DynamicOrange
Wealth solutions now for tomorrow

Building blocks for financial freedom

How to put the essentials in place for lasting financial security

Financial freedom and security is something that many of us may dream about, but sooner or later we need to ask ourselves. "Is it just wishful thinking, or am I planning to make it reality?"

Of course financial freedom may mean different things to different people, but one thing that's certain it will never be achieved if we don't plan for it.

You do have a choice and you can make a difference

The good news is that it is never too late to start. Even the biggest goals start with simple steps.

This brochure could be the first step for you. It is designed to give you a simple overview of the basic essentials you need to think about to achieve lasting security and a prosperous retirement.

It specifically deals with the basic building blocks of every financial plan:

- how to protect your current and future financial security through sound risk planning, and
- how to put together a retirement plan to help you get the lifestyle you want.

Are you ready to take control?

The bottom line is that you need to make a choice. Will you procrastinate and put it in the 'too hard basket', or will you grasp the opportunity to take positive action?

If you are ready to get in the driver's seat of your financial freedom, then we are ready to help guide and coach you to make it happen. So let's get started.

Create a plan personalised to your priorities

Creating a personalised plan starts with an assessment of what your family needs are. This can be generally divided into:

- **Capital needs –** items for which you need a lump sum to pay out debts or to put aside for the future.
- **Income needs –** an ongoing income stream to maintain lifestyle and to cover possible increased expenses.

Capital needs involves nominating a figure for each need or goal that you have, while income needs can be related back to investing a lump sum to generate investment income.

The diagram below shows the typical areas where capital and income needs exist.

Lifestyle protection to provide for your needs

Capital needs

- **Pay off mortgage**
- **Fund future purchases**
- **Pay out debts**
- **Education funding**
- **Adapt home for disability**
- **Funeral expenses**

Income needs

- **Replace earned income**
- **Ongoing medical costs**
- **Allow for inflation**

Quantify your worth

Do you know how to calculate your income earning potential? The numbers can be staggeringly high. One way to do it is to simply multiply your current income by the number of years to age 65, this will show the 'asset value' of your earned income.

Looking at your income earning potential demonstrates how much you are putting at risk if you leave your life and income uninsured.

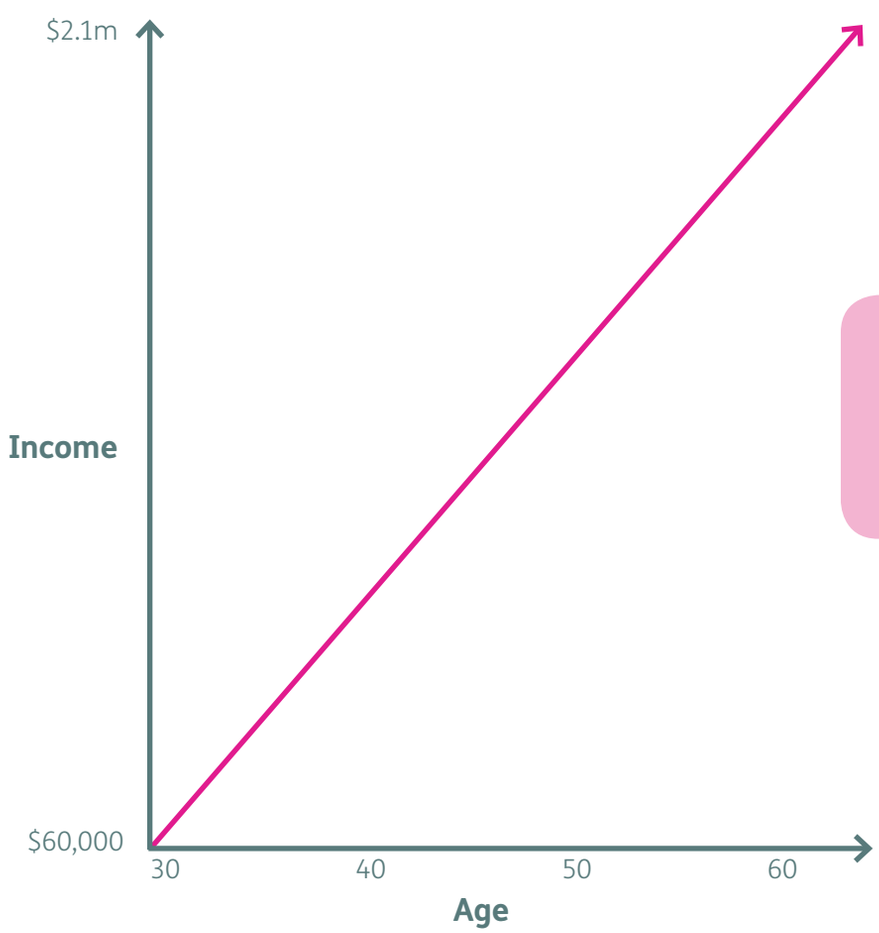
Use the table below as a guide to your income earning potential.

What is the financial value of your life?

Yearly Income	Current Age				
	20	30	40	50	60
$40,000	$1,800,000	$1,400,000	$1,000,000	$600,000	$200,000
$60,000	$2,700,000	$2,100,000	$1,500,000	$900,000	$300,000
$80,000	$3,600,000	$2,800,000	$2,000,000	$1,200,000	$400,000
$100,000	$4,500,000	$3,500,000	$2,500,000	$1,500,000	$500,000
$120,000	$5,400,000	$4,200,000	$3,000,000	$1,800,000	$600,000
$140,000	$6,300,000	$4,900,000	$3,500,000	$2,100,000	$700,000
$160,000	$7,200,000	$5,600,000	$4,000,000	$2,400,000	$800,000

The table above shows gross income between the age specified and age 65. It does not take into account the effects of indexation or inflation.

