

## Scenario: Scott and Helen Ranger

Scott and Helen have come to you for some advice about their superannuation. It is late February 2021.

Scott recently turned 42 years of age. He is an engineer and works as a project manager for a large construction company based in Adelaide. The Enterprise Bargaining Agreement (EBA) at his work mandates that his employer contributes 10% of his salary to superannuation. His salary package is \$113,600 plus the 10% EBA superannuation.

Scott has an accumulation style superannuation account with Perpetual. The account is a Perpetual Select Super Plan – Diversified Investment option. He recently found some correspondence from Perpetual which showed the nominal returns after fees and taxes of the fund as follows:

	<b>1 year</b>	<b>3 year</b>	<b>5 year</b>	<b>10 year</b>
Average annualised nominal return after fees and taxes	1.92%	3.75%	4.23%	-

His expected super balance at 30 June 2021 is \$160,000. He has \$100,000 of life and TPD insurance held within his super fund.

Over the past few years Scott has salary sacrificed \$5,000 each financial year into his fund. Scott plans to continue making these contributions in the future. He also wants to make sure that the value of these contributions is not eroded by inflation over time so he plans to increase the contribution each year to compensate for inflation.

Scott wonders whether he is in the right fund and whether he has made the right investment and contribution decisions.

Helen is aged 41 and runs a fashion clothing shop as a sole trader. Helen's net before tax is expected to be \$52,000 for the 2020/21 financial year. Helen does not regularly pay any concessional contributions into her super fund and hasn't actually contributed any concessional contributions for the past 6 years. However, she has been making an annual non-concessional contribution of \$3,000 p.a. which she intends to increase in line with inflation.

Helen's super fund is with the REST Industry Super Fund and invested in the Capital Stable Investment Option. Her super account balance at 30 June 2021 is expected to be \$81,000. Helen also has \$80,000 of life and TPD insurance held within her superannuation fund.

Nominal returns from the REST Industry Super fund are as follows:

	1 year	5 year	10 year
Average annualised nominal returns	-.15%	3.45%	5.37%

The couple realise they need their superannuation accounts to grow as much as possible and are prepared to tolerate some risk. However, they are still concerned with the state of global markets and economies and therefore do not want to take on excessive risk.

The couple's financial details are as follows:

**Budgeted expenses for 2020/21 financial year**

Item	Amount
Mortgage and loan payments (including interest and principal)	?
Work related expenses for Scott - tax deductible	\$3,200
Income protection insurance	
-Scott	\$1,300
-Helen	\$1,100
Car expenses to and from work – Scott	\$1,300
Donations	
-Scott	\$700
-Helen	\$850
Living costs	\$57,900
Holiday travel costs	\$15,000

**Non superannuation assets – projected as at June 2021:**

Assets	Purchase details	Owner	Market value at 30 June	Net return
Home	Cost \$600,000 on 1 July 2016. Borrowed \$400,000 principal and interest loan over a 25 year term	Joint	\$1.1m	Nil
Car	\$35,000	Helen	\$20,000	Nil
Contents	\$90,000	Joint	\$50,000	Nil
700 Rio Tinto Ltd (RIO) shares.	Inherited in 2017 when the shares were valued at \$66.80 each. Note: 1. Inherited 1,000 shares but sold 300 in July 2019 at \$102.50 each. 2. Has carried forward losses as at 30 June 2021 of \$18,000.	Scott	Use value as at close of business on 31 March 2021 values	5.48% p.a. fully franked
Savings account: ANZ		Joint	\$30,000	0% p.a.
Term deposit with ANZ rolled over every 90 days		Helen	\$70,000	.5% p.a.

**Liabilities – projected as at June 2021:**

Item	Amount outstanding	Annual repayments	Interest rate per annum
Mortgage	?	?	3.25% variable rate
Credit Card	\$5,000 average	Paid in full each month by due date so no interest is charged	16.99%

Retirement seems a long way off, however the couple has decided that it is better to have a plan and to revise that plan when necessary rather than having no plan at all. When you ask them what amount of income they feel they would require in retirement, they feel that a **“real”** income of \$60,000 p.a. would provide them with a comfortable living.

## Assumptions

- Rate of inflation is 2% p.a. Income and expenses can be assumed to increase by the CPI. Scott's shares can be assumed to increase by 4% p.a. Donations are expected to remain unchanged for the next few years.
- All modelling would be done in financial years commencing 01/07/2021.
- Funds invested in retirement are expected to generate a positive return of 4.5% p.a. after fees have been deducted.
- The couple wish to retain a minimum \$5,000 cash surplus at all times
- For ease of calculation, all superannuation contributions are made in June of each year and therefore do not attract earnings in the year in which they are made.
- Given recent growth, Scott would consider selling up to 50% of his shares in RIO if recommended
- The couple are open to a change in their superannuation funds if you deem it appropriate.
- The couple's goals consist of the following:
  - Maximise wealth for retirement
  - Maximise wealth within the superannuation environment
  - Have a relatively simple and easy investment portfolio to manage
  - Minimise taxation
  - The couple wish to both retire when Scott reaches 62 years of age
  - Put aside 25,000 for some home renovations to be undertaken during the 2021/22 financial year

Scott and Helen are seeking to build wealth within superannuation.

They are happy for you to limit the scope of your advice to strategies that relate to their superannuation position

# Statement of Advice

Prepared for

## Helen & Scott Ranger

On behalf of Phillip, Ilya & Jasmin  
SBW FINANCIAL PLANNERS PTY LTD  
Authorised Representative of Deakin Business School Pty Ltd  
Australian Financial Services Licence (AFSL) No 11111  
221 Burwood Highway, Burwood VIC 3125  
Phone (03) 5227 2333

**Dated: 30/06/2021**

Your Advisers are:

Ilya

Jasmine

Phillip **Wong**

You are entitled to receive a Statement of Advice (SoA) whenever we provide you with any personal financial advice. Personal financial advice is advice that takes into account any one or more of your objectives, financial situation or needs.

Dear Mr & Mrs Ranger,

It has been a pleasure working with you and we appreciate you choosing our SBW Financial Planners.

This Statement of Advice tailored to your specific needs to ensure you meet goals of a comfortable retirement and build wealth with a simple to manage structure that minimises taxation.

