Good advice is money well spent.

Case Study Booklet

FPA
FINANCIAL PLANNING ASSOCIATION OF AUSTRALIA

'Value' often goes beyond dollars and cents. It can be the peace of mind and security that comes with being prepared for the future.

Contents

Foreword

Making the right decisions about your finances has never been so important. A financial planner can help you do this by understanding your financial situation and helping you develop a financial plan to meet short and long-term goals.

The right financial planner has the potential to provide outstanding value for money – creating a benefit that reaps rewards far in excess of the cost involved.

To illustrate just how much value a Financial Planning Association (FPA) financial planner can provide, you'll find a range of real life stories compiled in this booklet. The circumstances may be different in each, but the outcome is the same. Good advice. Great value. Peace of mind.

Highlighting just how much value these ordinary Australians enjoyed, each case study is accompanied by actuarial analysis. It shows in clear dollar terms, the projected financial benefits of the advice provided. It's hard to argue with.

Of course, 'value' often goes beyond dollars and cents. It can be the peace of mind and security that comes with being prepared for the future. Or it may be the helping hand that arrives at a time of personal upheaval. Sometimes it's the clear sense of direction an expert can provide when we arrive at one of life's crossroads.

Most importantly, the value of good financial advice isn't exclusive to 'the wealthy'. We all have the potential to build financial independence. Sometimes all it takes is a partnership with a skilled planner to help us reach that potential. Some of the services provided by a planner include setting financial goals, saving and investing, protecting your family with insurance, retirement planning and much more.

Whether you have definite personal goals, like saving for retirement or funding your children's education, or you're facing a raft of financial challenges, a financial planner can make a worthwhile difference. Put a financial planner from the FPA to the test, and like the people in our case studies you could be offered sensible, achievable solutions that identify opportunities and help you avoid costly mistakes that could derail your future plans.

With outcomes like these available, professional financial planning advice is definitely money well spent.

Case Study 1 Investing for their children's future

A quality education is one of the greatest gifts we can give our children, and while we all want the best for our kids, private school fees don't come cheap. However as Bruce (34) and Jessica (36) Thompson* discovered, with some good advice and sensible strategies it's possible to give our children a valuable head start in life without sacrificing precious family time.

As a young family of four, the Thompsons were doing well. Bruce earned a strong income as a business consultant, and Jessica was able to fit in part-time work as an internal auditor, while looking after the couple's children.

But rather than coasting along the couple was looking for financial security, and dreamed of funding a private school education for their children while still enjoying family activities including annual camping trips. With the aid of their financial planner, Bruce and Jessica were able to meet, and even exceed, these goals.

*Names changed to protect privacy.

Protecting the family's welfare

Working with a financial planner from the FPA, the couple set about building the cornerstones of their financial independence. Bruce and Jessica had no formal risk or estate plans in place, potentially leaving the couple, and more importantly, their children vulnerable if circumstances took an unexpected turn. This risk was addressed by putting in place a complete risk protection plan to ensure the family's financial wellbeing wouldn't suffer in the event of major illness, injury or death. A formal will was also drafted, and has been appropriately structured to take care of the children's future welfare.

Next, a cash management account was established into which the couple's salaries are pooled. With some guidance on household budgeting, Bruce and Jessica now have better control of their cash. They pay themselves a monthly allowance and use the remaining funds to build a geared investment portfolio earmarked for the children's future education expenses.

Building a nest egg while trimming tax

As a high income earner, Bruce was losing a substantial portion of his salary to tax, and following their planner's recommendations, he began contributing to his super fund via salary sacrifice. This has not only boosted Bruce's nest egg, he has trimmed his overall personal tax rate from 27% to 13%.