Total lifetime earning potential



For example, if you were aged 30 now and earning $60,000 per annum, your total lifetime earnings by the time you reach age 65 could be a massive $2.1 million.

* this diagram is an estimate only

Dealing with personal financial risk shouldn't be hit and miss

There are various options for providing a safety net if sudden illness, injury or premature death strikes you or your family, but how effective or reliable will they be?

Employer's superannuation insurance

Super funds will often have some level of death and disability insurance cover, but in many cases it will only provide a fraction of the amount of cover you really need and many do not cover all events.

Disability pension or workers' compensation

Disability or single parent pensions really only offer a minimal level of income, while workers' compensation will only pay for work related conditions and has strict limits on the amount and length of benefit payments.

Health cover and other insurances

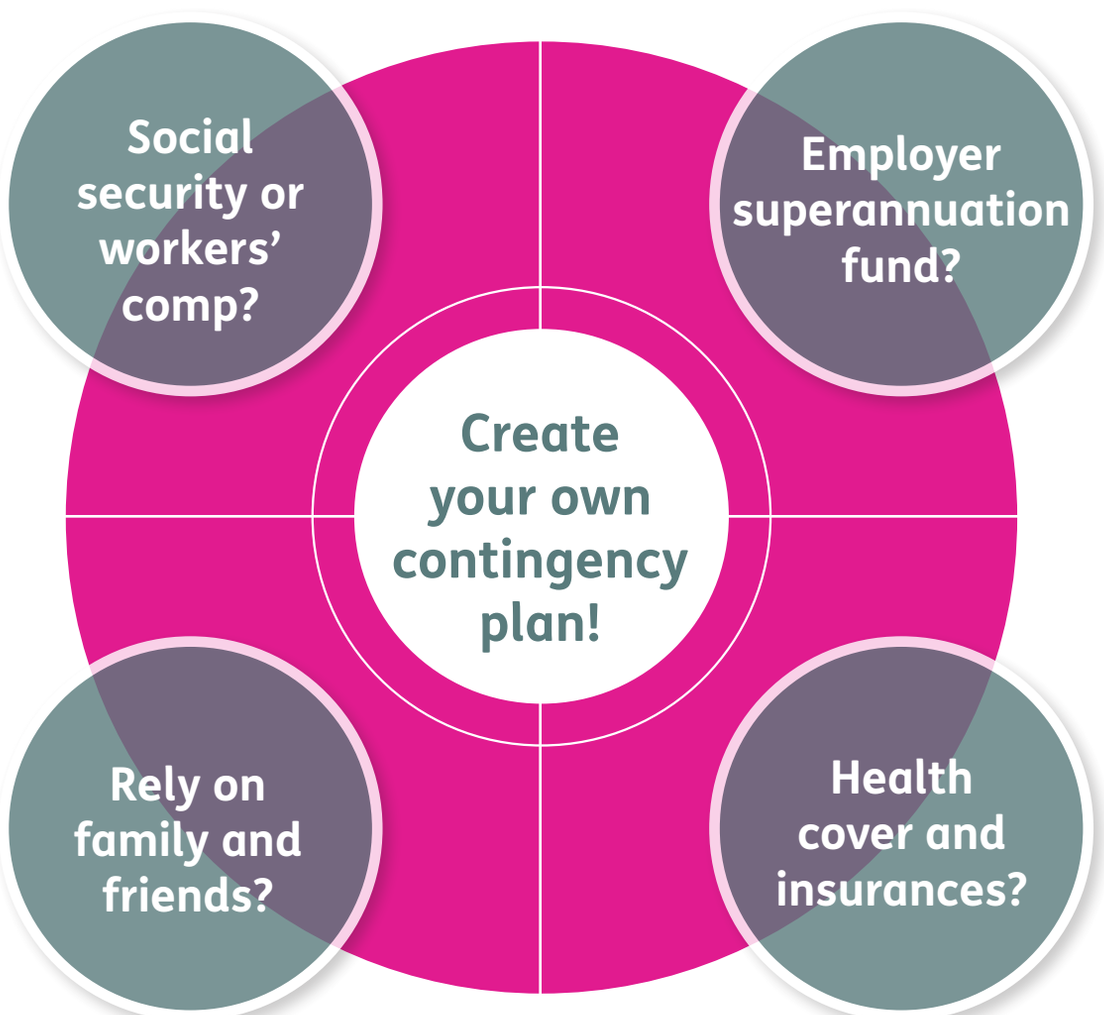
Health cover generally only refunds specific medical costs and does not provide any income support. Other insurances, such as CTP, public liability, mortgage insurance and travel insurance, generally have very narrow restrictions on what events are covered and limited benefits.

Family and friends

Other people love to help in a crisis, but will they have the resources to support you and your family longer term and would you want to be a burden to them anyway?

A personal contingency plan may include a combination of life, disability, income protection and trauma insurance.

A financial adviser can help you target and eliminate personal financial risk by helping you to create a contingency plan tailored to you and your family.