We are confident you can **easily exceed your retirement goals** if you follow our advice. This presents you with the 'problem' of having to choose between an early retirement, a more lavish retirement income, or leaving a substantial bequest in your memory. Bear in mind that choices such as an early retirement will mean we will need to adjust our projections. Please read this advice carefully and let us know if any of our suggestions do not align with your goals.

Once you have had the opportunity to read and understand this Statement of Advice, please contact us so that we may discuss the next step in relation to the implementation of the recommendations that we have made.

Yours sincerely,

Ilya, Phillip Wong, Jasmine

**Directors of SBW FINANCIAL PLANNERS PTY LTD**

## Table of Contents

<b>Executive summary</b> .....	<b>4</b>
Summary of our advice .....	4
Outcomes of our advice.....	4
Personal Goals & Objectives .....	5
Scope of Advice.....	5
<b>Your current situation</b> .....	<b>6</b>
Assets and Liabilities.....	6
Cashflow .....	7
Personal insurances.....	7
<b>Superannuation accumulation</b> .....	<b>8</b>
<b>Superannuation Drawdown in Retirement</b> .....	<b>9</b>
<b>Your attitude towards investing</b> .....	<b>11</b>
Risk profiles illustrated.....	11
Risk Profile: Moderately Aggressive .....	11
Superannuation risk category.....	12
<b>Strategies &amp; Recommendations</b> .....	<b>13</b>
Strategy 1: Changing Your Superannuation Fund.....	13
Strategy 2: Concessional Contribution Using Pre-Tax Income .....	15
Strategy 3: Using Helen’s Term Deposit for Concessional Contributions .....	17
Strategy 4: Contributing Cash Reserves into an Offset Account .....	19
Strategy 5: Using Cash in Bank to Pay for Renovations .....	21
Projected Cashflow.....	23
Superannuation projections .....	24
<b>Alternative recommendations</b> .....	<b>26</b>
<b>Public Policy Issues in Superannuation</b> .....	<b>27</b>
References .....	30
<b>Appendix 1: Superannuation Projection Using Current Strategy</b> .....	<b>31</b>
<b>Appendix 2 Calculating Available Retirement Drawdowns &amp; Required Opening Balance</b> .....	<b>32</b>
<b>Appendix 3 : Retirement Drawdown Scenarios Post Strategies 1 - 5</b> .....	<b>33</b>
<b>Appendix 4: Super Projections After Implementing Strategies 1 – 5</b> .....	<b>34</b>
<b>Appendix 5: Additional financial reports</b> .....	<b>35</b>
Balance sheet for this year .....	35
Balance sheet for next year.....	36
Tax calculation for next year.....	37

## Executive summary

### Summary of our advice

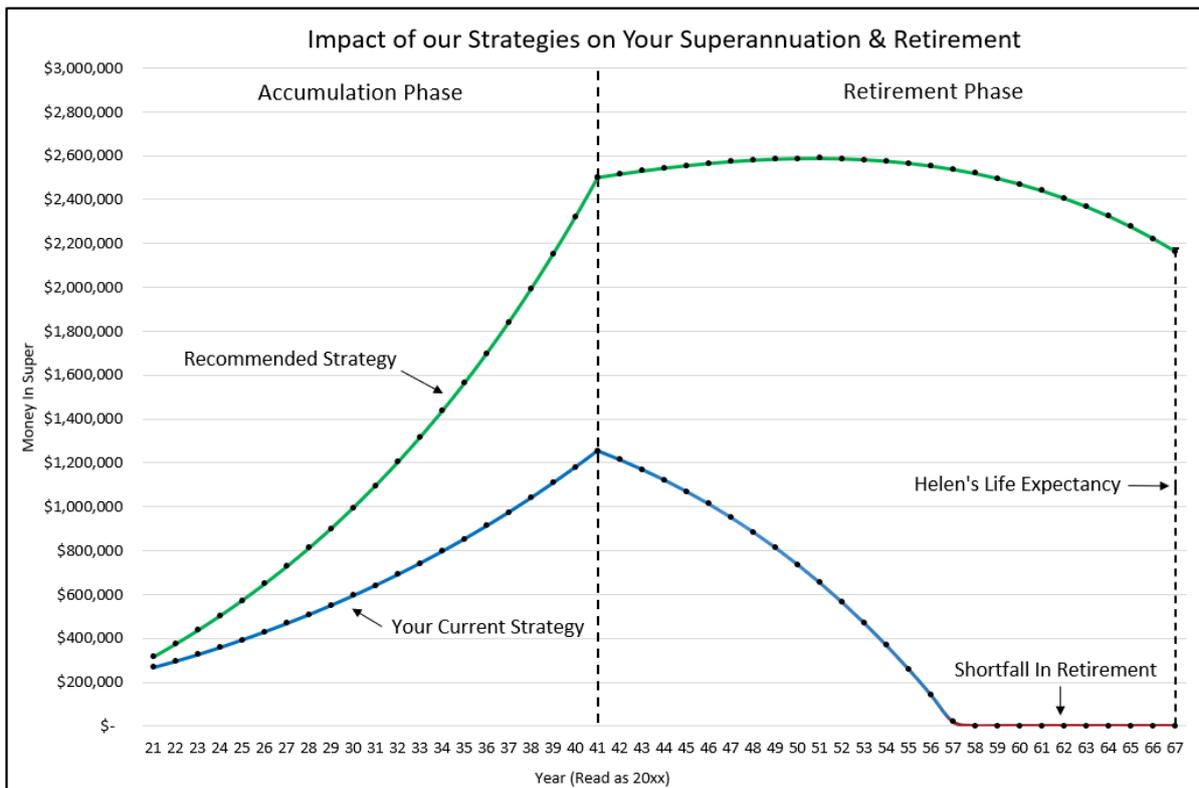
After consideration of your objectives, the following summarises our recommendations:

- Rebalance your investments in superannuation. You do **not** need to change funds.
- Use concessional contributions to boost superannuation and minimise your tax.
- Make better use of your cash holdings by contributing some of term deposit into super.
- Opening a mortgage offset account.
- Fund your renovation from existing reserves.

