C, 947D, 961B, 961G and 961H

Corporations Regulations 2001, reg 7.7A.12A

Corporations Amendments (Future of Financial Advice) Act 2012

Corporations Amendment (Life Insurance Remuneration Arrangements) Act 2017

Corporations Amendment (Life Insurance Remuneration Arrangements) Regulations 2017

Non-ASIC publications

John Trowbridge, [Review of retail life insurance advice: Final report](#), 26 March 2015

Appendix 1: Financial advice scenario

- RG 90.96 We based our example SOA on a hypothetical and limited financial advice scenario developed in consultation with stakeholders.
- RG 90.97 Table 7 and Table 8 in this appendix describe the advice scenario, while the example SOA is set out in Appendix 2.
- RG 90.98 The scenario deals with Brad and Zara Black—a married couple with two young children who have asked a financial planner, Sally Chong, to advise them on life insurance cover in the event of death or disability, taking into account their current income and assets. Sally is an authorised representative of AFS licensee Planforit Pty Ltd.

Table 7: Financial advice scenario

Personal circumstances	<p>Brad is 43 and Zara is 41. They are married with two children aged 10 and 7. Both children are at public schools and it is not expected that they will go to private schools in the future. Brad and Zara are both in excellent health and have standard private hospital cover.</p> <p>Brad's job pays \$85,000 a year, before tax. Zara works part time, earning \$16,000 a year before tax. They receive a family tax benefit from the Government of \$1,896.</p>
Assets	<p>Brad and Zara have no significant savings (they currently have \$5,000 in a joint access savings account). Brad and Zara jointly own a house valued at \$550,000, with a \$440,000 mortgage. They also own other assets valued at \$10,000. Brad has \$100,000 in a superannuation fund. Zara has \$30,000 in a superannuation fund.</p>
Debts/Expenses	<p>Most of the money that they earn goes towards paying the mortgage and covering living expenses, with about \$12,000 of annual estimated surplus cash flow.</p>
Insurance	<p>Brad currently holds life and total and permanent disability (TPD) insurance through his superannuation fund, with cover to the amount of \$200,000; and income protection insurance through Mantra Financial Services Pty Ltd, with cover to the amount of \$5,100 per month. Zara holds life and TPD insurance through her superannuation fund, with cover to the amount of \$200,000.</p>
Reason for seeking advice	<p>Brad and Zara are seeking a review of their personal insurance needs to ensure that their family has adequate financial support in the event of death, disability or illness.</p> <p>Brad and Zara both recognise the value of having comprehensive insurance cover, especially while they have young children.</p> <p>Where possible, they would prefer any insurance premiums to be funded using their superannuation benefits as they are focused on using their personal cash flow surplus to reduce their mortgage. However, because of the value that they place on insurance, they are willing to spend up to \$5,000 of their personal cash flow per year for insurance premiums.</p> <p>Brad and Zara's insurance needs are set out in more detail in Table 8.</p>

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Table 8: Brad and Zara's personal insurance needs

Type of cover	Cover required for Brad	Cover required for Zara
Death	<p>To ensure that:</p> <ul style="list-style-type: none"> the mortgage on their home (\$440,000) is cleared in full; \$10,000 will be available to assist with funeral expenses; and his family can financially afford to continue their current lifestyle 	<p>To ensure that:</p> <ul style="list-style-type: none"> the mortgage on their home can be cleared in full; \$10,000 be available to assist with funeral expenses; and her family can financially maintain their current lifestyle
TPD	<p>To ensure that:</p> <ul style="list-style-type: none"> the mortgage on their home can be cleared in full; \$100,000 will be available to assist with any related medical expenses; and their family can financially maintain their current lifestyle 	<p>To ensure that:</p> <ul style="list-style-type: none"> the mortgage on their home can be cleared in full; \$100,000 will be available to assist with any related medical expenses; and their family can financially maintain their current lifestyle
Trauma	<p>To ensure that:</p> <ul style="list-style-type: none"> \$100,000 will be available to assist with any related medical expenses; and \$50,000 will be available to cover two years' worth of mortgage payments <p>Note: Zara's income is not required to be replaced if she takes time away from work to support Brad.</p>	<p>To ensure that:</p> <ul style="list-style-type: none"> \$100,000 will be available to assist with any related medical expenses; Brad's income is replaced for one year so he has the option to take some time away from work to support Zara and the children; and \$50,000 will be available to cover two years' worth of mortgage payments
Inability to work due to illness or injury	To ensure that as much of Brad's salary as possible is replaced	To ensure that as much of Zara's salary as possible is replaced