Risk minimisation strategies

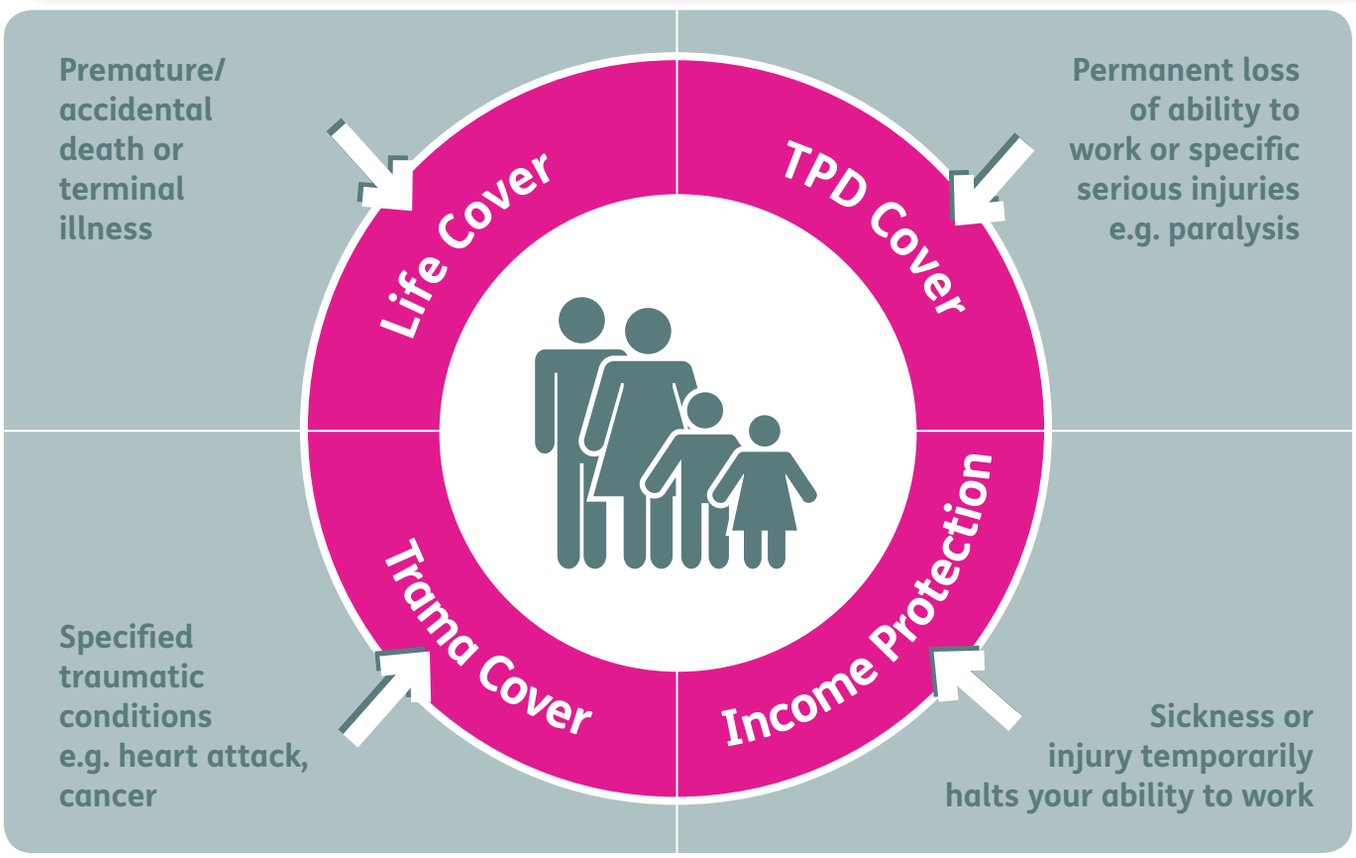
In the minds of many people, premature death would cause the greatest possible degree of financial impact to a family, due to the loss of income and the ongoing need to cover the living expenses for the surviving family. But is it possible that an even greater loss could occur if total and permanent disability strikes?

A comprehensive financial plan will involve a range of strategies that specifically deal with unexpected life events that threaten your financial security.

A financial adviser can help you put together a plan that suits you using their knowledge, skills and resources to properly assess and identify the risk exposure in your situation.

Life insurance and financial protection generally falls into four areas, as illustrated in the diagram below. You can choose to tailor the desired level of each component to create a 'ring of protection' around those you care about.

A comprehensive ring of protection



Life insurance inside superannuation

Super funds typically provide three types of insurance for members:

- Death Cover (also known as life insurance),
- Total and Permanent Disability Cover,
- Income Protection Cover.

Your employer's default super fund must offer a minimum level of life insurance, depending on your age. You can choose to increase, decrease or cancel your default insurance cover. Like other insurance policies, you will pay insurance premiums which are deducted from your super account.

The benefits of life insurance through super include:

- premiums are often cheaper,
- there may be tax advantages because premiums are paid from your super account, not your after-tax income, and
- some funds automatically accept you without requiring a health check.

You should consider talking to a financial adviser to ensure you have enough cover - and the right cover - for your circumstances.

The things you value the most should be protected first

If you bought a new car you wouldn't dream of driving it away without insurance. Our instincts tell us that it is just 'too valuable to risk loss or serious damage'. So too with our home and possessions, leaving them uninsured could cost us thousands if a sudden disaster struck.

But what about your most valuable asset? Your ability to earn an income and look after your family is worth far more in dollar terms than any other asset you own. This ability is constantly under threat from unforeseen events like, loss of good health, disability or even premature death.

How much will you need?

Calculating the actual amount of cover you need is a very personal exercise. There are no hard and fast rules so you are free to factor in the hopes, desires and priorities you have for your family's future. A financial adviser can offer skilled guidance on how to come up with realistic figures for your situation.

Business Insurance

If you're operating a small business, consider the risk to your business if something was to happen to you personally.