### Outcomes of our advice

After implementing the recommendations in this Statement of Advice, you will achieve the following outcomes:

- Your superannuation will be vastly increased, and you can be sure you will not run out of retirement funds should you significantly longer than expected. You can choose between living a very comfortable retirement and or leaving a large bequest.
- You will save \$46,000 of interest on your mortgage, pay it off 3 years early and you do not need to make any additional repayments.
- Reduce your total household income tax from 41% to 28% saving \$19,382 next year alone.
- Comfortably afford home renovations without the need to sell your shares.



## Personal Goals & Objectives

Priority	Stated Goal
<b>Goal 1: Wealth</b>	Maximise wealth for retirement
<b>Goal 2: Super</b>	Maximise wealth within the superannuation environment
<b>Goal 3: Simplicity</b>	Have a relatively simple and easy investment portfolio to manage
<b>Goal 4: Tax</b>	Minimise taxations
<b>Goal 5: Age</b>	The couple wish to both retire when Scott reaches 62 years of age
<b>Goal 6: Renovations</b>	Keep \$25,000 for home renovations during 2021/22
<b>Goal 7: Surplus Cash</b>	Maintain a minimum of \$5,000 in annual surplus cashflows.

## Scope of Advice

You have asked us with help on:

- Superannuation and retirement planning
  - are you in the most appropriate superannuation fund and invested in the most appropriate manner?
  - Should you make additional contributions to super?
- Investment planning & wealth building
  - Is your capital working for you?
- Tax minimisation
  - How can take advantage of superannuation tax concessions.

Therefore, we are not providing advice on:

- General Taxation Outside of Super
- Estate Planning
- SMSF
- Transition to Retirement
- Insurance

## Your current situation

	Scott Ranger	Helen Ranger
Current Age	42	41
Employment type	Full time salary	Self-employed (sole trader)
Occupation	Project Manager (Engineer)	Fashion Store Owner
Health	Excellent Health	Excellent Health
Retirement age	62	61

## Assets and Liabilities

<b>Statement of Net Worth</b>					
For the Financial year ending 30 June 2021					
	Cost Base	Market Scott	Market Helen	Market Joint	Market Household
<b>Life Style Assets</b>					
Main Residence	600,000			1,100,000	1,100,000
Home contents	90,000			50,000	50,000
Vehicle	35,000	20,000			20,000
<b>Subtotal</b>					<b>1,170,000</b>
<b>Investment Assets</b>					
Savings Account: ANZ				30,000	30,000
Term Deposit			70,000		70,000
RIO:AX Shares	46,760	80,010			80,010
Superannuation		160,000	81,000		241,000
<b>Subtotal</b>					<b>421,010</b>
<b>Total Assets</b>					<b>1,591,010</b>
<b>Liabilities</b>					
Credit Card			5,000		5,000
Mortgage			337,515		337,515
<b>Subtotal</b>					<b>342,515</b>
<b>Net Wealth</b>					<b>1,248,495</b>

## Cashflow

<b>Cashflow Statement</b>				
For the Financial year 2020-21				
	Scott	Helen	Joint	Household
<b>Inflows</b>				
Gross Wages/Business income	113,600	52,000		<b>165,600</b>
Salary Sacrifice	(5,000)			<b>(5,000)</b>
Dividend income	4,385			<b>4,385</b>
Interst on Term Deposit		350		<b>350</b>
Less Income Tax	(26,194)	(6,837)	-	<b>(33,031)</b>
<b>Net Cash Inflows</b>	<b>86,790</b>	<b>45,513</b>	-	<b>132,303</b>
<b>Non Discretionary Outflows</b>				
Income Prot Ins.	(1,300)	(1,100)		<b>(2,400)</b>
Work deductions	(3,200)			<b>(3,200)</b>
Car expenses	(1,300)			<b>(1,300)</b>
Living expenses			(57,900)	<b>(57,900)</b>
Mortgage payments			(23,391)	<b>(23,391)</b>
Non Consessional Contribution		(3,000)		<b>(3,000)</b>
<b>Discretionary/Lifestyle Outflows</b>				
Dontations	(700)	(850)		<b>(1,550)</b>
Travel & entertainment			(15,000)	<b>(15,000)</b>
<b>Total Outgoings</b>	<b>(6,500)</b>	<b>(4,950)</b>	<b>(96,291)</b>	<b>(107,741)</b>
<b>Free Cashflow</b>				<b>24,562</b>

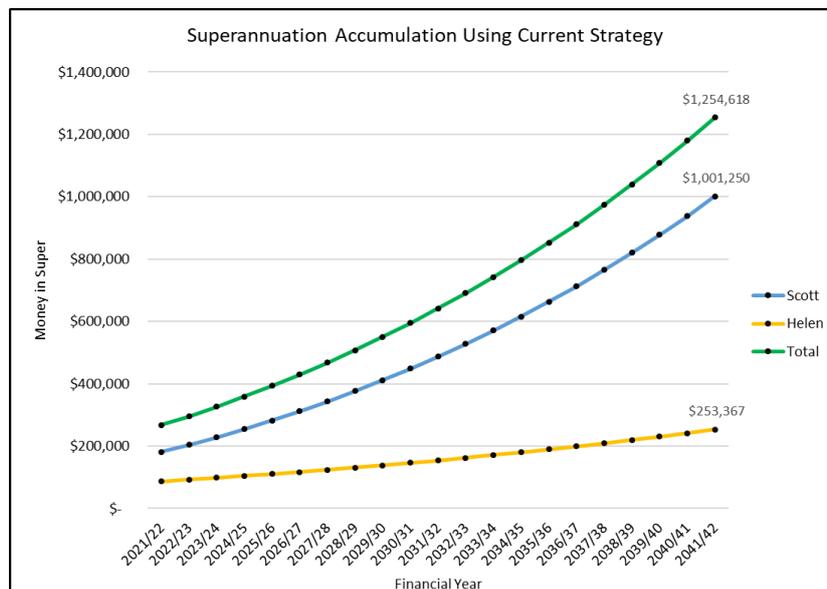
## Personal insurances

Insurance Type	Scott	Helen
Life	\$100,000	\$80,000
TPD (All occupation)	\$100,000	\$80,000
Income Protection		
Trauma		

