Response to CP 284

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| To: | Natasha Nguyen Natasha.nguyen@asic.gov.au |
| Due: | 12 July.2017 |
| From: | First Mutual Australia Pty Ltd, AFSL 423 710 |
| | |
| | Note: The authors, , may not be disclosed without express written permission. |
| | |
| Re: | Sample SoA in CP 284 |

The following is in four sections

1. Response in the format of the example SoA in CP 284 + points specifically about nominated items
2. Comments in relation to the advice being shown in the example
3. A recommended structure
4. An alternative (compromise) structure for the SoA in the style put forward by ASIC

We would be most willing to be involved on a workgroup to address content and size of the SoA.

## 1. Direct Response

| Item | Page | Subject | Response | |
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| B1Q1 | 11 | Way information is expressed | | The information is expressed in a patronising manner, particularly due to the overuse of Christian names within the text.<br><br>References are made to ‘for Brad’ and ‘for Zara’. These references are incorrect in the context of Death cover: how can death cover on Brad be ‘for Brad’ when he will be dead and not able to receive the benefits.<br><br>To enhance comprehension and readability:<br>• Objective information should be in table based bullet form not full sentences<br>• There should only be one place where Advice is provided<br>• General/strategic recommendations should be made well before any Product recommendation, e.g.<br>    ○ What types of covered is needed<br>    ○ How much cover is appropriate<br>    ○ How a Will and nomination of Beneficiaries should be put in place<br>• References to cover on the Client and Partner must be correct<br>    ○ Death cover on the Client is not for the benefit of the Client, it is for the benefit of the owners of the policy<br>• Information should be presented in a logical fashion each component at the right time<br>• The Index should be on a page on its own.<br>• Each section should start on a new page<br>• The font should be no more than 11pt<br>• The use of Bold and Italics should be minimised only used to emphasise small important segments of the text<br>• There should always be as much ‘white space’ as possible on a page. |

| Item | Page | Subject | Response | |
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| B2Q1 | 13 | Structure assists understanding | | The existing structure of the document does not assist proper comprehension for the benefit of the client.<br><br>The bias to expressing commissions on the Cover page seems to show a desire to appease a small segment a small group of journalists - who continue to exaggerate negative cases to the detriment of most advisers who provide appropriate information to clients.<br><br>In most industries disclosure on earnings is not done.<br><br>Commission disclosure is irrelevant until the client has accepted a solution so should be shown at an appropriate time.<br><br>Early commission is incorrect if the client does not accept the exact product recommendation, in that it may have been recommended they have $1M of cover and they have selected .5M due to affordability, meaning the Commissions shown were overstated.<br><br>The commissions being shown on the Cover page must be removed.<br><br>A simpler legislative solution so that there is no opportunity for Commissions to 'sway' advice is to standardise commissions across all companies. |

| Item | Page | Subject | Response | |
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| B2Q2 | 13 | Improving Structure | | Showing unnecessary information clutters pages, making it harder for the client to read and comprehend appropriate information.<br><br>As such, there should be less information per page so as to maximise comprehension.<br><br>Therefore, it would be best to have each Category to start on a new page.<br><br>Commission is declared too early in the document.<br><br>The font size is too big   general text should be no more than 11point.<br><br>There are too many pages. Work should be done separately with the industry to reduce the number of pages needed to convey the appropriate information. |

| Item | Page | Subject | Response | |
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| B2Q3 | 13 | Order of Information | Cover | It is inappropriate to have the Adviser earnings on the Cover page:<br>• It is not consistent with providing information to the client in a sequence that will allow the client to make an informed and **balanced** decision.<br>• The Needs of the Client should be addressed before any solution and before any earnings are presented i.e. a logical sequence of information should be presented to the client<br>• In few industries does the client become aware of what the adviser earns, and certainly not before an indication of the subject matter and the solution.<br>• Being forced to disclose commission on the front cover will dissuade some clients from progressing through the SoA with the result that they will not take out cover needed due to a regulatory requirement. It may raise litigation for the regulator.<br><br>Generally, no risk advisor has a problem with the disclosure of commission, if it's in a timely and appropriate fashion.<br><br>Experienced risk advisers will raise the matter of remuneration up very soon into the first appointment with the fact gathering exercises, because they don't wish to run the risk of having the advice rejected at implementation stage because the client has been distracted by what may appear initially, in their eyes, as an unreasonable amount of remuneration.<br><br>Clients must be constantly reminded of the costs of running an advisory business and are usually amazed when advisers give them a reasonably detailed list of costs.<br><br>So disclose commission if it is likely to be material to the advice given - but in an appropriate context, later. |
| | | | | Wouldn't a simpler measure to avoid commission being able to sway the advice given be to **standardise commission** across all companies. |
| | | | Sequence | It is inappropriate to have Attachments on page 2. They should be at an appropriate point in the sequence of providing information. |

| Item | Page | Subject | Response | |
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| | | | | The sequence should be as shown in Appendix 3.<br><br>The Index should be on a page on its own.<br><br>To enhance readability each section should start on a new page. |

<table>
<tr><th>Item</th><th>Page</th><th>Subject</th><th>Response</th><th></th></tr>
<tr><td>B3Q1</td><td>14</td><td>Information to Exclude</td><td></td><td>The information provided should be generic, then specific:<ul><li>Generic<ul><li>What cover you need</li><li>Why you need it</li><li>How it should be structured</li></ul></li><li>Specific<ul><li>Who should insure it</li><li>Budget constraints = Self Insure</li></ul></li></ul>As indicated earlier Commissions should NOT be shown on the Cover page.<br><br>Information in the Header and Footer on each page should be minimal, e.g. there is no need for the author to be shown on every page<br><br>PDSs supplied with an SoA should only contain information about the specific products that have been recommended to the client not a range of products, all in the one PDS. As a result the client has appropriate information, and reduction in inappropriate information.</td></tr>
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| Item | Page | Subject | Response | |
|---|---|---|---|---|
| B3Q2 | 14 | Information to be added | | The information provided should be generic, then specific:<br>• Generic<br>    ○ What cover you need<br>    ○ Why you need it<br>    ○ How it should be structured<br>• Specific<br>    ○ Who should insure it<br>    ○ Budget constraints = Self Insure<br><br>Should include comparisons of Features and Benefits of:<br>• Existing solutions<br>• Recommended solution<br>• Solutions considered<br><br>The SoA should be self-contained so the client has ALL the information to make a fully informed decision. As such, Information specific to the products recommended should be provided in the SoA in place of the current PDSs (Current PDSs encompass all of a product range including products that the adviser has not recommended.)<br><br>The front cover should indicate whether it is Limited Advice, and **the type of Advice** being provided, i.e. limited to Personal (and Family) Risk<br><br>'Self Insurance' amounts should be indicated. |

