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 The draft example SOA should be read with the consultation paper and draft guidance.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%.

1. 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](https://www.moneysmart.gov.au/): www.moneysmart.gov.au

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.

1. Recommended insurance—Brad

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

1. Recommended insurance—Zara

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

About you—Brad and Zara

1. 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.

1. What you own and what you owe

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

1. 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 |

1. 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.

1. 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 | n/a | n/a | n/a | $2,095 |

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.

1. 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. |

1. What you want—Brad

| In case of this event | You want to ensure that |
| --- | --- |
| Your death | The mortgage on your home can be cleared in full  $10,000 is available to help with funeral expenses  Your family can financially maintain their current lifestyle |
| You become totally and permanently disabled | The mortgage on your home can be cleared in full  $100,000 is available to help with any related medical expenses  You and your family can financially maintain your current lifestyle |
| You suffer a severe illness or injury (i.e. trauma) | $100,000 is available to help with any related medical expenses  $50,000 is available to cover 2 years’ worth of mortgage payments  Zara’s income is not to be replaced if she takes time away from work to support you |
| You are unable to work due to illness or injury | As much of your salary as possible is replaced |

1. What you want—Zara

| In case of this event | You want to ensure that |
| --- | --- |
| Your death | The mortgage on your home can be cleared in full  $10,000 is available to help with funeral expenses  Your family can financially maintain their current lifestyle |
| You become totally and permanently disabled | The mortgage on your home can be cleared in full  $100,000 is available to help with any related medical expenses  You and your family can financially maintain your current lifestyle |
| You suffer a severe illness or injury (i.e. trauma) | $100,000 is available to help 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 you and the children  $50,000 is available to cover 2 years’ worth of mortgage payments |
| You are unable to work due to illness or injury | Replacement of your salary is considered; however, this is not a high priority. |

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

1. 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. |

1. 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. |
| Total | $510,000 | The total is the subtotal minus existing superannuation ($100,000) and including tax ($70,000).  If you become totally and permanently disabled, your superannuation benefit is assumed to be available.  Based on your current position, if you make a TPD claim, you would have to pay approximately $70,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability. |

1. 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. |

1. 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. | 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.

1. Superannuation contribution strategy

| Recommendation | Explanation |
| --- | --- |
| You do not make additional contributions to superannuation to offset the impact of the insurance premiums at this time. | 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

1. 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. |

1. 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 | The total is the subtotal minus existing superannuation ($30,000) and including tax ($90,000).  In the event of your death, or if you become totally and permanently disabled, your superannuation benefit is assumed to be available.  Based on your current position, if you make a TPD claim, you would have to pay approximately $90,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability. |

1. 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. |

1. Income protection insurance

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

1. Superannuation contribution strategy

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

Overview of recommended products

1. 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) | Terminal illness advancement  Disability definition: ‘Unlikely‘  Occupation definition: ‘Own occupation‘ (via superlink)  Stepped premium | $2,040 |
| Income protection (retain) | Mantra/ Brad | $5,350  per month plus $642 super contributions | Cash | 90-day waiting period  Benefit to age 65  Level premium  Agreed value  Super contribution option | $1,200 |
| Trauma (establish) | MNO/Brad | $150,000 | Cash | Stepped premium | $900 |
| Total | n/a | n/a | n/a | n/a | $4,140 |

1. 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 | Stepped premium | $650 |
| Trauma (establish) | MNO | $235,000 | Cash | Stepped premium | $1,300 |
| Total | n/a | n/a | n/a | n/a | $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.

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.

1. 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 |

1. 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 |

1. 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. | Your overall combined premiums will increase from $2,095 per year to $6,090 per year.  You will need to fund an additional $2,400 per year (on top of the $1,200 you are already paying for Brad’s income protection) from your surplus cash. |
| Brad, you replace your First Corporate Superannuation Fund Term Life and TPD cover. | Your new policy will have an exclusion for death due to suicide for the first 13 months.  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.  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. |
| Brad, you make a partial rollover (payment) from your First Corporate Superannuation Fund to MNO Super Life to fund the superannuation component of the recommended MNO Insurance Term Life and TPD cover. | This should be done as an enduring rollover, meaning that the rollover will occur each year when your policy is renewed.  Please note that your First Corporate Superannuation Fund allows members one partial rollover each year without incurring an exit fee (subsequent rollovers are $40). As your First Corporate Superannuation Fund is a unitised fund, there are not expected to be any buy/sell costs or capital gains tax relating to units that will be sold to fund the insurance premium. |
| Zara, you make a $1,000 non-concessional contribution to your superannuation using funds held in your joint ABC Bank account. | The $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.  The investment management fees on your OZ Industry Superannuation Fund will increase by $5 per year (being $1,000 x 0.5% per year for the ‘Balanced’ investment option).  Your joint ABC Bank account will be reduced by $1,000. If you require access to funds, you can access funds from your mortgage offset account.  There are no fees and costs associated with withdrawing $1,000 cash from ABC Bank. |
| You both hold life and TPD insurance within superannuation. | Brad, an additional $1,225 per year of insurance premiums (on top of the current $615) will be deducted from your superannuation.  Zara, an additional $370 per year of insurance premiums (on top of the current $280) will be deducted from your superannuation.  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.  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.  As the insurance premiums will be funded from your superannuation, I estimate (based on modelling) that in 9 years’ time:   * Brad’s superannuation will be $17,730 lower * Zara’s superannuation will be $5,300 lower.   This excludes any contributions and assumes 5% investment returns and an annual premium increase of 7% per year. |