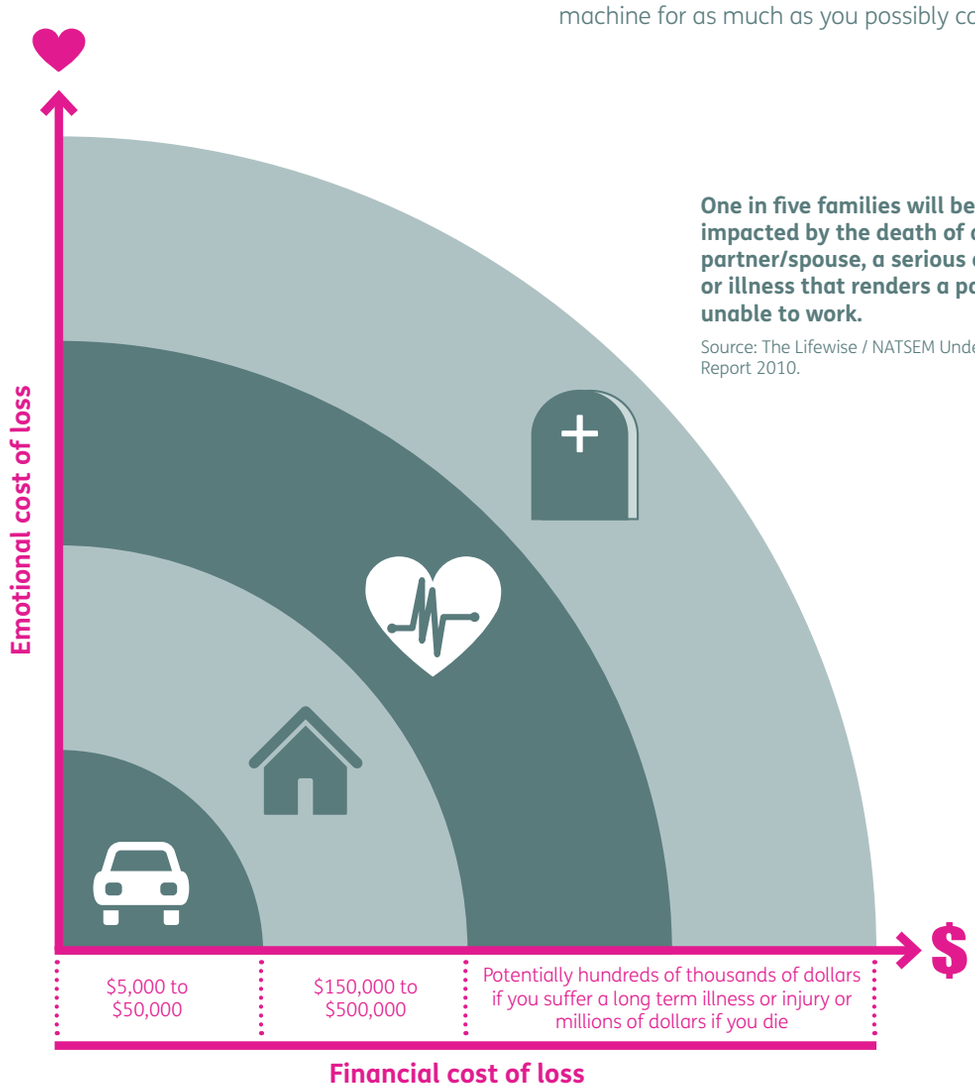
Some insurance is mandatory such as public liability, workers' compensation and CTP motor vehicle insurance.

Some strategies you may like to consider include debt protection, key person protection, succession protection and business expense protection.

The 'emotional cost' phenomenon

The emotional cost connected to any loss can correlate to the financial cost, but for many people the risk of loss can feel too over whelming to do anything about it. The danger of ignoring such a risk means you may be left with a massive gap in your family's lifestyle and financial security. Talking to a financial adviser and putting in place a risk minimisation strategy is fundamental to every financial plan.

Things appear much clearer when we take the emotion out of the equation. Imagine for a moment that your income was produced by a machine rather than from your own skill and labour. Chances are that you wouldn't hesitate to insure that machine for as much as you possibly could!



One in five families will be impacted by the death of a partner/spouse, a serious accident or illness that renders a parent unable to work.

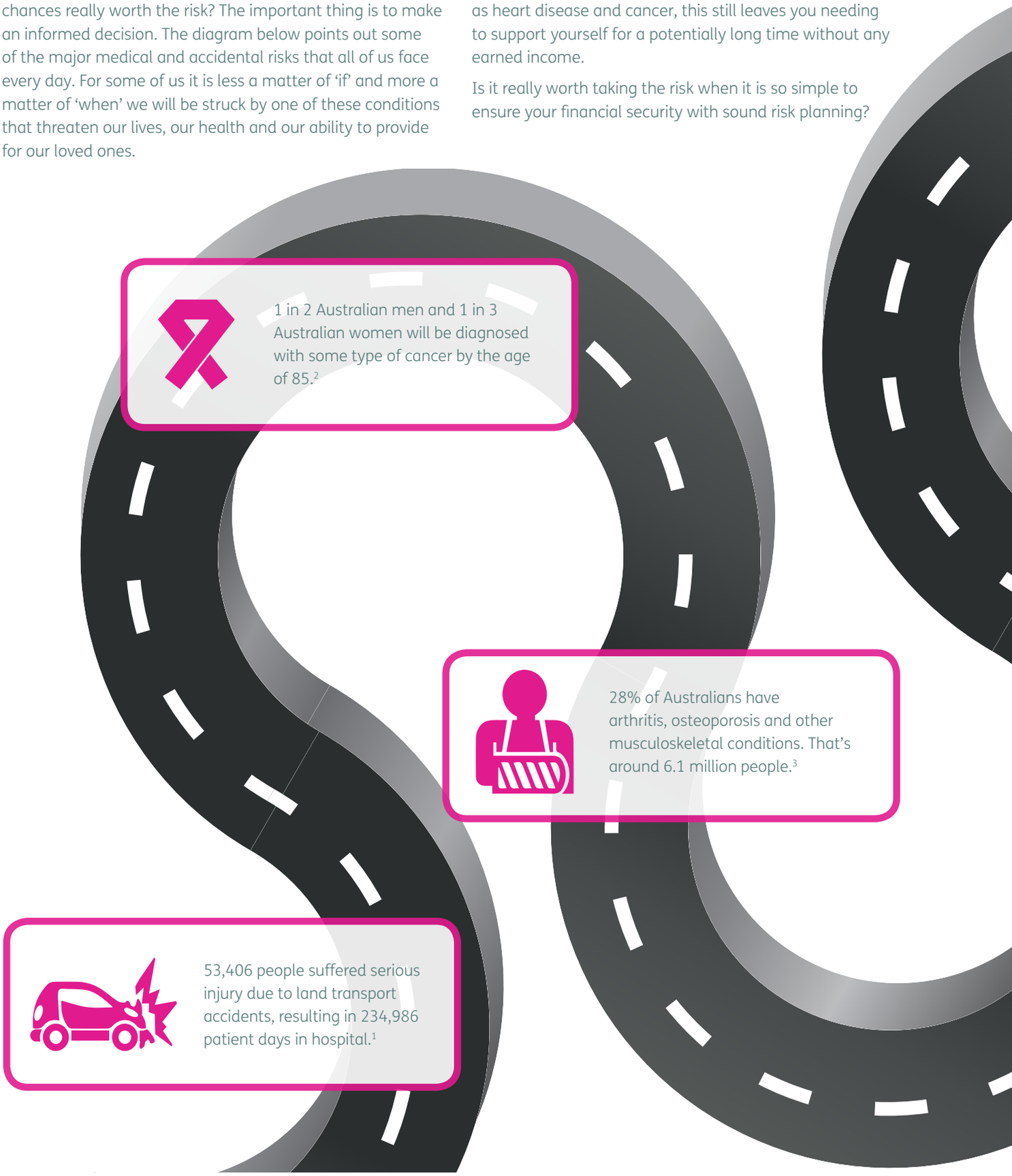
Source: The Lifewise / NATSEM Underinsurance Report 2010.