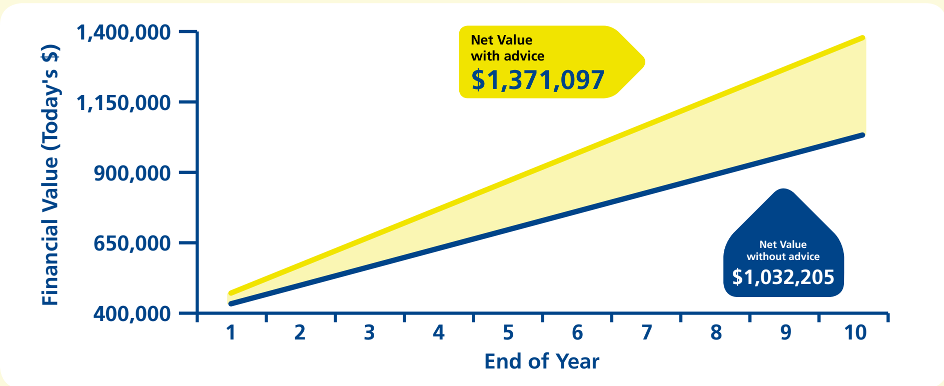
Jessica has also been able to enhance her retirement pool. By making after-tax super contributions, she taps into the government's co-contribution scheme, enjoying a helping hand to build her super.

Personalised plan was 'just what the doctor ordered'

With some straightforward strategies in place, the Thompsons are on track to achieve some fundamental family goals – an annual family vacation, upgrading the family car every few years, and most importantly, being able to fund a private school education as well as after-school activities for their children.

"Our financial planner is the custodian of the keys to our future – and that's fine by me."

The value of advice to the Thompsons over 10 years



The Financial Planning Association engaged Rice Warner Actuaries Pty Ltd to prepare this analysis based on data provided by the FPA. The net financial value is the projected financial value less any cost of advice expressed in today's dollars. The graph shows the Thompson's projected net financial value without acting on the advice compared to their projected net financial value after following the advice. For the key assumptions please see page 19 or visit www.goodadvice.com.au/assumptions for a full list of assumptions.

Bruce describes the experience of working with a financial planner as a refreshing change. He explains, "In a world where time equals money, our planner took the time to really understand our needs. Personal vision, family concerns and lifestyle aspirations were all discussed, and within this context a financial strategy was developed that was just what the doctor ordered."

With a clear commitment to his family, and their financial security, Bruce adds, "Our financial planner is the custodian of the keys to our future – and that's fine by me."

Case study provided by Philippa Elliott CFP® of Momentum Planning - WA.
Philippa was an FPA Value of Advice Award national winner in 2006 and 2007.

Case Study 2

A clear path through tough times

Life has a habit of delivering curve balls, sometimes leaving a trail of emotional and financial devastation. However as Jim and Val Clark* found, good financial advice can provide a clear path through tough times.

The pre-retirement period is challenging at the best of times, but for Jim and Val Clark (both in their mid-60s) it came with the added hurdle of a serious physical disability.

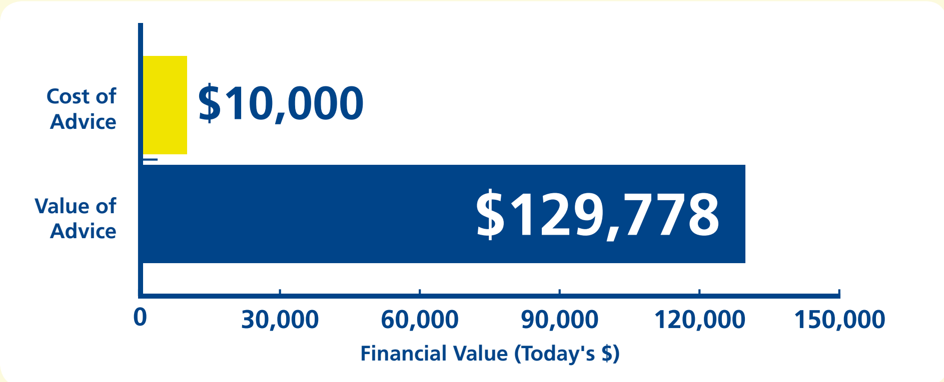
Several years ago, Jim was diagnosed with multiple sclerosis. In addition to the physical and emotional impact of the disease, the couple faced a significant financial hurdle as Jim was no longer able to work.