1. Risks of my advice

| Recommendation | Risks |
| --- | --- |
| You both hold life and TPD insurance within superannuation. | 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.  If you make a TPD claim, the proceeds paid to you as a lump sum from your TPD insurance (held within superannuation) and from your superannuation benefit may be partially or fully taxable up to 22%. A calculation has been done based on your current tax liability in the event of a TPD claim, and this amount is included in the recommended TPD cover.  Brad, if you make a successful claim under an ‘own occupation’ definition, this tax will not apply – which may mean you are over-insured. A TPD policy provided on an ‘own occupation’ basis is one which pays if your disability leaves you unable to work in your own occupation.  Zara, given that your TPD policy is provided on an ‘any occupation’ basis, your policy would only pay if your disability left you unable to work in any occupation for which you are reasonably qualified given your education, training or experience. |
| You both obtain higher levels of life and TPD cover, and you both obtain trauma cover. | 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.  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.  Any new policy you buy may provide the insurer with the right to refuse a claim if you have not met your obligation to give them all relevant information at the time you apply. This applies even when you have made an honest mistake (‘innocent non-disclosure’). The insurer’s right to refuse a claim in this situation lasts for 3 years.  As your existing life and TPD policies have been in force for more than 3 years, your current insurer cannot refuse a claim due to innocent non-disclosure.  Brad, if you change your insurer, the 3-year period starts over again.  Zara, if you increase your existing life and TPD cover, the 3-year period relates only to the increased amount.  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. |
| 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. | If your income for this financial year exceeds $36,021, you will not be eligible for the full co-contribution payment.  If your income exceeds $51,021, you will not be eligible for a co-contribution payment at all. |
| You link your insurance policies where possible. | By bundling your life cover with TPD cover, you reduce your amount of life cover when a TPD benefit is paid. This is also a condition of your existing product. |
| You both take out new trauma policies. | 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. |

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

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.

1. How my advice is appropriate—Brad

| Recommendation | Why it is appropriate |
| --- | --- |
| You obtain $1,110,000 in life cover. | The recommended level of life cover will provide Zara with a lump sum in the event of your death.  The amount of life cover (if invested) will generate enough to replace 50% of what you currently earn.  This will give protection to Zara and the children as there will be no mortgage to pay. |
| You obtain $510,000 in TPD cover. | 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.  Funds will also be provided to cover additional expenses, such as medical or recovery costs. |
| You obtain your life and TPD cover through a new product provider, MNO Insurance. | Researching your existing products and the products avilable 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.  This is primarily due to MNO Insurance’s favourable classification of your occupation for the purposes of the TPD cover.  The MNO policy will make a TPD benefit payment when, in a doctor’s opinion, you are unlikely to ever work again due to injury or illness.  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.  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.  The superior definitions provided by MNO should provide more certainty if you make a claim, and therefore I consider the higher premium is justified.  In my experience, MNO Insurance is efficient during the claims process. |
| You obtain $150,000 in trauma cover. | 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. |
| You obtain trauma cover through MNO Insurance and you link the trauma cover to your life and TPD cover. | 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.  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.  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. |
| The new MNO Insurance replace your existing insurance. | I first considered increasing your existing First Corporate Superannuation Fund Term Life and TPD policy up to the recommended levels. The initial annual premium would have been $1,920, which is $120 per year cheaper than the MNO recommended policy.  However, the First Corporate Superannuation Fund TPD policy 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. |
| Your TPD cover be held both inside and outside superannuation. | This will enable access to comprehensive cover and improved definitions outside superannuation, with a reduced impact on your cash flow. |
| Your life policy be owned and funded within superannuation. | 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 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. |
| Your life, trauma and TPD cover be arranged with a stepped premium. | A stepped premium means that the premium you pay to maintain your cover increases each year.  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. |
| You nominate Zara as the beneficiary on your superannuation and life insurance. | Because your life insurance is held in superannuation, it is important to ensure that you nominate a beneficiary to formally record with the fund the person that you wish to receive your benefits in the event of your death. |
| You retain your existing income protection policy without changes. | 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.  When compared with a similar policy with a ‘stepped’ premium, funded through superannuation, the initial annual premium was $1,100 per year, which is slightly cheaper than your current policy.  However, when projected over the longer term, your current level premium will be significantly more cost effective. This is important given that you plan to retain your income protection policy until much closer to retirement.  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.  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. |

1. How my advice is appropriate—Zara

| Recommendation | Why it is appropriate |
| --- | --- |
| You obtain $840,000 in life and TPD cover. | 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.  Funds will also be provided to cover additional expenses, such as medical or recovery costs.  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. |
| You retain your insurance through your existing OZ Industry Superannuation Fund. | 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.  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.  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. |
| You obtain $235,000 in trauma cover. | 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.  It will also provide funds to replace Brad’s income for 12 months so he can take time off work to support you. |
| You obtain trauma cover through MNO Insurance. | 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.  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. |
| Your life policy and TPD policy be owned and funded within superannuation. | 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.  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.  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. |
| Your life, trauma and TPD cover be arranged with a stepped premium. | A stepped premium means that the premium you pay to maintain your cover increases each year.  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. |
| You nominate Brad as the beneficiary on your superannuation and life insurance. | Because your life insurance is held in superannuation, it is important to ensure that you nominate a beneficiary to formally record with the fund the person that you wish to receive your benefits in the event of your death. |

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.

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.

How to follow my advice

1. Steps you should take to follow my advice—Brad

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

1. Steps you should take to follow my advice—Zara

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

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

My commissions

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

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

| Time period | Planforit | Me |
| --- | --- | --- |
| Each year | $24 | $216 |

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

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

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

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

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

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

Total all commissions

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

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

Authority to proceed

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

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

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

**Before you sign this authority**, please also make sure that you have:

* read all the documents I have given you
* checked that your personal information in this document is accurate
* asked me questions about anything that you want clarified.

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

* Signed Zara Black

Date: / / 20

* Signed Brad Black

Date: / / 20