## Superannuation accumulation

Superannuation Summary Using Current Strategy						
Scott's Accumulation Account			Helen's Accumulation Account			Combined
Year	Age	Balance	Year	Age	Balance	Balance
2021/22	42	\$ 180,952	2021/22	41	\$ 86,435	\$ 267,387
2022/23	43	\$ 203,577	2022/23	42	\$ 92,091	\$ 295,668
2023/24	44	\$ 227,970	2023/24	43	\$ 97,975	\$ 325,945
2024/25	45	\$ 254,233	2024/25	44	\$ 104,096	\$ 358,329
2025/26	46	\$ 282,472	2025/26	45	\$ 110,461	\$ 392,933
2026/27	47	\$ 312,256	2026/27	46	\$ 117,078	\$ 429,335
2027/28	48	\$ 343,657	2027/28	47	\$ 123,958	\$ 467,615
2028/29	49	\$ 376,749	2028/29	48	\$ 131,108	\$ 507,857
2029/30	50	\$ 411,613	2029/30	49	\$ 138,538	\$ 550,151
2030/31	51	\$ 448,329	2030/31	50	\$ 146,258	\$ 594,587
2031/32	52	\$ 486,985	2031/32	51	\$ 154,277	\$ 641,262
2032/33	53	\$ 527,670	2032/33	52	\$ 162,606	\$ 690,276
2033/34	54	\$ 570,478	2033/34	53	\$ 171,255	\$ 741,732
2034/35	55	\$ 615,506	2034/35	54	\$ 180,235	\$ 795,741
2035/36	56	\$ 662,856	2035/36	55	\$ 189,558	\$ 852,415
2036/37	57	\$ 712,636	2036/37	56	\$ 199,235	\$ 911,872
2037/38	58	\$ 764,957	2037/38	57	\$ 209,279	\$ 974,235
2038/39	59	\$ 819,934	2038/39	58	\$ 219,701	\$ 1,039,634
2039/40	60	\$ 877,689	2039/40	59	\$ 230,514	\$ 1,108,202
2040/41	61	\$ 938,190	2040/41	60	\$ 241,731	\$ 1,179,921
2041/42	62	\$ 1,001,250	2041/42	61	\$ 253,367	\$ 1,254,618

The above table shows the summary of your superannuation accounts during the accumulation phase with Scott on the left, Helen in the middle, and your combined balance on the right. The green highlights at the bottom are the final balances before you commence retirement. Using your current circumstances and strategy, you'll retire with \$1,254,618. A more detailed version of this is available in [Appendix 1](#). The line graph below is a visual representation of your superannuation accumulation accounts using your current strategy.



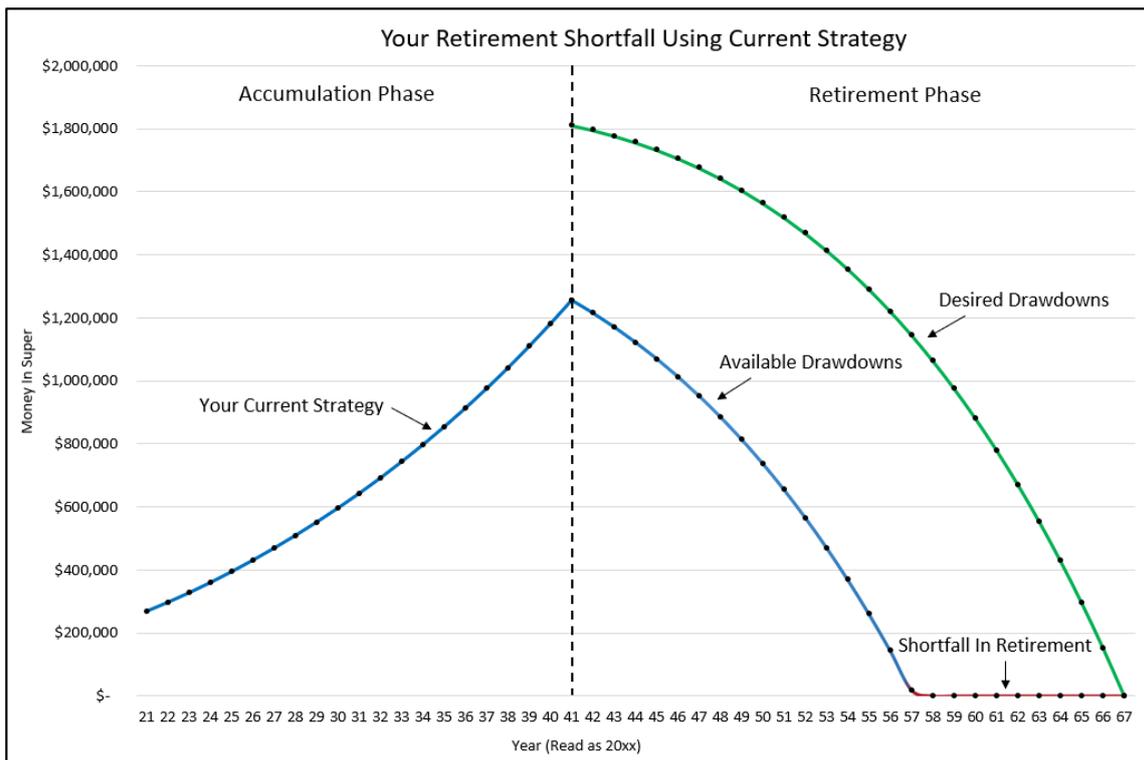
## Superannuation Drawdown in Retirement

You stated that you wish to drawdown \$60,000 in today's terms during retirement every year. This \$60,000 amount would be equal to \$92,759 assuming 2% annual inflation when you decide to retire in 20 years. The short answer is that your accumulated superannuation balance of \$1,254,618 will be unable to support this desired level of drawdowns during retirement. The maximum that you'd be able to drawdown with a balance of \$1,254,618 will be \$64,247 every year until Helen reaches her life expectancy, at which point your balance will be \$0. This \$64,247 would represent 26% of your pre-retirement income. For you to meet your desired drawdowns of \$92,759 you'd need a minimum balance of \$1,811,403. Your current strategy will be short by \$556,786.