| Item | Page | Subject | Response | |
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| B4Q1 | 16 | Discloses commissions upfront and prominent | | It is not appropriate to have this shown so early in the document if at all. Key decisions for the client should relate to:<br>• Needs being met<br>  ○ The level of cover is appropriate<br>  ○ The solutions contain the Features and Benefits required by the specific client<br>• Costs as distinct from commissions is a secondary matter<br>• Self-Insurance: The amount of cover that the client is not taking up.<br><br>If necessary Commission should be shown at an appropriate time: after the client has understood their need.<br><br>It also shouldn't be provided until the client has accepted a solution, in that it may have been recommended they have $1M of cover and they have selected .5M due to affordability, meaning the Commissions shown were overstated.<br><br>One, more appropriate, solution to the commission issue would be to standardise Initial and Ongoing commissions so that commission cannot be used as a selection by the adviser. An alternative is to have a review method to assess suitability of solution by peers/AFSL. |

| Item | Page | Subject | Response | |
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| B4Q2 | 16 | Enhances understanding of commissions | | Providing the costs must be done at an appropriate time. That is later in the document.<br><br>What has been issued in the sample seems to have been heavily influenced by articles by a small segment of the media who wish to exaggerate experiences of clients so as to attract attention. (Unfortunately politicians seemed to be responding inappropriately to such voices.) |
| C1Q1 | 17 | Comments re the updated RG90 | | Rg90 is too complex to allow comprehensive comment at this time. However, the following indicates some specifics:<br>• The RG needs to ensure that Recommendations don't just relate to Products, but to Needs in that it needs to reiterate addressing<br>○ The level of cover needed<br>○ The type of cover needed<br>○ The Features and Benefits needed in the solution/s<br>○ The short and long term costs, e.g. Long term level of premiums not just the first-year premiums<br>• A more appropriate solution to the commission issue is to standardise Initial and Ongoing commissions so that commission cannot be used as a selection by the adviser. This then means there is no opportunity for bias re commissions, meaning commissions don't have to be shown at all. It will then put emphasis on the overall costs of the solution/s in initial and long term premiums. |

| Item | Page | Subject | Response | |
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| C1Q2 | 17 | Further Guidance needed | | Further samples need to be provided, catering for other client types and other scenarios.<br><br>An example would be where a client wishes to reduce their current premiums. |
| C2Q1 | 18 | Difficulties in adapting example SoA | | Any change requires:<br>• Re-evaluation of current SoAs<br>• Modification to such<br>• Testing of such<br>○ Advisers<br>○ Clients<br>• Development of Training<br>• Training<br>• Monitoring of use |
| C2Q2 | 18 | How ASIC can overcome the difficulties | | Adjust the sequence of information to the sequence defined in item 3. Recommended Structure on page 22 of this document.<br><br>It could also fund the cost of revamping Adviser's SoAs. |
| C2Q1 | 19 | Barriers in Advisers using the model | | The content of the information is reasonable excepting for Commissions.<br><br>The sequence of information is illogical. |
| C3Q2 | 19 | How ASIC can overcome the barriers | | Adopt the more logical sequence to that defined in item 3. Recommended Structure on page 22 of this document. |
| 104 | 24 | 'Who document is from' on every page | | This is unnecessary if the front cover shows in large print who the document is from.<br><br>Showing unnecessary information, such as this, clutters the page, making it harder for the client to read and comprehend appropriate information. |

| Item | Page | Subject | Response | |
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| 106 | 25 | ‘Author’ on every page | | This is unnecessary if the front cover clearly shows the author.<br><br>Showing unnecessary information, such as this, clutters the page, making it harder for the client to read and comprehend appropriate information. |
| 108 | 25 | Voice used | | The tone used, utilising the Christian names of the recipient/s often, is patronising.<br><br>There is an inconsistency in that the ‘1s voice’ is that of the adviser, but the document is coming from the AFSL. |
| 111 | 25 | SoA is not a compliance document | | While the audience is the client, the document is a Compliance document in that it is required by Legislation as per page 2 where it states “I am required to provide this to you under the Corporations Act 2001”. |
| 115 | 26 | Test size | | The test size is not statistically valid relative to the volume of people that will receive an SoA each year, regardless of the purpose of the test being for ‘usability faults’. |
| 117 | 26 | Document Performance | | The section indicates performance required is > 80%.<br><br>Item 123 on pages 27 and 28 indicate the sample provided meets more than 80% performance in only 4 of 24 criteria - and then only in round 2. Therefore, the document presented does not meet requirements defined and must be changed substantially by clients and practitioners, not by regulators. |
| 130 | 29 | Xplan is the most commonly used Software for SOAs | | Even as the author of the original risk comparator that has been used in Xplan, I would argue that Xplan is not the most commonly used software for SoAs.<br><br>Given the range of software available in Australia, evidence would be needed for that claim to be substantiated. |
| 133 | 30 | Purpose and Users of the document | | The 3 questions can be adjusted into headings in the document and addressed as appropriate for each use of the document. |

## 2. Comments re Advice in the ExampleProvided in CP284

**Page 1**- Commission disclosure
ASIC seems to be intending (on behalf of the government) to eliminate commissions on life risk products as soon as possible, expecting Fee for Service to be utilised, a direct initial charge to the client instead of an indirect charge to the insurer over the lifetime of a contract.

The underlying assumption seems to be that mum and dad and small business clients will be happy to pay **fees** around $3,000-$4,000 for scaled risk advice and implementation of the product recommendations.

No service provider would present a proposal to a client with the front page solely occupied by the detail of the upfront fees to be paid as it is illogical.

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Generally, no risk advisor has a problem with the disclosure of commission, if it's in a timely and appropriate disclosure.

Experienced risk advisers will bring the matter of remuneration up very soon into the first appointment with the fact gathering exercises, because they don't wish to run the risk of having the advice rejected at implementation stage by the client being distracted by what may appear initially as an unreasonable amount of remuneration. (Clients must be constantly reminded of the costs of running an advisory business and are usually amazed when advisers give them a reasonably detailed list of costs.)