Fortunately, Jim was covered by income protection insurance, which provided regular monthly payments. While this helped bridge the financial gap, the payments were a constant reminder to Jim that he was incapacitated. However the couple reached a crossroad when their insurer made an offer of a lump sum payout.

*Names changed to protect privacy.

"Thanks to the strategies put in place by our adviser, we were able to purchase the property secure in the knowledge that our income wouldn't be compromised."

The value of advice to Jim and Val over 29 years



The Financial Planning Association engaged Rice Warner Actuaries Pty Ltd to prepare this analysis based on data provided by the FPA. The cost of advice is the initial fee charged by the adviser in today's dollars. The projected financial value expressed in today's dollars. For the key assumptions please see page 19 or visit www.goodadvice.com.au/assumptions for a full list of assumptions.

A decision with lifelong impact

Both Jim and Val realised any decision regarding this payout had significant implications – potentially shaping the rest of their lives. Aware that expert advice was called for, they sought the professional opinion of an FPA financial planner.

What followed was an extensive review of the insurer's offer. Jim and Val's planner drafted a counter-offer requesting an increase of $46,000. Much to the couple's delight, the offer was accepted.

Preparing for retirement

With a pool of cash now at their disposal, the challenge for Jim and Val was to put their assets to work to ensure a comfortable retirement – bearing in mind that Jim's condition pointed to substantial future medical bills.

As a starting point, the couple's planner tapped into the tax effective invalidity component of superannuation – an aspect neither Jim nor Val were aware of. By adding the disability payout to their super in a mixture of deducted and undeducted contributions, the couple was able to minimise the impact of income tax. The funds were used to purchase tax-friendly allocated pensions, with a high-interest online savings account providing a source of at-call funds for emergency spending.

Retirement income above expectations

Today, Val and Jim enjoy a strong retirement income, and although their asset allocation allowed for an annual income of $62,000, the couple has achieved a combined tax-free income of $68,300 – over $5,000 more than they anticipated!

The twosome also enjoy tremendous financial flexibility with sufficient cash to meet medical bills when they arise. Jim is especially relieved that he no longer has to complete the monthly forms that continually assessed his eligibility for income protection payments.

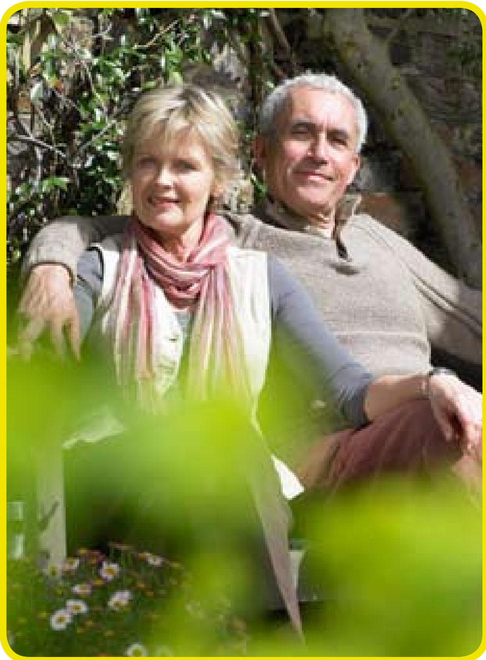
From stress to stress-free

The couple's story would normally end here. However not so long ago, during one of her morning walks, Val noticed a 'For sale' sign outside what she had long regarded as her dream home. As Jim notes, "Thanks to the strategies put in place by our planner, we were able to purchase the property secure in the knowledge that our income wouldn't be compromised."

Case study provided by Jeremy Gillman-Wells, AMP Financial Planning – ACT.
Jeremy was an FPA Value of Advice Award national winner in 2007.

Case Study 3

Navigating a clear path through retirement



When sleepless nights invade retirement, it's time to seek professional advice on money matters. As one retired couple found, a quality financial plan can be a wonderful cure for insomnia.