Appendix 2: Example SOA

- RG 90.99 This example SOA is based on the financial advice scenario set out in Appendix 1.
- RG 90.100 The scaled advice we developed is one of a number of possible outcomes. The purpose of this example SOA is to illustrate clear, concise and effective disclosure and not to illustrate what ASIC would consider to be the best advice in this scenario.

This is a draft example Statement of Advice (SOA) for consultation. It is Appendix 2 to draft updated Regulatory Guide 90 *Example Statement of Advice: Scaled advice for a new customer (RG 90)*, which is the subject of Consultation Paper 284 *Example Statement of Advice for life insurance: Update to RG 90 (CP 284)*. The draft example SOA should be read with the consultation paper and draft guidance.

PLANFORIT Financial Planning Statement of Advice

Prepared by Sally Chong

For Brad and Zara Black

31 March 2017

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Payments to me (Sally Chong) 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%.

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. See page 26 for further details.

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

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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 brochures 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 is about a specific financial product. They disclose information about the financial products that I am recommending to you.

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

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Summary of my insurance recommendations

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

The tables below provide a summary of the products I recommend for Brad and Zara. See 'My advice' on pages 8–12 for more detail about these recommendations.

Recommended insurance—Brad

Cover	Insurer	Amount of cover	First year premium
Life cover	MNO	Life: \$1,110,000	\$2,040
TPD cover		TPD: \$510,000	
Income protection	Mantra	\$5,350 per month	\$1,200
Trauma	MNO	\$150,000	\$900
Total			\$4,140

Recommended insurance—Zara

Cover	Insurer	Amount of cover	First year premium
Life cover	OZ Industry	Life: \$840,000	\$650
TPD cover	Superannuation Fund	TPD: \$840,000	
Trauma	MNO	\$235,000	\$1,300
Total			\$1,950

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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 hereditary diseases (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

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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 currently 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

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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 Brad's income is protected until retirement and that you have appropriate personal insurance cover while you have debts and dependent children. 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 pay down your mortgage debt as quickly as possible. You would prefer any personal insurance premiums to be funded using your superannuation benefits.

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What you want—Brad

In case of this event	You want to ensure that
Your death	<ul style="list-style-type: none"> ➤ <i>The mortgage on your home can be cleared in full</i> ➤ <i>\$10,000 is available to help with funeral expenses</i> ➤ <i>Your family can financially maintain their current lifestyle</i>
You become totally and permanently disabled	<ul style="list-style-type: none"> ➤ <i>The mortgage on your home can be cleared in full</i> ➤ <i>\$100,000 is available to help with any related medical expenses</i> ➤ <i>You and your family can financially maintain your current lifestyle</i>
You suffer a severe illness or injury (i.e. trauma)	<ul style="list-style-type: none"> ➤ <i>\$100,000 is available to help with any related medical expenses</i> ➤ <i>\$50,000 is available to cover 2 years' worth of mortgage payments</i> ➤ <i>Zara's income is not to be replaced if she takes time away from work to support you</i>
You are unable to work due to illness or injury	<ul style="list-style-type: none"> ➤ <i>As much of your salary as possible is replaced</i>

What you want—Zara

In case of this event	You want to ensure that
Your death	<ul style="list-style-type: none"> ➤ <i>The mortgage on your home can be cleared in full</i> ➤ <i>\$10,000 is available to help with funeral expenses</i> ➤ <i>Your family can financially maintain their current lifestyle</i>
You become totally and permanently disabled	<ul style="list-style-type: none"> ➤ <i>The mortgage on your home can be cleared in full</i> ➤ <i>\$100,000 is available to help with any related medical expenses</i> ➤ <i>You and your family can financially maintain your current lifestyle</i>
You suffer a severe illness or injury (i.e. trauma)	<ul style="list-style-type: none"> ➤ <i>\$100,000 is available to help with any related medical expenses</i> ➤ <i>Brad's income is replaced for one year so he has the option to take some time away from work to support you and the children</i> ➤ <i>\$50,000 is available to cover 2 years' worth of mortgage payments</i>
You are unable to work due to illness or injury	<ul style="list-style-type: none"> ➤ <i>Replacement of your salary is considered; however, this is not a high priority.</i>

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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 income 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 income 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.