If page 1 of the SOA is to contain details of the commission (as illustrated) which **may** be payable **if** the product sale is completed, then the life insurance advice industry will fold with the result being thousands out of work and millions with inadequate insurance cover resulting on an additional burden on government benefits.

There is no obvious logic to this requirement. We don't know why ASIC office think that disclosure of the first and second year commission on page 1 of the SOA,

No experienced life risk advisor would run the chance of the client, who had previously agreed to proceed on the principle that commissions would be paid by the product manufacturer to the adviser after the policies were in force, changing their mind when they saw the dollar value of the commission in the table in the SOA. Advisers just don't do that - it's too risky. Advisers will always bring the commission to the attention of the prospective client

One easy solution to this expression of unwarranted concern about non-disclosure of commission by advisers is that **Advisers could be required to have the client initial and date the commission disclosure table in the file copy of the SOA**, at the point of signing the "Authority to Proceed" at the rear of the SOA.

**<u>Page 2 "Attachments"</u>**
The table of contents (index) should be on a page by itself so they can be easily read at a glance, not crowded out.

**It is incorrect** to state "each PDS is about a specific financial product". None of the 12 primary retail insurers have PDS's which are <u>limited to just one type of insurance</u>: PDSs contain information on all the offerings of that insurer across the lines of term life insurance, TPD cover, trauma cover and income protection meaning clients are receiving information that is irrelevant to them.

Most PDSs are over 40 pages of very obtuse legalistic language, and they may be confusing to even the most knowledgably consumer, particularly if the Policy document is also included.

For example, most PDSs contain information on the "professional level" income protection on offer by that insurer, as well as the "tradesman special" with a similar name.

Advisers provide the PDS to clients because not only is it a legal requirement, the PDS contains details of the product the adviser is recommending and also the application form and the adviser's "sign off" on the **interim cover** which exists the moment the client signs the application and provides an instrument for the future payment of the premiums

*SOAs contain an Authority to Proceed, and each one of those authorities contain references to PDSs associated with the particular risk products recommended*

**<u>Page 3 – Personal Details</u>**
**Why does the fact find have to be repeated** on page 4 of an SOA when the client has signed that the fact find is accurate?

To insist on the Fact Find being repeated in the SOA merely to assuage auditors does nothing for client communication. However, that does not stop the adviser from referencing in the SOA a particular "fact" in the fact finder to justify particular advice.

If ASIC is going to insist on the fact finder being repeated on page 4 of the SOA, then it's probably better that the facts be **complete and accurate**. For example, it is assumed based on the information provided in the ASIC sample that Brad works in private enterprise. Unless Brad is working for an overseas based IT company operating in Australia (earning more than the $85,000 per year shown) no Australian private business will offer a facility to ac**cumulative sick leave beyond the statutory 2 weeks.** The amount of sick leave that Brad holds allows him in theory to run a **90-day waiting period** on his income protection, which is in fact 120 day waiting period when you allow for the extra month for the first payment of benefit.

**Recommending 90 day waiting periods for income protection based on, if not actually matching, accumulated sick leave over one month, is a high-risk strategy**. As noted above Brad may have eliminated his 90-day sick leave credits by a series of short sicknesses **before** he is forced off work.

But there is one other danger: if Brad has a period of Total Disability of some <u>two years</u> and is such a valuable person that when his disability ends his employer wants him to return to his old job. At this point Brad has a dilemma, brought on by poor strategic advice. His sick leave credits are no longer in existence and if the same disability re-occurs, or another disability occurs, Brad will be without pay for 120 days. What is required here is a question of balance and a serious discussion with Brad, highlighting the financial stress that will be involved in normal situations, but also because his wife works part-time for a very low wage, and may even not work for that wages if she must care for him at home because of his disability.

Two other issues stand out of this page of incomplete personal details.

- What is the basis for the family history statement of Brad?
- The assets and liabilities table lists “Oz industry” as being Zara’s superannuation fund. It is critically important to note whether the insurance cover is **default cover**, the age it starts to spiral down to zero cover, and does that conflict with identified need. Alternatively, the cover may have been purchased <u>after underwriting</u> from the fund on either a fixed cover basis, or is the benefit subject to CPI.

All of that information is of huge relevance.

This information in greater detail should be in the factfinder and not straddling page 4 of an SOA.

**<u>Page 5</u>**

This information should be in the factfinder <u>on file</u>, not in the SOA. After all, the client has verified the factfinder.

If ASIC is going to insist that this information should be in the front of the SOA, then it must be qualified. There is no detail on whether the superannuation cover is default or purchased from the fund with underwriting, a very important difference; there is no statement that there is no income protection included in the insurance offering of the relevant super funds; more importantly the statement that Brad has $200,000 TPD in super is misleading, because it takes no account of the **lump sum TPD tax** which is applicable, depending on age and various variables, at a rate of around 20%. Brad in reality holds $160,000 of Any occupation TPD cover.

There should be a warning in the SOA regarding the **default insurance** held in a public offer superannuation fund where such cover is to be relied on; that the default cover will **reduce** from around age 35 to approximately zero at age 65, and if, at a certain age, the client is anticipating an increased need, and that the level of cover would have to be obtained elsewhere (subject to good health) if the reducing fund cover is retained and losing its value. *It is not uncommon for couples to downsize and increase their debt when children leave home*

**<u>Page 6</u>**

ASIC warn about the use of insurance jargon in advice documents. Yet the client uses the phrase "*comprehensive personal insurance cover*". What exactly does that mean in the context of this client?

This advice has a consistent, main flaw: the level of trauma cover and/or own occupation TPD cover is alarmingly low. Consideration should have been given, in the circumstances of the family supporting two teenage/young adults in education on one and a half salaries, to purchasing a trauma policy designed to take out at **least half of the family mortgage**, and, if necessary, reducing the amount calculated for uninsurable medical expenses.

There should have been some annotated discussion as to the merits or otherwise of protecting that mortgage to a greater degree, if something happens to Zara, given her low-wage. There may be an affordability issue and perhaps the future plans to eliminate the mortgage earlier, or put more into super, may have to be balanced out with the need to protect that mortgage if serious illness strikes.

The phrase "you would prefer any personal insurance premiums to be funded using your superannuation benefits" is jargonistic and should be accompanied by a warning about the rapidly decreasing life and TPD premiums in **sum insured** (or coverage) in public offer funds, if that is the case.

**<u>Page 7</u>**

If there is a simple one sentence reference to the collection of facts available in the document signed by the client called the **"Fact Finder"** this is where the SOA should start.