How will you negotiate the hazardous road of life?

It is only natural to think that we will be one of the lucky ones who avoid the threats to life and limb. But is taking your chances really worth the risk? The important thing is to make an informed decision. The diagram below points out some of the major medical and accidental risks that all of us face every day. For some of us it is less a matter of 'if' and more a matter of 'when' we will be struck by one of these conditions that threaten our lives, our health and our ability to provide for our loved ones.

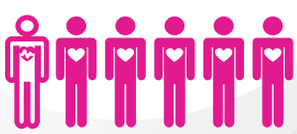
While medical advancements have dramatically improved longevity and survival rates of many medical conditions, such as heart disease and cancer, this still leaves you needing to support yourself for a potentially long time without any earned income.

Is it really worth taking the risk when it is so simple to ensure your financial security with sound risk planning?



Each year, around 55,000 Australians suffer a heart attack. This equates to one heart attack every 10 minutes.[5]

One in five of Australian adults had a mental disorder in the previous 12 months. This is equivalent to 3.2 million Australians.[7]



1 in 6 people will have a stroke in their lifetime and stroke is the leading cause of long term disability in adults.[6]

The number of people with end stage kidney disease is projected to rise by 60% from 19,780 cases in 2011 to 31,589 cases by 2020.[4]

1. Australian Institute of Health and Welfare: Serious injury due to land transport accidents, Australia 2008-09.
2. Cancer Council Australia website: 'Facts and figures' 2014.
3. Australian Institute of Health and Welfare website : Arthritis, osteoporosis and other musculoskeletal conditions 2015.
4. Australian Institute of Health and Welfare: Projections of the prevalence of treated end-stage kidney disease in Australia 2012-2020.
5. Heart Foundation website: 'Data and statistics', 2012.
6. National Stroke Foundation website: 'What is a stroke? Facts, figures and statistics' 2009.
7. Mental Health Council Australia. 2007 National Survey of Mental Health & Wellbeing.