Annual Drawdowns Available		
Type	Drawdown	% of Income
Actual	\$ 64,247	26%
Desired	\$ 92,759	37%

Shortfall in Combined Super Balance	
Your Balance	\$ 1,254,618
Required	\$ 1,811,403
Shortfall	-\$ 556,786

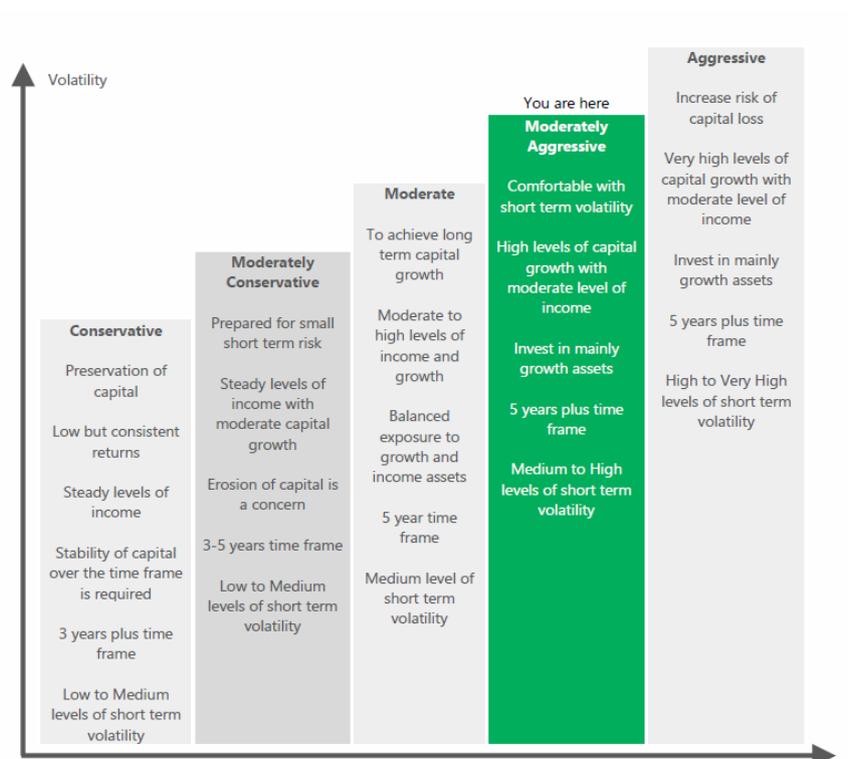
The tables above display the drawdown information discussed in the previous paragraph. The table on the left shows your desired drawdowns vs the actual drawdowns you'll be able to afford. The right table shows the shortfall that you need to close in order to meet your desired retirement income. As you can see, you'll not be able to afford your desired retirement income stream using your current strategy. A detailed breakdown of your retirement drawdowns is available in [Appendix 2](#).



The above line graph demonstrates the shortfall in funds you'll have in retirement and the impact of said shortfall. As you can see, if you proceed with your current strategy then you'll be unable to properly fund the last 10 years of your retirement with your desired annual drawdowns.

## Your attitude towards investing

### Risk profiles illustrated



### Risk Profile: Moderately Aggressive

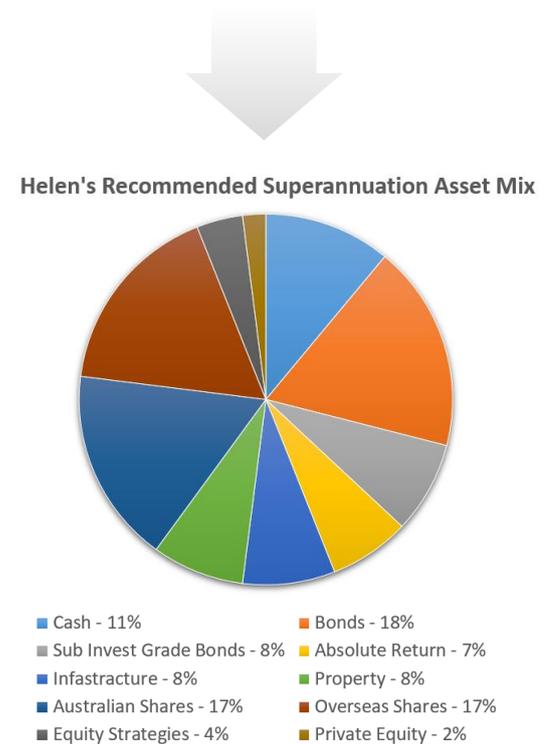
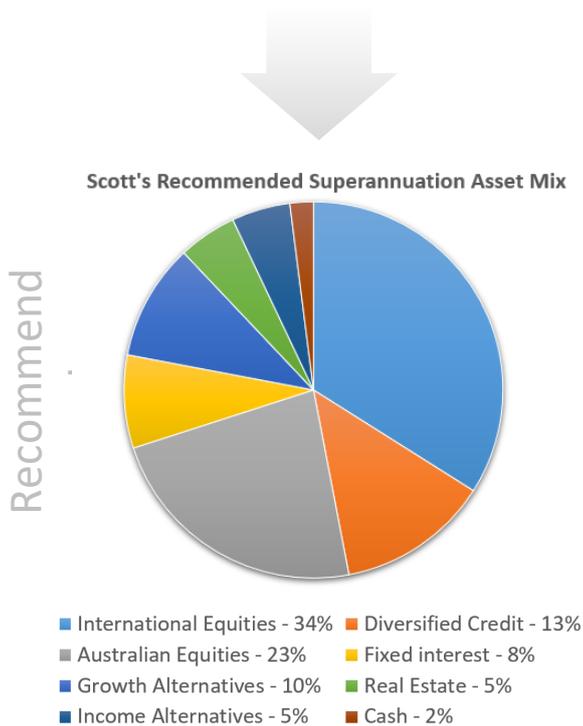
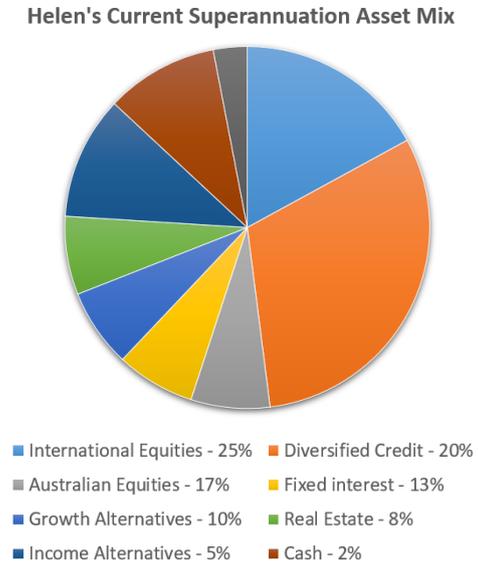
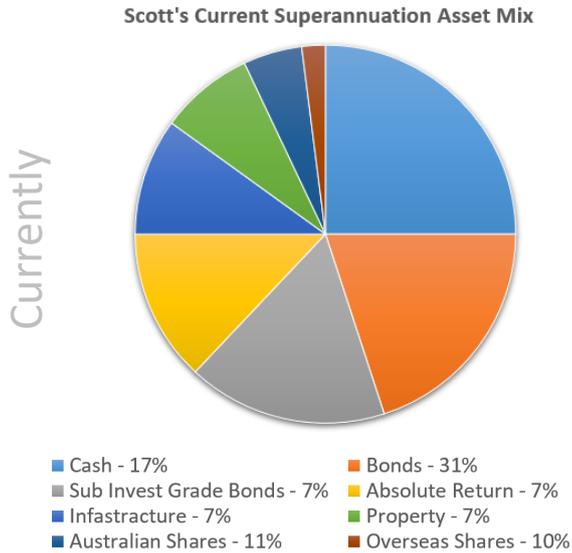
All investments involve risk, however we are concerned your current portfolio is overly conservative compared with your risk profile.