The discussions on what Brad wants his TPD to do should contain reference to the high cost of home modifications when one of the persons living in the home is disabled to some extent. Usually this will involve modifications of bathrooms, kitchens and entry and access to the front and back doors. $100,000 could disappear very quickly just on modifications. Without provision for reasonable home modifications, the maintenance of "current lifestyle" could be difficult.

As mentioned above, the trauma recommendations in this SOA are substandard. First priority should be to paying off either all or a significant proportion of the mortgage, and this may require renegotiation with the bank to reduce monthly commitments. The recommendation in this SOA is for a sum of $50,000 to be made available to cover two years of mortgage payments, which intrinsically presumes that the family has the discipline to retain that sum of money in an untouchable account with a drawdown every month, in an environment where some or all income may have ceased, as in the case of Zara.

Trauma claims are a time of high stress, and most clients, if properly advised, will understand the need to relieve the main *non-medical stress* in their lives (their mortgage) when a serious illness or injury strikes. Solutions should be discussed and noted, and compromises may have to be made - that's the nature of our advice business, but properly informed clients would prefer to find the money for the additional expense if it gives them ***options*** at the time of such a serious issue.

**Page 8**

*There is a philosophical debate illustrated on this page*. Investment advisers advising on risk favour the utilisation of the surviving partner's super accumulation to calculate the amount of insurance cover required on death.

Many risk advisers would argue that in most cases that, the lower earning partner has very little superannuation accumulation, and that accordingly the husband's accumulation, (unless it is a significant amount of more than (say) $500,000) should be credited to the wife's superannuation accumulation, or accessed by her to **commence a pension if appropriate.**

**The cheapest form of insurance in any financial plan is life insurance, and in most cases accessing the availability of her husband's superannuation fund balance for the sake of a few pennies to be spent on insurance is not good practice**. Zara will need all the help she can get to build up her accumulation in the remaining years of her working life, in order to have a reasonable standard of retirement, in the absence of her husband.

This advice recommends the utilisation, if Brad has a serious illness or injury and is totally and permanently disabled, of the TPD pay out contained in his superannuation. There is no particular mention that superannuation benefit, if contained in a "split policy ", is first tested on the SIS Any Occupation test, which means a requirement to prove serious and significant severity in the total & permanent disablement. It's not clear in this advice whether consideration should have been given to the use of Own Occupation TPD (it's outside super but it's much more appropriate) to cancel out the mortgage on certification of TPD, whether or not in a "split contract ".

**Page 9**

This is a continuation of page 8 in that it sets out the insurance recommendations for Brad. As mentioned, this and earlier references to Brad's income protection should contain reference to the dangers of matching sick leave with a waiting period when the accumulation of sick leave is more than 30 days. There also should be mentioned that **income protection benefits are assessable for taxation.**

There is also a more appropriate method to be used in the calculation of his monthly benefit. Brad salary is $85,000 per annum and his employer contributes 9.5% of $85,000 to super i.e. his total remuneration package is $93,075. Basing the benefit on the total remuneration gives a monthly benefit of $5, 817. Calculating it in this manner allows Brad and Sara to decide whether they can afford to contribute towards Brad's superannuation, or retain that money, even on a monthly basis, to meet medical expenses and ongoing lifestyle costs. *It adds some flexibility to a situation where savings will be exhausted after disability strikes and no one has the capacity to save money after a few months of being in receipt of benefits*

**Page 10**

There is no particular mention as to **how long** the income stream of $30,000 per year is to last.

Any calculation of a replacement income need after the death of a spouse should never, rely upon a contribution to household expenses from *teenagers engaging in secondary education*. That is indeed a rarity.

The TPD calculation involving replacement of income should also address providing some funds for **care costs**, after discussion with the client.

**Page 13**

The intention in the product overview for Brad. Is the TPD cover recommended being sourced from super (any occupation TPD) or non-super, Own Occupation TPD. Is unclear.

Then there is a reference to the TPD definition and the use of the word "unlikely" as though it were to be preferred. I assume that the writer of this SOA believes that an Any Occupation TPD definition which uses the word "unlikely" (in preference to the words "unable") is preferable and indicates the availability of some greater level of generosity in the decision-making process of the TPD claim.

In April 2016 TAL & Metlife v Shuetrim resulted in the NSW Appeal Court determining that in the circumstances of an insurer deciding whether to pay an Any Occupation TPD super claim, the words "**unlikely**" and "**unable**" held the same meaning.

In the TPD recommendations for Zara there is no mention whatsoever of the rapid drop-off of default cover death and TPD cover in most not-for-profit super funds. If an industry fund is to be recommended to hold death and TPD cover then surely the client must be warned of the staging of the cover reductions that start at around age 35, rapidly escalating to age 60.

**Page 15**

Most not for profit super funds have now instituted **fees** specifically for the processing of rollovers for insurance purchased outside of that particular superfund, as well as limiting the rollovers to one per year. Those fees and the actual premium also involve **buy-sell charges**. Secondly the so-called "enduring rollover" is not always available and certainly not always able to be set up on automatic basis.

**<u>Page 16</u>**
There are several errors of definitions in this document.

In the section headed Risks of my Advice there is a reference in bullet point 3 to a TPD policy which "leaves you unable to work in your own occupation". If this statement is not clarified by the insertion of the words "*leaves you **totally and permanently** unable to work in your own occupation* quote" then it is effectively a description of income protection, not **lump sum** total and permanent disablement cover. It is extremely important that the clients understand that TPD of any definitional structure must be **total <u>and</u> permanent before a claim is considered**, and should not be confused with Total Disability in an income protection contract, otherwise the client is being misled by the advice.

**There is no reference in this SOA to the qualifying period of either 3 or 6 months before a TPD claim of any type can be lodged.** In some circumstances such a delay could cause considerable financial stress, even before a claim has been assessed.

In Fourth bullet point the descriptions of life insurance products require precise language, as they may be relied on by the client. One would have expected more precision if this SOA was authored and approved in its final form by specialist risk advisers.

**<u>Page 18</u>**
In recommending $1,110,000 death cover for Brad, the SOA notes that the quotes "amount of life cover (if invested) will generate enough to **replace 50%** of what you currently earn".

The first issue that should be addressed is whether we are we discussing gross income or net income after tax.

The next issue that should be addressed is the actual percentage of income being sought. For some years it has been a convention amongst risk advisers that **75% of net income** was a fair and accurate representation of what was needed to replace the income of the primary income earner in a family.