Apple Isle retirees, Edward (71) and Mary Walters (65)* were living anything but the retirement dream. Like a growing band of seniors, the duo was carrying significant debts including a home mortgage and an investment property loan – all without the benefit of a decent income. Indeed, as Age Pension recipients, the couple was only managing to make ends meet by continually drawing on their home loan.

Inheritance could create more problems than it solved

When the couple discovered they were due to receive a $450,000 inheritance, what should have been cause for celebration proved to be an added concern. Edward and Mary feared the windfall would jeopardise their Age Pension entitlement, potentially leaving them worse off.

A life raft of solutions came with a visit to a financial planner from the FPA.

*Names changed to protect privacy.

Strategies to be debt free

Guided by their planner, Edward and Mary considered a broad range of options, finally settling on a strategy that would see them debt-free and able to enjoy what the couple hoped would be an annual combined income of $45,000. In fact, they achieved much more than this.

As a first priority, the couple put their investment property on the market. Although Mary had a sentimental attachment to the property it was proving to be a millstone around their necks requiring ongoing management and yielding poor returns. Following their planner's recommendation, the couple used the sale proceeds to make a deductible contribution to their super fund – a strategy that avoided a potential capital gains tax bill of $40,000.

A fresh injection of funds

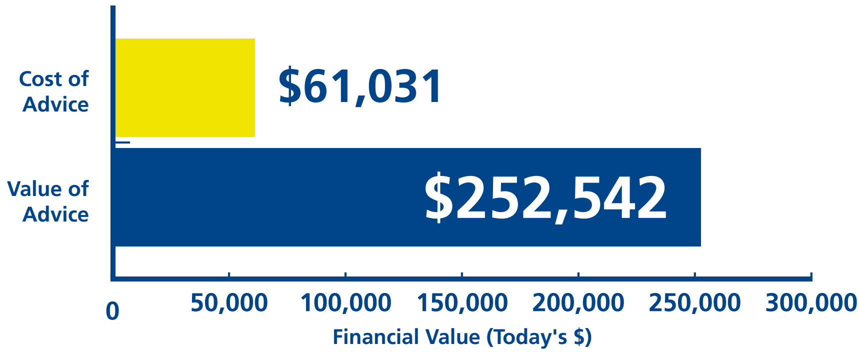
With a fresh pool of funds, the couple was able to pay off their debts, and by investing in two private pensions, Edward and Mary's eligibility for the Age Pension remained intact.

Like many retirees, Edward and Mary had dreamed of upgrading their home, and with their finances taken care of, they were in a position to do just that. When a waterfront property became available, Edward and Mary opted to sell the family home and tap into the proceeds of their inheritance to purchase what they describe as their ideal retirement residence.

Along with the peace of mind provided by substantial cash reserves, Edward and Mary now enjoy an annual income of $50,000 – $5,000 more than they had initially hoped for. They enjoy a comfortable retirement free from debt with the satisfaction of knowing they will leave a healthy estate for their children.

"It is a great relief to be financially secure and debt free."

The value of advice to Edward and Mary over 21 years



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Good advice – the cornerstone of retirement

With the benefit of good advice, Edward and Mary's retirement has been transformed from a period of stress to one of life's most fulfilling stages. Edward explains, "From a financial perspective, we were floundering and unsure of how to make the most of our situation. Our planner provided a clear, comprehensive and believable plan for financial freedom in retirement, resulting in peace of mind way beyond our expectations."

For Mary, quality advice has been the cornerstone of a wonderful retirement. She explains, "It is a great relief to be financially secure and debt free. We are enjoying our beautiful new home, knowing we have an income stream to adequately support us for life."

Case study provided by Angela Jenkins CFP® of GWM Adviser Services – TAS.
Angela was an FPA Value of Advice Award national winner in 2007.