We recommend we adopt a **Moderately Aggressive** profile for your investments within superannuation and outside of super. This means you should rebalance your holdings to be mostly in growth assets (80%), some fixed interest (15%) and very little cash (5%). This is both within your superannuation accounts and also within the personal investment accounts.

We also note that your household has a substantial annual cash surplus and high cash holding. While we believe it is prudent for your household to be able to cover 3 months of spending, we worry your savings account and term deposit are not helping you. Rather than divesting the cash, strategies 3, 4 and 5 will help you get the most from cash while remaining liquid.

## Superannuation risk category

The following charts show the difference between your ideal current and idea portfolio allocation within your Perpetual and REST funds.



## Strategies & Recommendations

### Strategy 1: Changing Your Superannuation Fund

The following strategy will contribute to person goals and objectives 1, 2, 3, and 4.

#### Who is this strategy aimed at?

The following strategy is aimed at both Scott and Helen.

#### Why change superannuation fund?

Based on the risk analysis you've completed, we don't believe that your current fund matches your risk profile. We believe that the funds your super is invested into are more conservative and protective of capital than you appear to be in your risk profile. This is especially true for Helen as her fund is overly invested in defensive assets for her risk profile. As you've clearly stated, you are concerned with the state of global markets and don't wish to take on excessive risk and our recommendations for alternative fund options take this into full consideration.

To clarify, you will not be changing fund providers, Scott will still be with Perpetual and Helen will still be with REST meaning that you won't lose your insurances or need to transfer your balance. The only thing that will change is your choice of fund provided by the Perpetual and REST.

For Scott we suggest changing from the "[Diversified Option](#)" to the "[Balanced Option](#)", this will increase his returns within super from 4.23% to 5.82%.

For Helen we suggest changing from REST "[Capital Stable](#)" to "[Balance](#)", this will increase her returns within super from 3.45% to 6.43%.

#### How much should you allocate to the new fund?

We advise changing the entire allocation of your superannuation fund to the alternatives provided.

#### When to change superannuation funds?

By 1<sup>st</sup> July 2021 as this is when the new financial year starts. You can do it at any time, even after the financial year has started, but our strategy is based on you switching by the start of the financial year.

### **Benefits and drawbacks with this strategy**

Changing Scott's fund will result in an additional \$302,239 in retirement when combined with the upcoming 4 strategies.

Changing Helen's fund will result in an additional \$281,824 in retirement when combined with the upcoming 4 strategies.

Changing both the funds' results in an additional \$584,063 in retirement when combined with the upcoming 4 strategies.

This additional amount in retirement would allow you to increase your desired drawdowns from \$60,000 to higher amounts. For example, changing both funds would allow drawdowns of \$80,000 per annum in real income terms and you'll still have \$267,238 in your superannuation when you hit your life expectancy. A detailed breakdown is available in [Appendix 3](#).

By changing to the funds we've presented, your investment asset mix will change from roughly 60% defensive and 40% growth to 60% growth and 40% defensive. This means that you will be taking on more risk than you currently are. However, we believe that this asset mix better reflects your risk profile and thus this risk is justified. If you disagree with our choice of funds, please tell us as soon as possible and we'll work together to find the perfect fund for you both.

Changing funds is also not necessary to meet your retirement objectives if you still chose to proceed with the upcoming 4 strategies. So, if you don't wish to take on slight additional risk by changing funds, you don't have to.

## Strategy 2: Concessional Contribution Using Pre-Tax Income

The following strategy will contribute to person goals and objectives 1, 2, 3, and 4.

### Who is this strategy aimed at?

The following strategy is aimed at both Scott and Helen.

### What are Concessional Contributions?

Concessional contributions are a tax effective way of building up your superannuation balance. Scott would already have experienced these as his employer guarantee contributions of 10% and \$5,000 annual salary sacrifice are both forms of concessional contributions. These contributions are taxed at 15% rather than your marginal tax rates of 37% if contributions are made using your pre-tax income. They can also be done using after-tax money and you'll be able to claim a deduction while assessing your income tax. This can be done for Scott through additional salary sacrificing arrangements with his employer and for Helen through personal contributions as she's her own boss.

We also advise Helen to stop her \$3,000 annual non-concessional contributions in favour of using the concessional contribution opportunities available to her.

### How much should you contribute?

You want to contribute as much as possible from your pre-tax income up to the concessional contributions cap of \$27,500 so that you can take full advantage of the benefits provided by concessional contributions. You have stated that you wish to maintain a minimum of \$5,000 in cash surplus at all times and we've taken this into full consideration. The contributions we recommend you making will leave you with a surplus of \$6,000.