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Financial need	Amount of cover	Explanation
Total	\$510,000	<ul style="list-style-type: none"> ➤ 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 income (\$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 able to insure.
You have a 90-day waiting period and a benefit period to age 65.	<ul style="list-style-type: none"> ➤ 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 so it is important to retain a cash buffer.

➤ Note that premiums paid on income protection insurance are generally tax deductible.

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Superannuation contribution strategy

Recommendation	Explanation
You do not make additional contributions to superannuation to offset the impact of the insurance premiums at this time.	<ul style="list-style-type: none"> ➤ You stated your goal is to reduce your mortgage. ➤ 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.
Replacement of income	\$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 old enough to contribute (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.

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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	\$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 old enough to contribute (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	<p>➤ The total is the subtotal minus existing superannuation (\$30,000) and including tax (\$90,000).</p> <p>➤ In the event of your death, or if you become totally and permanently disabled, your superannuation benefit is assumed to be available.</p> <p>➤ 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.</p>

Trauma insurance

Financial need	Amount of cover	Explanation
Clear 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.

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Income protection insurance

Financial need	Explanation
You are not eligible for income protection insurance.	<ul style="list-style-type: none"> ➤ <i>This is because you are employed for only 14 hours per week.</i> ➤ <i>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.</i>

Superannuation contribution strategy

Recommendation	Explanation
You make a non-concessional contribution of \$1,000 to your superannuation this financial year.	<ul style="list-style-type: none"> ➤ <i>This will enable you to receive a co-contribution amount.</i> ➤ <i>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.</i> ➤ <i>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.</i>

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Overview of recommended products

Recommended product overview—Brad

Cover and product	Insurer/owner	Amount of cover	Premium paid from	Key features of new policy	First year premium
Life cover TPD cover (replace First Term Life and TPD)	MNO/Super and Brad	\$1,110,000 (Life) \$510,000 (TPD)	\$1,840 (Super) \$200 (Cash)	<ul style="list-style-type: none"> ➤ 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	<ul style="list-style-type: none"> ➤ 90-day waiting period ➤ Benefit to age 65 ➤ Level premium ➤ Agreed value ➤ Super contribution option 	\$1,200
Trauma (establish)	MNO/Brad	\$150,000	Cash	<ul style="list-style-type: none"> ➤ 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 (increased cover)	OZ Industry Superannuation Fund/Super	\$840,000	Super	<ul style="list-style-type: none"> ➤ Stepped premium 	\$650
Trauma (establish)	MNO	\$235,000	Cash	<ul style="list-style-type: none"> ➤ Stepped premium 	\$1,300
Total					\$1,950

➤ Please see the 'Consequences of my advice' section from page 14 for a detailed explanation of the product features.

I recommend that you nominate each other as beneficiaries on your respective superannuation accounts and life insurance policies.

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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 original 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 original 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

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Additional consequences you should understand