Case Study 4
A solid partnership proves the key to independence

Jeanette McKay* was determined not to be a burden on anyone, but without the helping hand of her financial planner, this fiercely independent woman could have missed out on valuable money to live on.

At the age of 57, Jeanette was used to running her own life. A divorcee with three adult children, she was comfortable living alone in her home on the picturesque New South Wales south coast. But despite the outward appearance of having money matters in hand, Jeanette faced the serious prospect of running out of cash, and it was only at the insistence of her accountant that she sought the advice of a financial planner from the FPA.

Eating into investments

A former registered nurse, Jeanette suffered debilitating osteoarthritis and was no longer able to work. Rather than applying for government support benefits she was entitled to, Jeanette was steadily drawing on her investments as a source of income. With her assets invested in capital stable options, Jeanette's portfolio simply didn't provide the capital growth necessary to support this outflow. And while she had multiple super balances, Jeanette was under the impression she couldn't access these funds before reaching age 60.

*Name changed to protect privacy.

Recognising her determination to be independent, Jeanette's financial planner adopted a slow but sure approach, discussing Jeanette's options with her over a series of meetings.

The most pressing priority was to provide Jeanette with a regular income. Following confidential enquiries with Centrelink, it became clear that she was entitled to the maximum Disability Support pension. This would provide a much-needed foundation to meet living expenses, and Jeanette agreed to become a recipient.

Super funds 'all over the place'

Next, Jeanette's planner put her super under the spotlight. With her money spread across four different funds, Jeanette's retirement pool was, as she described it, "all over the place". Digging a little deeper, her planner discovered that Jeanette had an additional $30,000 in one of her funds – money she was unaware of.

On the downside, Jeanette's super was invested in higher risk options, which were at odds with her conservative approach.

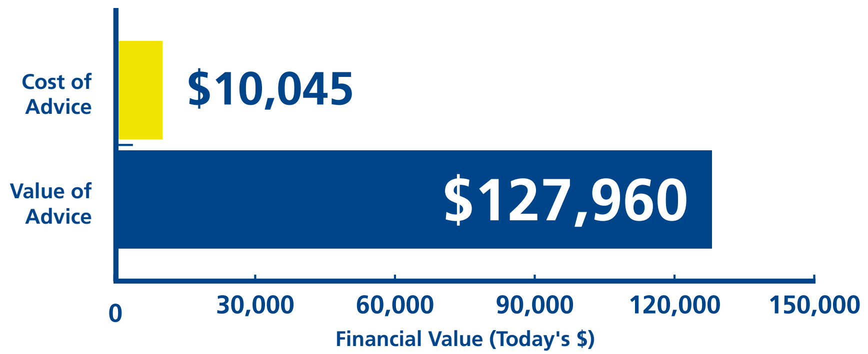
Further scrutiny revealed that two of Jeanette's funds charged prohibitive exit fees, so with the exception of these balances, her remaining super was rolled into a single fund using a withdrawal and recontribution strategy that allowed her retirement pool to be classified as 'undeducted'. Her separate investments were added to her super, providing Jeanette with a simplified, easy to manage portfolio that followed a balanced approach, better suited to Jeanette's risk tolerance.

By apportioning part of her super into an allocated pension, Jeanette was able to enjoy and supplement her Disability Pension, providing her with ample funds for day to day living.

Jeanette also had an income protection policy within one of her super funds that she could have been claiming on but had no idea it existed.

"My negative thoughts were totally unfounded. I have a lot to look forward to now that my financial future is taken care of."

The value of advice to Jeanette McKay over 8 years



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Achieving personal, and financial, goals

With a clear picture of her financial position, and the benefit of a reliable income stream, Jeanette was now in a position to achieve an important personal goal – lending a financial helping hand with the cost of her daughter's wedding.

While Jeanette acknowledges her reluctance to see a financial planner, she says, "My negative thoughts were totally unfounded. I have a lot to look forward to now that my financial future is taken care of".

Case study provided by Ben Hatcher CFP® of Hillross Financial Services – NSW.
Ben was an FPA Value of Advice Award national winner in 2006.