Setting that income figure at **50% of (? income)** Is below normal practice.

It is also essential to establish and reiterate how long the income is to be generated for.

**<u>Page 19</u>**
The first section headed "*why it is appropriate*" contains seven bullet points.

There are previously noted omissions in point 3 where the words "***total and permanent***" are missing.

Point 4 is in error no TPD judgement in super occurs without the supporting opinions of two medical specialists, not "a doctor".

The fifth point regarding terminal illness omits **the period** for which terminal illness is required to have been certified by two appropriate medical specialists.

The sixth point makes a claim as to "**superior definitions** provided by MNO" without any justification on what is, by necessity, a hard to prove claim, particularly when a *claim fails*. This point requires clarification and that's what a risk Specialist would do.

The next section on trauma is confusing when read in relation to other comments elsewhere in the SOA. The interpretation originally was that the two years' payments were to provide a "payment holiday". This section now talks about "a lump sum mortgage reduction equivalent to 2 years' payments". That strategy would have impact on the levels of monthly repayments unless the loan was re-negotiated, always a process with issues.

The third section on this page talks about "partial payments for certain conditions" and qualifies that statement by saying "**other providers of trauma cover <u>will not</u>**". With perhaps one exception, all the quality retail trauma policies offer a form of partial payment for certain conditions. Usually that provision is an extra cost, but in some cases it is contained in the regular premium. This statement requires clarification and accuracy.

On page 19 the section regarding MNO insurance once again lacks precision in the second point, by failing to qualify the layman's description with the word "permanently". **The importance of using a full description and including the words "total and permanent" cannot be over emphasised, because without those two words no claim for TPD will ever be paid.** As it stands the clause is misleading the client.

**<u>Page 20</u>**
Point 5 should have contained a reference to a Binding Death Nomination and its proven advantages over a standard nomination.

**<u>Page 21</u>**
This SOA recommends that Zara retain her cover in the **Oz industry superannuation fund** and goes on to say that "its terms and definitions compared well to other products available and the cost of cover also compared well".

Industry superannuation funds have their insurance terms and conditions set to a minimum level by the SIS Act. In recent times most industry funds, faced with a rapidly increasing level of TPD claims, have attempted to restrict the pace of those claims by adding "severity" to their TPD definitions. It is now common, to find a requirement for "rehabilitation" has been inserted into what is a relatively standard TPD definition in industry funds.

In addition, some industry funds have given themselves an entitlement to spread out the payments of a TPD sum, and therefore not pay it in a one **lump sum** of a size suitable for paying out a substantial capital debt such as mortgage. The member client would normally be expecting a lump sum, minus the lump sum tax.

It's prudent that when recommending that a client either joins an industry fund for insurance cover, or the adviser recommends they stay with that particular industry fund for their insurance cover (and investments), that **a warning** must be given to the client that there is a potential for the trustee of any industry fund to seek to contain TPD claims even further and <u>tighten up TPD definitions</u>, as well is spread the payments over a term. *This situation applies to either default cover or purchased (underwritten) death and TPD cover.*

There is no provision in retail insurance which is non-cancellable and guaranteed renewable whereby an insurance definition in a contract can be changed, positively or negatively, *without the express approval of the policyholder.* Because the policy owner, in the case of industry funds, is the Trustee, it is expected that Trustees may continue to demonstrate a capacity to change the insurance rules without member consultation, <u>prior to the event.</u>

**<u>Page 23</u>**
There is a deficiency in the section headed "what my advice does not cover", with the adviser having excused himself from including any discussion on **child insurance when advising a family with 2 children**.

Child death cover and trauma insurance can be attached to any non-super adult life insurance, TPD or trauma cover. **It is relatively inexpensive**. Its purpose is to provide funds for a family who has a child or a teenage child struck down with a serious illness such as cancer. Paediatric and youth cancers, and some forms of neurological disorders, can only treated in the major capital cities.

It is common for parents of a child struck down with a serious illness, requiring many trips to a capital city for investigation and treatment, for one or both parents to seek to take some time off work and provide support to each other and to the afflicted child. Some people have generous employers but the generosity only extends to a certain extent. Sooner or later there will be a serious financial impact on that family and it behoves any risk advisor to have at least asked the question of the clients and make appropriate notes on the files and in the SOA.

There is no evidence that that happened in this case.

## 3. Recommended Structure

The following is recommended structure, allowing for:

- Mandatory, legislative requirements
- Providing all information in one place - necessary for the client to make an informed decision without having to go and look for other documents.

1. **Cover** page
    a. Called an SoA
    b. Indication of the Subject Matter, e.g. Advice in relation to Risk Insurance for [Client]
    c. Provider
    d. Contact details of Author
    e. AFSL Licensee
    f. What this document is about
    g. Why it should be Read
    h. Expiry
2. Table of Contents
3. Scope of My Advice
    - What my advice covers
    - What my Advice doesn't cover
    - Not based on Incomplete Information
    - My Advice is Limited
    - Tax Advice
    - Expiry of Advice 30 days
4. Details of the Client
5. What you want **–**
    a. **Prioritised Needs** of the Client,
    b. **Features and Benefits required** of a solution
6. Strategic Recommendations, including
    * Take out these types of cover and these levels of cover
    * Have 12 monthly reviews ongoing Service
    * Cover should be in/out of Super
        - Inside and outside Super

- Cover should be owned by ….

7. Use of Insurances
    - $10,000 for a funeral,
    - $200,000 towards paying off the mortgage
    - $50,000 for the education of children
    - Provides a source of income of $x per month,
8. Product Recommendations
    a. Specific: Insure Death via say AIA, TPD via MLC, etc.
    b. How Products were Selected, including what product solutions were considered
        i. Generic
        ii. Specific
        iii. Level Vs Stepped
9. What was Considered
    a. Maintaining Current and Adding to it
    b. What Products might have Suited
10. Consequences of my Advice
    a. 'Self-insuring'
    b. Maintaining current cover and adding to it
    c. Company a Vs companies b, c, d, e, etc.
        i. Premiums across the 'lifetime' of the contract
        ii. Features and Benefits against those the client/s need
    d. Full details of this solution/s
        i. In or out of Super
        ii. F and B ratings see Appendix
        iii. Premiums over the 'lifetime'
        iv. Why the advice is appropriate
        v. Consequences of Replacement
        vi. Benefits lost
        vii. Benefits gained
11. Additional Consequences
12. Risks
13. Advantages and Benefits
14. Why my Advice is Appropriate

15. What else you need to know
    a. What my Advice covers
    b. What my Advice doesn't cover
    c. My Advice is Limited
    d. Fees
    e. Commissions
    f. Continuing Review Service
    g. Cooling Off Period
    h. Your Privacy
16. Adviser Declaration
    a. No product Associations of
        - Adviser
        - AFSL
    b. No other Benefits
    c. Fees and Commissions have no bearing on Advice
17. Steps to implement Recommendations
18. Authority to Proceed (Client Sign off)
    a. Affordability
    b. Variations
    c. Accept Advice    Authority to Proceed
    d. etc.
19. Appendices

    This area should generally hold the detailed factual information that supports the recommendations, i.e.