Recommendation	Consequences
You both obtain higher levels of life and TPD cover, you both obtain trauma cover, and Brad, you retain your income protection policy.	<ul style="list-style-type: none"> ➤ <i>Your overall combined premiums will increase from \$2,095 per year to \$6,090 per year.</i> ➤ <i>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.</i>
Brad, you replace your First Corporate Superannuation Fund Term Life and TPD cover.	<ul style="list-style-type: none"> ➤ <i>Your new policy will have an exclusion for death due to suicide for the first 13 months.</i> ➤ <i>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. You may also be asked to complete a medical examination. This is called underwriting.</i> ➤ <i>If you fail to comply with the disclosure requirements of the new insurance provider, they may not pay any claims and may cancel your policy and repay all premiums within the first 3 years.</i>
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.	<ul style="list-style-type: none"> ➤ <i>This should be done as an enduring rollover, meaning that the rollover will occur each year when your policy is renewed.</i> ➤ <i>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.</i>
Zara, you make a \$1,000 non-concessional contribution to your superannuation using funds held in your joint ABC Bank account.	<ul style="list-style-type: none"> ➤ <i>The \$1,000 non-concessional contribution will be held within your superannuation until you meet a condition of release. It will enable you to receive a co-contribution amount.</i> ➤ <i>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).</i> ➤ <i>Your joint ABC Bank account will be reduced by \$1,000. If you require access to funds, you can access funds from your mortgage offset account.</i> ➤ <i>There are no fees and costs associated with withdrawing \$1,000 cash from ABC Bank.</i>

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Recommendation	Consequences
You both hold life and TPD insurance within superannuation.	<ul style="list-style-type: none"> ➤ <i>Brad, an additional \$1,225 per year of insurance premiums (on top of the current \$615) will be deducted from your superannuation.</i> ➤ <i>Zara, an additional \$370 per year of insurance premiums (on top of the current \$280) will be deducted from your superannuation.</i> ➤ <i>If you accept the recommendations, your retirement savings are expected to decrease due to the increase in insurance premiums to be funded using your superannuation.</i> ➤ <i>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.</i> ➤ <i>As the insurance premiums will be funded from your superannuation, I estimate (based on modelling) that in 9 years' time:</i> <ul style="list-style-type: none"> – <i>Brad's superannuation will be \$17,730 lower</i> – <i>Zara's superannuation will be \$5,300 lower.</i> <p><i>This excludes any contributions and assumes 5% investment returns and an annual premium increase of 7% per year.</i></p>

Risks of my advice

Recommendation	Risks
You both hold life and TPD insurance within superannuation.	<ul style="list-style-type: none"> ➤ <i>Superannuation is not a personal asset and therefore cannot be passed to another person under a will. 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.</i> ➤ <i>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.</i> ➤ <i>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 which pays if your disability leaves you unable to work in your own occupation.</i> ➤ <i>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.</i>

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Recommendation	Risks
You both obtain higher levels of life and TPD cover, and you both obtain trauma cover.	<ul style="list-style-type: none"> ➤ <i>The insurance premiums you will pay as outlined in this SOA are indications only and are subject to change depending on your responses to the personal statement relating to your health and lifestyle.</i> ➤ <i>As previously explained in this document, you will be required to undertake underwriting for the new insurance policy. In any insurance contract, you must tell the insurer anything that might affect their risk for claims you might make.</i> ➤ <i>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.</i> ➤ <i>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.</i> ➤ <i>Brad, if you change your insurer, the 3-year period starts over again.</i> ➤ <i>Zara, if you increase your existing life and TPD cover, the 3-year period relates only to the increased amount.</i> ➤ <i>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.</i>
Zara, you make a \$1,000 non-concessional contribution to your superannuation to offset the effect of premiums and to enable you to receive a co-contribution.	<ul style="list-style-type: none"> ➤ <i>If your income for this financial year exceeds \$36,021, you will not be eligible for the full co-contribution payment.</i> ➤ <i>If your income exceeds \$51,021, you will not be eligible for a co-contribution payment at all.</i>
You link your insurance policies where possible.	<ul style="list-style-type: none"> ➤ <i>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.</i>
You both take out new trauma policies.	<ul style="list-style-type: none"> ➤ <i>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.</i>

➤ *The attached PDSs provide more information about the products that I have recommended in this SOA.*

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Why my advice is in your best interests and appropriate

Brad and Zara, I have recommended that you obtain higher levels of life and TPD cover and that you obtain trauma cover. 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 income to meet the majority of expenses. Zara, you have significant carer responsibilities.

The amounts I have recommended take into account your income, 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.