Case Study 5

Sound advice prevents retirement double jeopardy

Without professional financial advice, many retirees face a chilling double jeopardy, having plenty of time - but insufficient cash - to pursue their dreams. With the help of their financial planner, Sue and Phil Perkins* avoided a serious pitfall that could have made their retirement mundane rather than magical.

Sue (50) and Phil (55) had both forged successful lifetime careers in the academic world, and with healthy super balances to their name, they were thinking about hanging up their work boots a little earlier than most.

In addition to retiring before age 60, as a long-term de facto couple, Sue and Phil wanted to formalise their commitment to one another, and were planning a wedding with an estimated cost of around $10,000. Beyond this, they were hoping to achieve an annual retirement income of around $120,000. All these goals were achievable given their current nest egg, however a little-known aspect of their defined benefits fund meant the couple's plans of early retirement could seriously jeopardise their wealth – a pitfall they were unaware of.

*Names changed to protect privacy.

As part of their pre-retirement plans, Sue and Phil met a financial planner from the FPA. It proved a wise move. Together, the couple was entitled to retirement funds worth over $1.2 million. But, as a defined benefit fund, if either was to retire before age 60 they would forfeit a significant chunk of their super.

When their planner highlighted this hazard, Sue opted to stay on at work for a few more years – a strategy that would double her final benefit. Phil however embarked on a different course. His planner outlined the availability of a 'buy back' strategy, which would let Phil increase his final payout while eliminating penalties for early payout of his super.

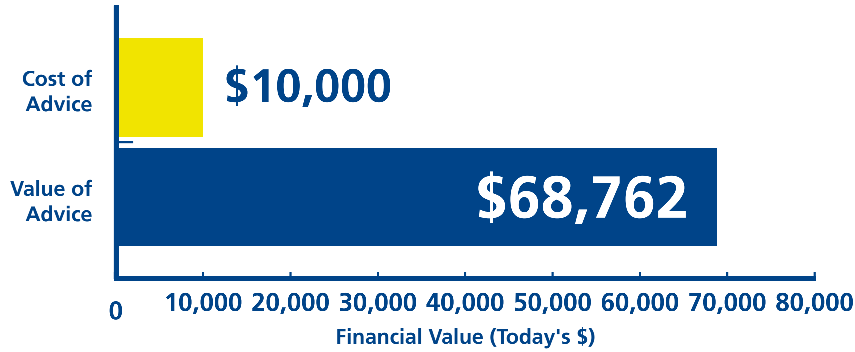
With only a few years to go before their planned retirement date, Phil and Sue began making additional super contributions in earnest. Following their planner's suggestion, they added to their super via salary sacrifice, achieving twin goals of minimising personal income tax while supersizing their retirement pool.

Keen to hold additional investments outside of super, Sue and Phil kick-started a savings regime, directing their spare cash into a managed fund. As their planner explained, by drip-feeding their money into the fund on a regular basis, they were tapping into an investment strategy known as 'dollar cost averaging'. It's a simple but effective way to maximise the value of an investment, and while the couple were new to the concept, they embraced it as a valuable tool for managing market volatility.

With a clear and concise blueprint for the road ahead, Sue and Phil were able to tie the knot in style, knowing that in just a few short years they would be living their retirement dream. Phil recalls, "Our financial planner was able to negotiate the range of bureaucracies involved with our super, while offering clear information and advice on which we could base our decisions. We now have a sense of confidence that our financial future is secure." More than great value, the advice was like a wonderful wedding gift!

"We now have a sense of confidence that our financial future is secure."

The value of advice to Sue and Phil over 26 years



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Case study provided by Rod Scurrah CFP® of GWM Adviser Services - TAS.
Rod was an FPA Value of Advice Award national winner in 2006.