Retirement is meant to be enjoyed, not just survived

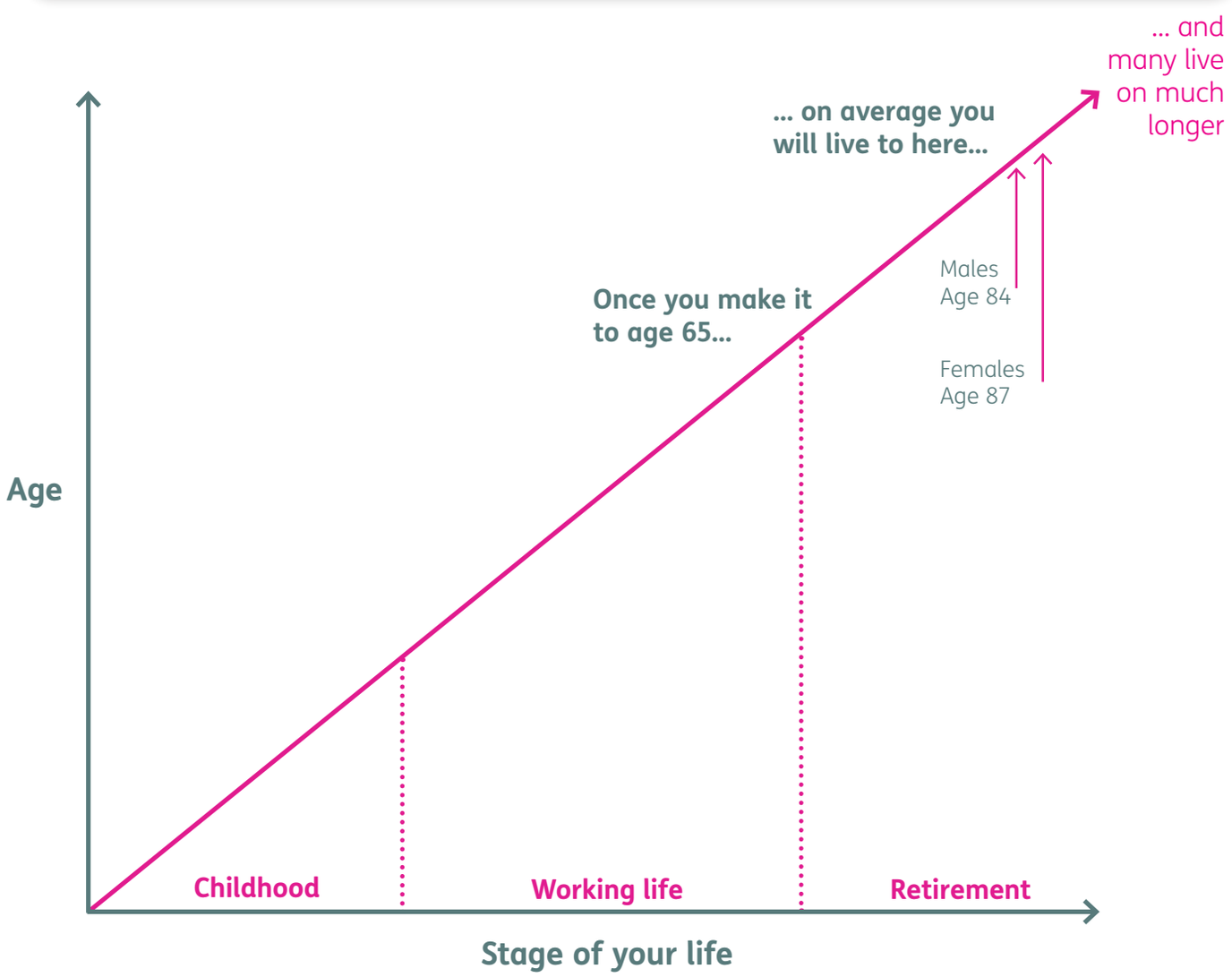
We all wish that retirement could happen sooner and last forever and it certainly is a stage of life that is worth looking forward to. In many ways it's like going on a vacation that you never have to come back from.

When we finally do retire, for most of us it is going to be for a long, long time. In some cases it could end up being one third of your total lifetime with no earned income to rely on and it is what we do today that will make all the difference tomorrow.

When you start to look at the reality of retirement, it soon becomes apparent that the dream of making it happy and comfortable could turn out to be a nightmare if we don't plan it successfully.

Financial freedom in retirement means the freedom to enjoy each and every day with all the possibilities of travel, recreation and lifestyle that you deserve after a lifetime of work. So why settle for just survival in retirement? Get to grips with it now, with the help of a financial adviser you can make your retirement dreams a reality.

How long will you live in retirement?



Source: Australian Life Tables, 2010-2012, Australian Government Actuary. Released 11/2014.

The information provided is general in nature and not based on your personal needs or circumstances

Accelerate your way to a successful retirement

So if you expect to be retired for a long time and you want to get maximum enjoyment out of it, how do you go about creating the financial resources to make it happen?

Superannuation might conjure up images of complexity to some and confusion to others, but the fact is that it remains one of the most powerful personal financial growth tools available and is 'purpose built' for helping you build your dream retirement.

The tax benefits offered by super make a compelling argument for understanding what your super can do for you. It can be exciting to see it grow as an investment that will ultimately translate into your retirement lifestyle. With the possible exception of the family home, super is likely to be the largest personal investment you will ever own.

Tax benefits on contributions and investment returns

If you either:

- contribute to super as a self-employed person, or
- salary sacrifice to super as an employed person

and you don't earn more than $300,000[1] each year, you only pay a 15% tax rate on those contributions up to set limits applied by the Government. This compares with the much higher marginal rates of tax of up to 45%[2] that you would pay if you were to take that money as income.

Once your money is in your super fund it generally only attracts a tax of 15% on investment earnings, compared with paying your marginal rate of income tax on investments outside of your super.

What tax rate would you rather pay?

15%[1]	**On each dollar diverted to super instead of taking it as income**
32.5%	**For each dollar of income over $37,000**
37%	**For each dollar of income over $80,000**
45%[2]	**For each dollar of income over $180,000**

1 A 30% tax will apply to those earning more than $300,000 pa

2 The top marginal tax rate is 47% until 2017/18 tax year due to the Temporary Budget Repair Levy

The basics - how your super works

To get the most from your super it is important to get a grip on the various ways money can be deposited into it and what types of funds are available to you. The diagram below summarises the general options available.

Contributions generally come from an employer, yourself or from government assistance. The taxation benefits vary depending on the source.

Keeping your super consolidated in one place is an important principle to remember. If you have bits and pieces of super in multiple funds because of employment changes during your lifetime it may be costing you in unnecessary fees and a lack of investment focus.

When it comes to deciding where to put your super, you may have several options, depending on where you work, how much control you want and the level of investment sophistication you desire.

A financial adviser can assist you in examining all the options and helping you to take full advantage of what is available to you.