    - F and B comparisons
    - Lifetime Premium Comparison    Existing Vs Proposed
    - Quotes
    - PDSs
    - Reiteration of the Fact Find data    data upon which the SoA is based.

To enhance comprehension and readability:

- Objective information should be in table based bullet form not full sentences
- There should only be one place where Advice is provided
- General/strategic recommendations should be made well before any Product recommendation, e.g.
    - What types of covered is needed
    - How much cover is appropriate
    - How a Will and nomination of Beneficiaries should be put in place
- References to cover on the Client and Partner must be correct
    - Death cover on the Client is not for the benefit of the Client, it is for the benefit of the owners of the policy
- Information should be presented in a logical fashion each component at the right time
- The Index should be on a page on its own.
- Each section should start on a new page
- The font should be no more than 11pt
- The use of Bold and Italics should be minimised only used to emphasise small important segments of the text
- There should always be as much ‘white space’ as possible on a page.

## 4. Alternative Sample

The following shows an alternative structure, a compromise as to what legislators would like Vs what advisers would prefer and what clients really need to make an informed decision.

Please note that the text would not necessarily be as defined. That would be the subject of a further analysis.

# Limited Scope Statement of Advice
relative to **Personal and Family Risk**

## Prepared by Sally Chong

Prepared by Sally Chomg
Phone: (03) 9280 3200
Email: schong@planforit.com.au
Address: 12 Monet Street Melbourne VIC 3000

## For Brad and Zara Black

## 31 March 2017

Authorised representative no. 45678 of
Planforit Pty Ltd www.planforit.com.au
Australian financial services licence no. 456789
ABN: 12 345 678 901

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

**Why this document should be Read:**
This Statement of Advice ("SoA") contains information to help you make a confident and informed decision regarding the advice we have given in relation to your Personal Risk insurance. If you don't feel confident in making that decision or believe you don't have enough information then you should not proceed. Instead, contact me and I will assist where I can.

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

**Expiry**
The information contained in this document expires 30 days from the date it was prepared.

# TABLE OF CONTENTS

# 1. Scope of 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

➢ *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.

## Not based on Incomplete Information

The advice is based on the information you provided in discussions and in the Client Questionnaire.

Appropriate advice can only be based on complete information and by providing limited information or choosing to utilise products other than those recommended, you risk making a commitment to products that may be inappropriate to your needs

## My Advice is

First Mutual maintains an approved product list (APL). This means when preparing this SoA I may only recommend products on the APL. The APL is approved by First Mutual's compliance and investment committee and sources most of its research from external research firms.

## Tax Advice

I am not a registered tax (financial) adviser under the current Australian law; and If you intend to rely on the advice to satisfy liabilities or obligations or claim entitlements that arise, or could arise, under a taxation law, you should request advice from a registered tax agent or a registered tax (financial) adviser."

## 2. Brad and Zara's Details

### Personal details

| Client | Brad | Zara |
|---|---|---|
| Age | 43 years old | 41 years old |
| Occupation | IT Project Manager | Part time Primary School teacher (14 hours per week) |
| Earnings | $85,000 per year + 9.5% Super | $16,000 per year + 9.5% Super |
| Sick and Long Service Leav | 3 months sick leave | |
| Health | Excellent health | Excellent health |
| Smoking Status | Non-smoker | Non-smoker |
| Family medical history | No family history of hereditary diseases or early death | Family history of hereditary diseases (cancer) |
| Hospital Cover | Standard private | Standard private |
| Will | Current (last updated 2015) | Current (last updated 2015) |
| Power of Attorney | Current (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.

You expect no other material changes to occur to your situation in the forseeable future.

### What you own and what you owe

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

## What you earn each year (after Tax)

| 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** |

## 3. 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.(A copy of all the information I collected is available on request.)

### What you both want

| What we discussed | Priority | Explanation |
|---|---|---|
| You were worried about whether or not you had enough personal insurance. | 1 | ➢ You both recognise the value of having comprehensive personal insurance cover, especially while you have young children.<br>➢ 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.<br>➢ You expect that as your debts decrease and your children become less dependent on you, the level of insurance cover required will reduce. |
| Availability of trauma insurance cover for children. | 2 | ➢ 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. |
| 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. | 3 | ➢ 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<br>o death, or<br>o temporary disability, or<br>o total and permanent disability, or<br>o trauma. |
| Where possible, you would like all available surplus cash to be used to reduce your mortgage. | 4 | ➢ You agreed that it is important to<br>o balance your need for appropriate personal insurance cover with<br>o your goal to pay down your mortgage debt as quickly as possible.<br>➢ You would prefer any personal insurance premiums to be funded using your superannuation benefits. |

[Must include the Features and Benefits wanted in a Solution[

## 4. Strategic Recommendations

| | Your Priority | Recommended Priority |
|---|---|---|
| I recommend that Brad | | |
| 1. Have Life Cover of $1,500,000 so that there is<br>○ $10,000 towards a funeral<br>○ $190,000 for the education of [Dependent 1]<br>○ $500,000 to pay off the mortgage<br>○ $800,000 to assist Zara to replace Brad'd income (generating $32,000 if it was able to be invested at 4% | | 1 |
| 2. Have TPD cover of $500,000 to pay off the Mortgage | | 2 |
| 3. Replace his life and total and permanent disability (TPD) insurance, so as to reduce the level of premiums | | 3 |
| 4. Retain his income protection insurance and take out trauma insurance | | 1 |
| 5. Take out the Life and TPD with [Product Provider A] | | 1 |
| 6. Have the Life Cover and TPD owned as Joint Tenants outside Super | | 1 |
| 7. Have the Income Protection owned by his Superannuation fund | | 1 |
| | | |
| I recommend that Zara | | |
| 8. increase the amount of cover under her life and TPD insurance to $500,000, and | | 1 |
| 9. take out trauma insurance. | | 2 |
| | | |
| I also recommend that | | |
| 10. You ensure that you each have enduring Nomination of Beneficiary for your super funds, as this impacts payment of benefits under Superannuation | | 1 |
| 11. You have (at least) an Annual Review of your situation. | | 1 |
| 12. I recommend that you nominate each other as beneficiaries on your respective superannuation accounts and life insurance policies. | | 1 |

The tables later provide a summary of the products I recommend on Brad and Zara.