A detailed breakdown of your annual concessional contributions is available in [Appendix 4](#). But in summary, we advise that Scott salary sacrifices a total of \$15,913 in the upcoming financial year. Scott will need to reduce his salary sacrifice amount as his wage grows and his employer guarantee contributions increase, otherwise he will breach the \$27,500 cap and incur heavy tax penalties. Helen will need to concessional contribute \$19,941 in the

upcoming financial year and increase this amount by 2% annually until she also reaches the \$27,500 cap.

**When to commence concessional contributions?**

Both Scott and Helen should begin their concessional contributions as outlined in [Appendix 4](#) starting in July when the new financial year begins. At the same time, Helen needs to stop her \$3,000 annual non-concessional contributions.

**Benefits and drawbacks with this strategy**

The major benefit of concessional contributions is that money going into your superannuation account will be taxed at 15% rather than your current marginal tax rates of 37%. This 15% applies to contributions and any profits made within superannuation. Following this strategy will result in a tax saving of \$7,776 in the upcoming financial year and could on its own help you reach your retirement goals.

The most significant drawback is that any money you put into superannuation will be inaccessible to you until a condition of release is satisfied. The most ideal case would be reaching the age of 60 and ceasing an employment arrangement. Both of you wish to retire when Scott reaches 62 so this means locking away your money for up to 20 years.

## Strategy 3: Using Helen's Term Deposit for Concessional Contributions

**The following strategy will contribute to person goals and objectives 1, 2, 4, and 6**

### **Who is this strategy aimed at?**

The following strategy is aimed at both Scott and Helen.

### **Why contribute your term deposit?**

We believe that Helen's term deposit isn't helping achieve your objectives relating to minimising tax, building wealth for retirement, or outpacing inflation. The term deposit receives 0.5% per annum in interest income which Helen then pays 37% tax on, while inflation is at 2%. This term deposit won't increase in value, it will instead be eroded by inflation. If there is a specific reason for why you wish to keep this term deposit then please let us know as soon as possible, otherwise we recommend the following strategy.

Using the term deposit as a personal contribution for Scott and Helen in the upcoming financial year on top of their concessional contributions. Objective one is to use up Scott's unused concessional contributions from the previous financial years that he's allowed to bring forward to the upcoming financial year. Objective two is to reduce Helen's income tax to \$0 for the upcoming financial year. Any further concessional contributions after this point will not be beneficial for Helen as they'll be taxed at 15% while her marginal tax rate will be 0%.

### **How much should you contribute?**

Scott is able to bring forward his unused concessional contributions from the previous years up to the financial year of 2018/19. Using Scott's current circumstances, this comes out to an additional \$25,920 being available for him in concessional contributions in the upcoming financial year. We advise using the term deposit to make a concessional contribution into Scott's superannuation account of \$25,920. We advise that Helen makes a concessional contribution into her superannuation account of \$8,919 from the term deposit.

This strategy will result in an additional tax saving of \$11,606 on top of the previously mentioned tax saving of \$7,776 from strategy 2, for a total of \$19,382 in tax savings for the upcoming financial year. There will also be \$35,161 of the \$70,000 term deposit remaining.

#### **When to contribute term deposit**

The \$25,920 and \$8,919 will be a one-time event and the contribution needs to be made between July 1<sup>st</sup>, 2021 and June 30<sup>th</sup>, 2022.

#### **Benefits and drawbacks with this strategy**

By combining strategy 2 and 3, you will save \$19,382 in tax during the next financial year compared to your tax payable this year. At the same time as a result of these strategies, your free cashflows will decrease by \$6,882 from \$24,562 in the current year to \$17,680 in the upcoming financial year. A decrease of 28% in free cashflows but a 58% decrease in tax payable. On top of this, you will be increasing your superannuation balance substantially and that will compound over 20 years. If you were to do strategy 2 without doing strategy 3, you wouldn't receive the additional tax savings of \$11,606 and your after-tax free cashflows would only be \$6,000.

The same negatives towards accessing superannuation money as outlined in strategy 2 also apply here, you'll be locking away \$34,839 of your term deposit away and you won't be able to access it for 20 years. This is why it's crucial that you clarify with us if you required this term deposit for anything else.

## Strategy 4: Contributing Cash Reserves into an Offset Account

**The following strategy will contribute to person goals and objectives 3 and 4**

### **Who is this strategy aimed at?**

The following strategy is aimed at both Scott and Helen.

### **Why contribute cash reserves into an offset account?**

Convert ANZ savings account into an ANZ mortgage offset account

### **How much should you contribute?**

After strategies 3 and 5, you'll be able to contribute a total of \$51,841 into your ANZ mortgage offset account.

This is made up of \$35,161 from your term deposit after strategy 3, and \$16,680 from remaining cash at bank after strategy 5.

### **When should you open an offset account?**

Contributing as soon as possible into your offset account will provide you with a greater amount saved over the life of your home loan as compared to contributing at a later date.

We advise that you do this immediately.

### **Benefits and drawbacks with this strategy**

Offset accounts allow you to save substantial amounts of interest on your home loan. Banks charge interest on the net balance of mortgage and the offset accounts. This means that when the bank is calculating your interest payments, funds in the offset account are treated as a direct reduction in your remaining mortgage balance. Resulting in lower interest payments.

The great thing about an offset account is that you can still access your cash as you would with your normal ANZ savings account and thus the typical flow of cash that you're used to will not be disrupted. You will still have to make regular mortgage repayments of \$1,949 as you're currently doing. Over the course of your home loan, you will save \$46,600 in interest

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payments and \$1,730 in the upcoming financial year alone. This will result in you paying of your loan almost three years earlier without any additional repayments.

The only real drawback is that the money in your offset account will not be receiving any interest income. Considering that your cash at bank earns no interest and your term deposit earns 0.5% interest annually, this strategy isn't taking away from other aspects of your finances. Your offset account will also become exposed to changes in interest rates, this should balance out as the savings on your loan will adjust in line with interest rates.