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—Brad

Recommendation	Why it is appropriate
You obtain \$1,110,000 in life cover.	<ul style="list-style-type: none"> ➤ <i>The recommended level of life cover will provide Zara with a lump sum in the event of your death.</i> ➤ <i>The amount of life cover (if invested) will generate enough to replace 50% of what you currently earn.</i> ➤ <i>This will give protection to Zara and the children as there will be no mortgage to pay.</i>
You obtain \$510,000 in TPD cover.	<ul style="list-style-type: none"> ➤ <i>The 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 as you will have no mortgage to pay.</i> ➤ <i>Funds will also be provided to cover additional expenses, such as medical or recovery costs.</i>

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Recommendation	Why it is appropriate
You obtain your life and TPD cover through a new product provider, MNO Insurance.	<ul style="list-style-type: none"> ➤ <i>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 and TPD.</i> ➤ <i>This is primarily due to MNO Insurance's favourable classification of your occupation for the purposes of the TPD cover.</i> ➤ <i>The MNO policy will make a TPD benefit payment when, in a doctor's opinion, you are unlikely to ever work again due to injury or illness.</i> ➤ <i>Your current First Corporate Superannuation Fund Term Life and TPD policy requires a doctor to confirm that you are unable to return to work in the future due to injury or illness.</i> ➤ <i>The MNO 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.</i> ➤ <i>The superior definitions provided by MNO should provide more certainty if you make a claim, and therefore I consider the higher premium is justified.</i> ➤ <i>In my experience, MNO Insurance is efficient during the claims process.</i>
You obtain \$150,000 in trauma cover.	<ul style="list-style-type: none"> ➤ <i>If you suffer a severe illness or injury (i.e. trauma), this policy will provide funds to meet medical expenses and also allow for a lump sum mortgage reduction equivalent to 2 years' payments.</i>
You obtain trauma cover through MNO Insurance and you link the trauma cover to your life and TPD cover.	<ul style="list-style-type: none"> ➤ <i>Researching 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 trauma.</i> ➤ <i>MNO Insurance Trauma 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.</i> ➤ <i>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.</i>
The new MNO Insurance replace your existing insurance.	<ul style="list-style-type: none"> ➤ <i>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.</i> ➤ <i>However, the First Corporate Superannuation Fund TPD policy only offered an 'any occupation' definition. This means it 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. Given you currently work in a specific type of occupation, it is beneficial that you obtain TPD cover which carries an 'own occupation' definition.</i>
Your TPD cover be held both inside and outside superannuation.	<ul style="list-style-type: none"> ➤ <i>This will enable access to comprehensive cover and improved definitions outside superannuation, with a reduced impact on your cash flow.</i>

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Recommendation	Why it is appropriate
Your life policy be owned and funded within superannuation.	<ul style="list-style-type: none"> ➤ <i>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. 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.</i> ➤ <i>I also 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.</i>
Your life, trauma and TPD cover be arranged with a stepped premium.	<ul style="list-style-type: none"> ➤ <i>A stepped premium means that the premium you pay to maintain your cover increases each year.</i> ➤ <i>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 become independent.</i>
You nominate Zara as the beneficiary on your superannuation and life insurance.	<ul style="list-style-type: none"> ➤ <i>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 that you wish to receive your benefits in the event of your death.</i>
You retain your existing income protection policy without changes.	<ul style="list-style-type: none"> ➤ <i>The Mantra Income Protection cover was reviewed 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.</i> ➤ <i>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.</i> ➤ <i>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.</i> ➤ <i>With recent indexation of the sum insured, your current income protection policy is \$37.50 per month above the maximum amount for which you are eligible. However, as this is an agreed value policy, if you make a claim, you are expected to be able to claim the full \$5,350 per month. Therefore, this policy meets your goal of ensuring that as much of your salary as possible is replaced.</i> ➤ <i>In addition, as 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.</i>

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How my advice is appropriate—Zara