List of key assumptions

Assumptions made for Bruce and Jessica Thompson's Case Study

The change in value of the net assets in year 10 was $83, 645. The Thompsons were able to increase their lifestyle spending by $310,000 over the 10 year period. Rice Warner has assumed that this was spread evenly over the 10 years. Mr Thompson's average income tax rate was reduced from 27% p.a. to 13% p.a. Mr Thompson salary sacrificed $10,000 p.a. Mrs Thompson made non-concessional contributions of $1,000 p.a. to attract the government co-contribution. Mrs Thompson saved $6,000 p.a. of her after-tax income. Trail commissions of $2,890 p.a. was rebated to the Thompsons. Initial cost of advice was $2,200. Ongoing cost of advice was $4,400 p.a. All figures are expressed in today's dollars to remove any impact on the projected values from inflation. We have assumed all financial assets will grow at a real rate of 3% p.a. Mr Thompson's taxable income had been reduced to $85,000 p.a. as a result of the reduction in his average income tax rate. Mrs Thompson began to work more hours to help fund their increased spending. It was assumed that this resulted in a salary increase of $24,000 p.a. on top of her current salary of $36,000 p.a. For a full list of assumptions visit www.goodadvice.com.au/assumptions

Assumptions made for Jim and Val Clark's Case Study

Tax payable was reduced by $14,700 due to advice. Due to advice the assessable income has been reduced by $30,000. $46,000 increase in one-off payment received from the insurer to replace ongoing income protection payments following negotiation by adviser. Initial cost of advice was $10,000. All figures are expressed in today's dollars to remove any impact on the projected values from inflation. We have assumed all financial assets will grow at a real rate of 3% p.a. The tax-free threshold is considered to be $6,000. Val's life expectancy was assumed to be 29 years. The value of advice was projected over a 29 year period. For a full list of assumptions visit www.goodadvice.com.au/assumptions

List of key assumptions

Assumptions made for Edward and Mary Walter's Case Study

Pension increased by $5,000 in year one. $40,000 initial capital gains savings were achieved. All figures are expressed in today's dollars to remove any impact on the projected values from inflation. We have assumed all financial assets will grow at a real rate of 3% p.a. The value of advice was projected over a 21 year period. Following advice, the investment was switched from rental property to balanced portfolio, which earned 1% p.a more. Annual pension increase of $5,000. Taxation reduced each year due to the switch from rental property to balanced portfolio. Initial cost of advice was $5,000. Ongoing cost of advice (net of tax) is assumed to be 0.6% of the estimated assets under advice. For a full list of assumptions visit www.goodadvice.com.au/assumptions

Assumptions made for Jeanette McKay's Case Study

Initial cost of advice was $2,000. Disability pension of $12,000 p.a. Savings from reduced life insurance of $1,000 p.a. $30,000 of lost super identified. All figures are expressed in today's dollars to remove any impact on the projected values from inflation. We have assumed all financial assets will grow at a real rate of 3% p.a. The value of advice was projected over an 8 year period. Following advice, the investment was switched from a capital stable to a moderate conservative portfolio, which earned 0.5% p.a. more. Ongoing cost of advice (net of tax) is assumed to be 0.6% of the estimated assets under advice. For a full list of assumptions visit www.goodadvice.com.au/assumptions

Assumptions made for Sue and Phil Perkins' Case Study

Additional pension over two years of $11,092 from restructuring pension arrangements. They borrowed $113,000. Interest cost over 2 years is $8,264. All figures are expressed in today's dollars to remove any impact on the projected values from inflation. We have assumed all financial assets will grow at a real rate of 3% p.a. The value of advice was projected over a 26 year period. Initial cost of advice was $10,000. The amount borrowed was for a two year term. For a full list of assumptions visit www.goodadvice.com.au/assumptions

Disclaimer

Fees, taxes, government regulations and the cost of ongoing advice may change over time and as such will change the projections. The figures in this booklet are a projection based on the stated assumptions. The figures on the impact of receiving financial advice take into account the investment objectives, financial situation and particular needs of the individuals described in these case studies and advertisements only. For an analysis of the impact of receiving financial advice in your personal circumstances, see your nearest financial planner from the FPA.

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December 2008