## 5. Use of Insurance on Brad

### Life insurance

| Financial need | Amount of cover | Explanation |
|---|---|---|
| | | In the event of your death: |
| Clear mortgage | $440,000 | ➢ Your mortgage can be cleared. |
| Funeral costs | $10,000 | ➢ $10,000 will be available to help with funeral costs. |
| Replacement of income | $760,000 | ➢ Your beneficiaries will receive $760,000 to replace approximately 50% of your pre tax 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 | ➢ All life insurance required on Brad's life to meet the defined 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 |
|---|---|---|
| | | If you become totally and permanently disable: |
| Clear mortgage | $440,000 | ➢ Your mortgage can be cleared. |
| Medical costs | $100,000 | ➢ You will receive $100,000 to cover medical costs. |
| Replacement of income | N/A | ➢ Your income protection policy will replace 75% of your pre tax 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 | ➢ All TPD insurance required on Brad. |
| **Total** | **$510,000** | ➢ Total: the subtotal minus existing superannuation ($100,000) and including tax ($70,000).<br>➢ If you become totally and permanently disabled, your superannuation benefit is assumed to be available.<br>➢ 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 |
|---|---|---|
| | | If you suffer a severe illness or injury (i.e. trauma) you will receive: |
| Reduce mortgage | $50,000 | ➢ $50,000 to cover 2 years' worth of mortgage repayments. |
| Medical costs | $100,000 | ➢ $100,000 to cover medical costs. |
| **Total** | **$150,000** | ➢ Total |

## 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.<br>➢ You have indicated that you expect to work until you are 65 years of age.<br>➢ 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.***

## 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.<br>➢ Your current employer contributions substantially exceed the recommended insurance premiums that will be deducted from your superannuation. |

## 6. Use of Insurance on Zara

### Life insurance

| Financial need | Amount of cover | Explanation |
|---|---|---|
| | | In the event of your death, |
| Clear mortgage | $440,000 | ➢ Your mortgage can be cleared. |
| Funeral costs | $10,000 | ➢ $10,000 will be available to help with funeral costs. |
| Replacement of income | $240,000 | ➢ Your family will receive an amount of $240,000 to help 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 | Subtotal of all life insurance required to meet Zara's needs. |
| **Total** | **$660,000** | ➢ Total: The subtotal minus existing superannuation ($30,000). This is because it is assumed that your superannuation benefit will be available if/when you die. |

### Total and permanent disability (TPD) insurance

| Financial need | Amount of cover | Explanation |
|---|---|---|
| | | If you become totally and permanently disabled |
| Clear mortgage | $440,000 | ➢ 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 | ➢ 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 | ➢ Subtotal |
| **Total** | **$840,000** | ➢ The total is the subtotal minus existing superannuation ($30,000) and including tax ($90,000).<br>➢ In the event of your death, or if you become totally and permanently disabled, your superannuation benefit is assumed to be available.<br>➢ Based on your current position, if you make a TPD claim, you would have to pay approximately $90,000 in tax on your superannuation (insurance claim and current superannuation benefit). Because of this, I have increased the required amount to cover this liability. |

## Trauma insurance

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

## 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.*<br>➢ *There are other 'home maker' products, similar to income protection insurance, which pay an agreed monthly benefit if you become significantly disabled. However, taking into account the other types of insurance recommended, I do not recommend these products to you because covering your income is not a high priority.* |

## Superannuation contribution strategy

| Recommendation | Explanation |
|---|---|
| You make a non-concessional contribution of $1,000 to your superannuation this financial year. | ➢ *This will enable you to receive a co-contribution amount.*<br>➢ *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.*<br>➢ *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.* |

# 7. Product Recommendations

## Overview of Recommended Insurance on Brad

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

## Overview of Recommended Insurance on 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** | | | | | **$1,950** |

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

## How Products were Selected

Xxxx text

Refer Appendix X   Product Comparison

Refer Appendix Y   Premium Comparison   Stepped Vs Level

## 8. WHAT WAS CONSIDERED?

### Maintaing Current and Obtaining Top Up

An anslysis was done to see how your current policies/cover could be 'topped up'

It was determined that this would not be appropriate as you indicated:

- You wanted to reduce premiums
- You wanted Insurance inside Super
- [Other]

### What Products might have Suited

A range of Products was considered, and then a short list was examined. Products on the short list were:

- A
- B
- C

The products finally recommended were selected because of:

- Features and Benefits that best met your needs
- Premiums
- [Other]

## 9. 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.

### Cover comparison of replacement Vs original insurance on 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 |

### Features and definitions of replacement Vs original insurance on Brad

| 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* |

### Premium Comparison

Current Vs Proposed over 5, 10, 15, 20 + years

## 10. Additional Consequences you should Understand

| Recommendation | Consequences |
|---|---|
| You both obtain higher levels of life and TPD cover, and 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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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).*<br>➢ *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.*<br>➢ *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.*<br>➢ *Zara, an additional $370 per year of insurance premiums (on top of the current $280) will be deducted from your superannuation.*<br>➢ *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.*<br>➢ *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.*<br>➢ *As the insurance premiums will be funded from your superannuation, I estimate (based on modelling) that in 9 years' time:*<br>– *Brad's superannuation will be $17,730 lower*<br>– *Zara's superannuation will be $5,300 lower.*<br>*This excludes any contributions and assumes 5% investment returns and an annual premium increase of 7% per year.* |

## 11. 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.*<br>➢ *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.*<br>➢ *Brad, if you make a successful claim under an 'own occupation' definition, this tax will not apply. A TPD policy provided on an 'own occupation' basis is one which pays if you are unable to work in your own occupation.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *Brad, if you change your insurer, the 3-year period starts over again.*<br>➢ *Zara, if you increase your existing life and TPD cover, the 3-year period relates only to the increased amount.*<br>➢ *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, make a $1,000 non-concessional Super contribution to offset the premiums and 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.*<br>➢ *If your income exceeds $51,021, you will not be eligible for a co-contribution payment at all.* |
| 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.***