1 Low Income super contribution will cease from 1 July 2017

The potential and power of a diverse portfolio

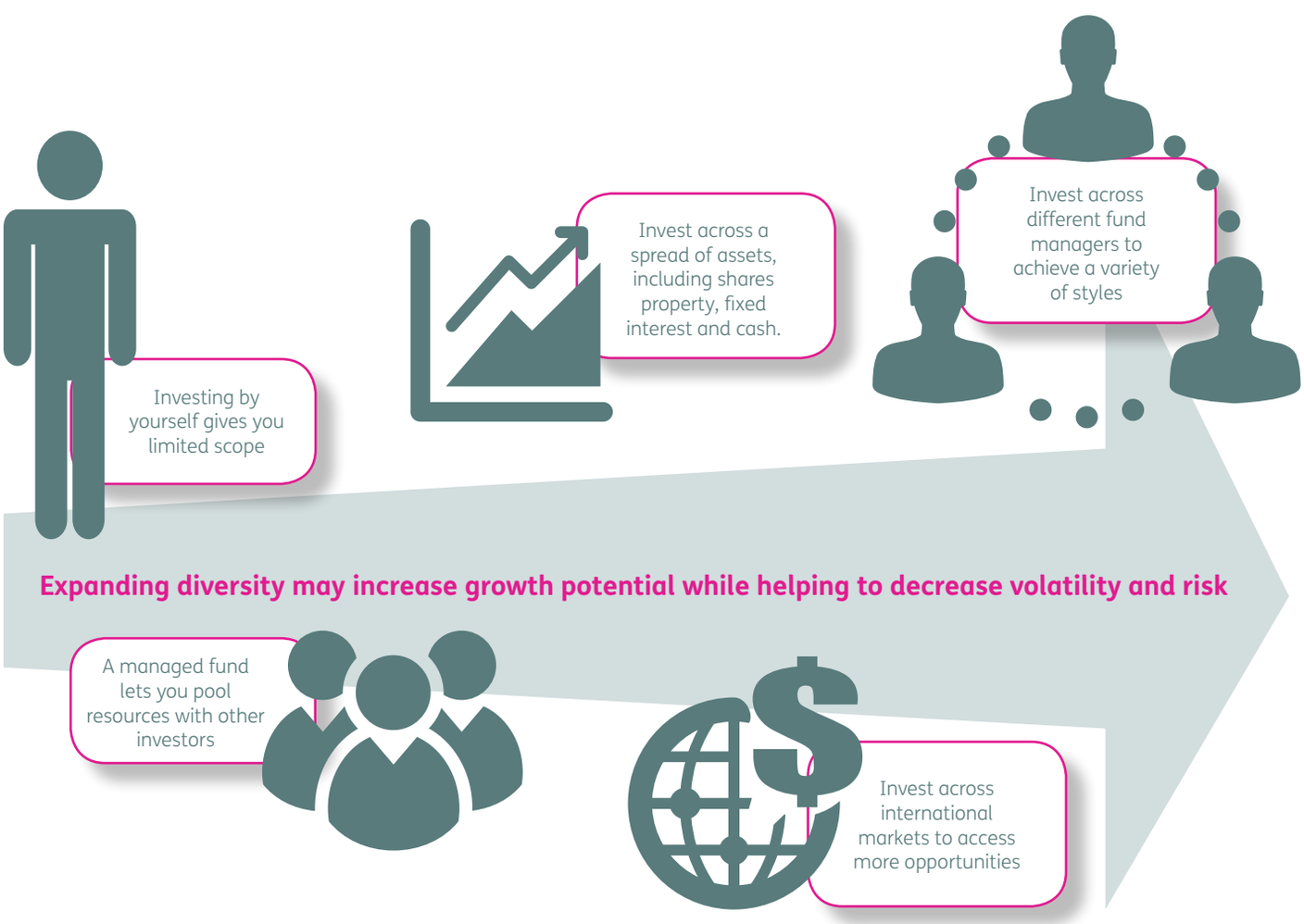
One of the many attractions of superannuation is the access it gives to ordinary individuals to invest in sophisticated and diverse ways. As a superannuation fund member you can be invested in a range of assets and markets across the world and benefit from the diversity and growth potential that this offers.

Superannuation is particularly suited to creating a diversified investment for two powerful reasons:

- As we have restricted access to the money in your super, it has more chance to grow to the 'critical mass' needed to diversify effectively, and
- The long term nature of super means you are able to invest in growth markets, such as property and shares, with less impact from the short term volatility of these markets.

Diversification is one of the key principles of successful personal investment and your super can give you access to the power of diversification at many levels, as the diagram below illustrates.

The diversification principle



How much retirement income will you need?

Defining terms such as 'well off' or 'comfortable' in retirement can be very subjective. How do you measure such things in hard dollars and cents?