Recommendation	Why it is appropriate
You obtain \$840,000 in life and TPD cover.	<ul style="list-style-type: none"> ➤ <i>The recommended level of TPD cover will provide replacement of income for a period of time. This takes into account your inability to obtain income protection cover given your current working hours.</i> ➤ <i>Funds will also be provided to cover additional expenses, such as medical or recovery costs.</i> ➤ <i>The 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.</i>
You retain your insurance through your existing OZ Industry Superannuation Fund.	<ul style="list-style-type: none"> ➤ <i>I reviewed the OZ Industry Superannuation Fund to ensure it was appropriate for your personal circumstances. Its terms and definitions compared well to other products available, and the cost of the cover also compared well.</i> ➤ <i>By retaining your insurance cover within your existing superannuation fund, the payment of the insurance premiums is a straightforward process as the premium is simply deducted from your account balance.</i> ➤ <i>Also, by retaining the OZ Industry Superannuation Fund, which you have held since 2005, you will not restart the 3-year period in relation to innocent non-disclosure.</i>
You obtain \$235,000 in trauma cover.	<ul style="list-style-type: none"> ➤ <i>If you suffer a severe illness or injury (i.e. trauma), this policy will provide funds to meet medical expenses and also allow for a lump sum mortgage reduction equivalent to two years' payments.</i> ➤ <i>It will also provide funds to replace Brad's income for 12 months so he can take time off work to support you.</i>
You obtain trauma cover through MNO Insurance.	<ul style="list-style-type: none"> ➤ <i>My research on the products available on Planforit's approved product list showed that MNO Insurance's trauma cover ranked well in relation to cost and quality of cover.</i> ➤ <i>MNO Insurance Trauma offers advantageous terms; for example, it will pay partial payments on certain conditions such as benign tumours, where other providers of trauma cover will not. This is important for you, Zara, given your family history.</i>
Your life policy and TPD policy be owned and funded within superannuation.	<ul style="list-style-type: none"> ➤ <i>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. Based on the expected level of annual superannuation guarantee contributions (\$1,520) and the level of premiums (\$650), your premiums represent 43% of contributions.</i> ➤ <i>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.</i> ➤ <i>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.</i>

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Recommendation	Why it is appropriate
Your life, trauma and TPD cover be arranged with a stepped premium.	<ul style="list-style-type: none">➤ <i>A stepped premium means that the premium you pay to maintain your cover increases each year.</i>➤ <i>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 become independent.</i>
You nominate Brad as the beneficiary on your superannuation and life insurance.	<ul style="list-style-type: none">➤ <i>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 that you wish to receive your benefits in the event of your death.</i>

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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
- recommend appropriate types of insurance
- recommend how to pay for the insurance premiums
- recommend superannuation contribution strategies to offset the effect of insurance premiums on your retirement benefits
- inform you of the impact of these arrangements on your cash flow and your superannuation benefits
- recommend 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:

- 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 and can only give you limited advice about tax.*

My advice is limited

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.
- 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.

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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, tax implications of insurance, etc.

- *If you wish to participate in an ongoing review service, please let me know and I can provide details of services and costs available.*

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.*

Your privacy

I protect your personal information.

- *I will not give anyone your personal information without your written permission, unless the law says I must.*

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How to follow my advice

Steps you should take to follow my advice—Brad

Step	Description
1	<p>Apply for \$1,110,000 life cover and \$510,000 TPD cover through MNO Insurance, using a 'superlink' ownership structure.</p> <p>➤ A 'superlink' ownership structure means that the TPD cover ownership will be split between superannuation and your personal name.</p>
2	<p>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.</p>
3	<p>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.</p>
4	<p>Cancel your existing First Corporate Superannuation Fund Term Life and TPD cover once the MNO insurance is approved.</p> <p>➤ WARNING: Do not cancel your existing insurance until your new insurance is in place.</p>
5	<p>Maintain your existing Mantra Income Protection cover.</p>
6	<p>Nominate Zara as your beneficiary on your First Corporate Superannuation Fund.</p>
7	<p>Nominate Zara as your beneficiary on your MNO Life Insurance policy plan.</p> <p>➤ If circumstances change, review your death benefit nominations to ensure they remain appropriate.</p>

Steps you should take to follow my advice—Zara

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

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

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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.

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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 SOA.

 Signed.....Zara Black

Date: / / 20.....

 Signed.....Brad Black

Date: / / 20.....

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