## 12. ADVANTAGES AND BENEFITS OF MY ADVICE

| Recommendation | Risks |
| --- | --- |
| | |
| | |
| | |

## 13. Why my Advice Appropriate and in Your Best Interests

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 re Brad's Cover

| 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.*<br>➢ *The amount of life cover (if invested) will generate enough to replace 50% of what you currently earn.*<br>➢ *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.*<br>➢ *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.*<br>➢ *This is primarily due to MNO Insurance's favourable classification of your occupation for the purposes of the TPD cover.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *The superior definitions provided by MNO should provide more certainty if you make a claim, and therefore I consider the higher premium is justified.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.* |

| Recommendation | Why it is appropriate |
| --- | --- |
| 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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.* |

| Recommendation | Why it is appropriate |
|---|---|
| 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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.* |

## How my advice is appropriate re Cover on 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.*<br>➢ *Funds will also be provided to cover additional expenses, such as medical or recovery costs.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.*<br>➢ *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.* |

| Recommendation | Why it is appropriate |
|---|---|
| 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.*<br>➢ *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.* |

## 14. WHAT YOU ELSE YOU NEED TO KNOW

### Fees

As previously agreed, the fees that apply are:

| | Paid by | Paid to Planforit | Paid to [my Company] |
|---|---|---|---|
| Preparation, analysis and delivery of this SoA | You | $200 | $2,000 |
| Implementation | You | $122 | $1,102 |
| Annual Service | You | $41 | $410 |

AND/OR

### Commission

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

The Income Protection cover on Brad

| Time period | Paid by | Planforit | Me |
|---|---|---|---|
| Each year | **Insurer** | $24 | $216 |

Term Life and TPD cover on Brad

| | | | |
|---|---|---|---|
| First year | **Insurer** | $122 | $1,102 |
| Following years | **Insurer** | $41 | $367 |

Trauma Cover on Brad

| | | | |
|---|---|---|---|
| First year | **Insurer** | $54 | $486 |
| Following years | **Insurer** | $18 | $162 |

Trauma cover on Zara

| | | | |
|---|---|---|---|
| First year | **Insurer** | $78 | $702 |
| Following years | **Insurer** | $26 | $234 |

Total all commissions

| Time period | Paid by | Planforit | My company | Total |
|---|---|---|---|---|
| First year | Insurer | $278 | $2,506 | $2,784 |
| Following years (per year) | Insuers | $109 | $979 | $1,088 |

These figures comprise 60% of the premiums in the first year and 20% in the following years. Of this, up to 90% goes to me and 10% goes to Planforit.

### 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.

### 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.

## 15. ADVISER DECLARATION

**Declaration**

As your adviser I declare that:

- The information contained in the Fact Find is an accurate and complete record of the information obtained from the customer(s).
- The information contained in the Statement of Advice is an accurate and complete record of the advice and recommendations that I gave to the customer(s).
- I have only provided advice on products on which I am authorised to advise.
- Unless disclosed in this document, these products were appropriate for the identified needs and objectives of my customer.
- I have provided the client with a copy of:
    - The current Product Disclosure Statement for each product selected by the customer(s).
    - The Financial Services Guide.
- Xxxx
- I have no associations with Product Providers
- Planforit has no association with Product Providers
- I do not receive any other benefits other than that described above
- Fees and Commissions have had no bearing in me making the product recommendations
- In all cases my primary concern is for the financial well-being of my clients.

Signed ………………………………………………………….. [Adviser] Date: ...... / / 20

## 16. How to Implement My Advice

### General Steps to Follow my Advice

- Complete the Authority Proceed form on page 6 of this document.
- Schedule a meeting with me to complete the Annual Review

### Specific steps in relation to cover on Brad

| Step | Description |
|---|---|
| 1 | Apply for $1,110,000 life cover and $510,000 TPD cover through MNO Insurance, using a 'superlink' ownership structure.<br>➢ A 'superlink' ownership structure means that the TPD cover ownership will be split 40/60 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.<br>➢ 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.<br>➢ If circumstances change, review your death benefit nominations to ensure they remain appropriate. |

### Specific steps in relation to cover on 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.<br>➢ 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, including the application process.

## 17. Authority to Proceed

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

- ❑ given you my Financial Services Guide (FSG) , including the Privacy Policy
- ❑ 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 fees and 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
- ❑ acknowledge that the material contained in this Statement of Advice is solely for  use.
- ❑ can afford the solutions I have recommended
- ❑ Understand that should our personal circumstances change substantially, e.g., a major illness in the family, job redundancy we should not proceed without consulting [adviser]
- ❑ Acknowledge the recommendations is only valid fro 30 days from the date of this SoA.

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

**Variations** you require from my Recommendations are:

| Variation | Reason | Result |
|---|---|---|
| Reduce the amount of cover of Life insurance on Brad | Affordability | Self Insurance of the amount not covered |
| Reduce the amount of cover of Life insurance on Zara | Affordability | Self Insurance of the amount not covered |
| | | |

Signed.............................................................................. Zara Black    Date:   /  / 20..

Signed.............................................................................. Brad Black    Date:   /  / 20..

# APPENDICES

**Appendix 1 – Features and Benefits Comparison**

**Appendix 2 – 'Lifetime' Premium Comparison**

**Appendix 3 – Quotes**

**Appendix 4 – PDSs**

**Appendix 4 – Facts Used**

## Appendix 1 – Features and Benefits Comparison

The following shows a comparison of the Features and Benefits of the

- current insurance
- what you have said you need
- the new insurance.

It shows that:

- The new insurance aligns more to what you need
- The current insurance is quite deficient

## APPENDIX 2 – 'LIFETIME' PREMIUM COMPARISON

The following shows the premiums across a 'Lifetime' using Level and Stepped premiums for the current insurance and the new insurance.

It shows that:

- Stepped becomes extremely expensive later on
- The current insurance is more expensive that the aqlternative (new).

## Appendix 3 – Quotes

## APPENDIX 4 – PDSS

[PDSs for the specific product versions that have been recommended    i.e. not the full PDSs that currently show a range of products.]

## APPENDIX 5 – FACTS UPON WHICH THIS SOA IS BASED

[Material nformation extracted from the Fact Find and repeated here so the client can see the basis for the advice and not have to refer to other documents]