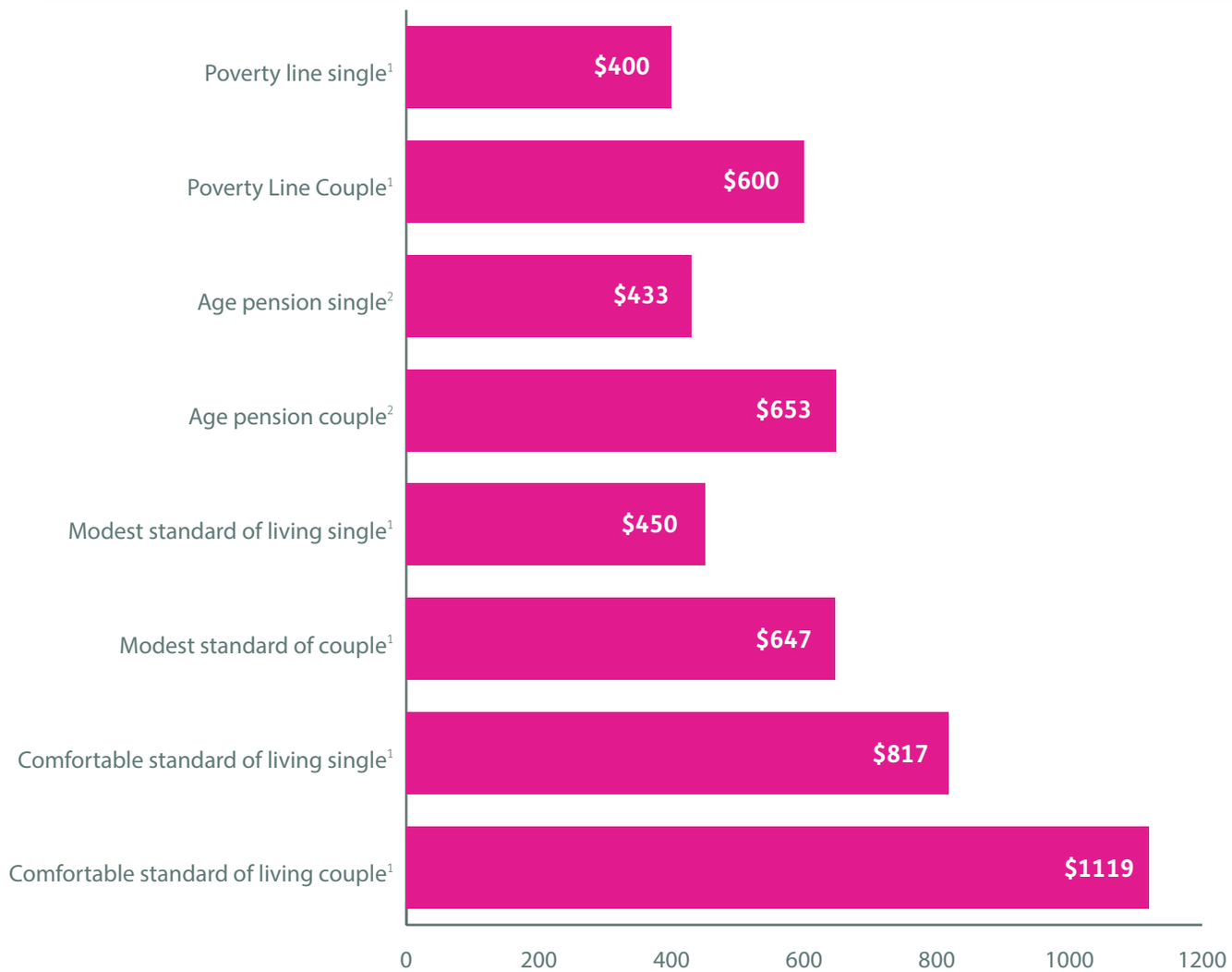
While there will never be a universal standard that can apply to everyone, the Association of Superannuation Funds of Australia has attempted to provide guidance by publishing a Retirement Standard benchmark, which suggests an income required to fund either a **'comfortable'** or **'modest'** standard of living.

The graph below shows the weekly income required for these two benchmarks and compares them to the age pension and to the **poverty line** to help put these figures into context.

Knowing how much you need as a weekly retirement income you can then work backwards to calculate an estimate of how much capital you need to produce that income in retirement. You can then calculate an estimate of how much you need to save to reach that retirement capital goal.

A financial adviser can help calculate what figures will apply in your particular situation, so that you can set a realistic superannuation savings pattern that will help you to achieve the retirement you desire.

Weekly income in retirement



1 ASFA. www.superannuation.asn.au

2 Age Pension rates current as at 1 March 2016. www.humanservices.gov.au/payment-rates-for-age-pension

The information provided is general in nature and not based on your personal needs or circumstances.

Do some 'dream casting' on your retirement right now

All the tax benefits of super and all the growth potential of super investment will count for nothing if you don't actually start to take advantage of these opportunities.

The first step is to paint a picture of the kind of retirement you want to enjoy. What are the activities you want to engage in and how comfortable a lifestyle will you want to set up for yourself?

The list below will help you to work out what you might want to achieve and enjoy in retirement. It divides your retirement plan into capital needs that will require lump sums to purchase them and income needs requiring an ongoing income stream. This information can form the basis of a discussion with a financial adviser, who can help you refine your goals and put plans in place on how to reach them.

Design the kind of retirement that you want to enjoy

Capital needs

- Overseas travel
- 'Grey nomad' assets
- Lifestyle purchase
- Holiday home
- Pay off debts and mortgage
- Family benefits
- New car

Income needs

- Weekly living expenses E.g. groceries, clothing
- Entertainment and dining
- Personal and medical costs
- Vehicle and transport costs
- Utilities and communication E.g. Phone, water rates
- Lifestyle activities

The information above is not an extensive list and is for illustrative purposes only.

How can you put it all together?

The principles outlined in this brochure are the building blocks of financial freedom for you and your family. If you want to act on what you have learned here, you need a partner who can help you cut through the clutter, crystallise your objectives and guide you on the most productive path for financial growth and security.

A financial adviser can offer you their expertise, a host of powerful resources and a friendly down-to-earth attitude, so that you can create an inspiring and practical plan for your financial future.

Advice for every life stage

A financial adviser can create a plan that is relevant to your stage of life and adapt it as you go through each new stage.

- Starting out
- Getting married
- Raising a family
- Planning retirement
- Enjoying retirement
- Aged care

Proven steps to success

The planning process is based on a sequence of defined steps to create and manage your plan:

Initial advice	Getting to know you	We explain the scope of advice that we offer and discuss your needs, goals and aspirations.
	Creating the plan	We analyse your situation and formulate a detailed strategy with specific recommendations.
	Putting the plan in place	If you agree to proceed, we take care of all the implementation to get your plan into action.
Continual review	Strategic and tactical evaluation	We regularly review your situation to see if any adjustment is needed.
	Administering your plan	We document and monitor your plan to meet compliance and quality standards.
	Keeping you informed	We regularly communicate and meet with you to keep you informed.

Take a positive and decisive step for your future.

Learn more about achieving financial freedom. Talk to your financial adviser today.

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Wealth solutions now for tomorrow

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CVFP_1219 03/16