## Strategy 5: Using Cash in Bank to Pay for Renovations

The following strategy will contribute to person goal and objective 6

### Who is this strategy aimed at?

The following strategy is aimed at both Scott and Helen.

### Why use cash to pay for renovations?

There are many ways that you could pay for your renovation such as cash at bank, term deposit, shares, or free cashflows and after much testing we have identified that using cash at bank in combination with free cashflows would be the best option.

We say this because your free cashflows and cash at bank are the most liquid assets you have, making it easy to pay with. Additionally, we don't want to sell down your shares in RIO because the returns that they would have generated would be greater than the cost of renovation. We don't want to use the term deposit because strategy 4 advises contributing the remaining amount of \$35,161 after strategy 3 into an offset account, the total savings from this are also higher than the cost of renovations. This leaves you with only cash at bank and free cashflows, neither of which are generating returns.

### How much cash will you need?

You will need to use \$13,320 of your \$30,000 cash at bank in combination with your \$17,680 in free cashflows as a result of strategies 2 - 4. This will allow you to afford renovations in the upcoming year and you'll still have \$6,000 in free cashflows to satisfy your minimum requirement of \$5,000.

The remaining \$16,680 of cash at bank needs to be put into an offset account as per strategy 4.

### When to acquire renovations?

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They are your renovations so feel free to do them whenever you like, we hope that they turnout well. Getting the remaining \$16,680 into an offset account earlier is a bonus but not an urgent necessity.

**Benefits and drawbacks with this strategy**

We see no downsides to this strategy. As previously discussed, your cash at bank and free cashflows aren't generating an income or going towards saving money on your home loan and thus are a perfect candidate for helping you pay for renovations.

## Projected Cashflow

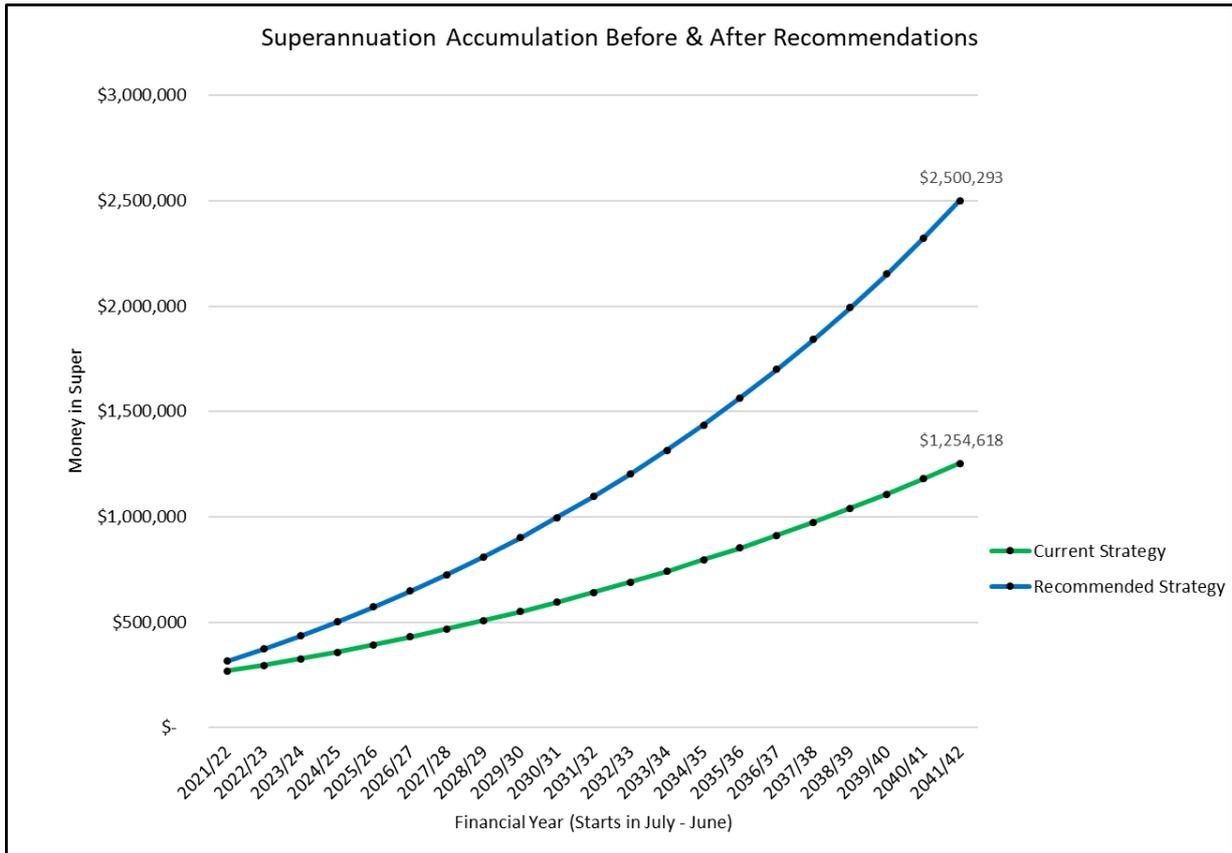
<b>Projected Cashflow Statement</b>				
For the Financial year 2021-22				
	Scott	Helen	Joint/HH	Group Total
<b>Inflows</b>				
Gross Wages/Business income	115,872	53,040		168,912
Salary Sacrifice	(15,913)	(19,941)		(35,854)
Dividend income	4,560			4,560
Interest on Term Deposit		nil		-
Less Income Tax	(13,649)	(0)	-	(13,649)
<b>Net Cash Inflows</b>	<b>90,870</b>	<b>33,099</b>	<b>-</b>	<b>123,969</b>
<b>Non Discretionary Outflows</b>				
Income Prot Ins.	(1,300)	(1,100)		(2,400)
Work deductions	(3,264)			(3,264)
Car expenses	(1,326)			(1,326)
Living expenses			(59,058)	(59,058)
Mortgage payments			(23,391)	(23,391)
Non Concessional Contribution		nil		-
<b>Discretionary/Lifestyle Outflows</b>				
Dontations	(700)	(850)		(1,550)
Travel & entertainment			(15,300)	(15,300)
<b>Total Outgoings</b>	<b>(6,590)</b>	<b>(1,950)</b>	<b>(97,749)</b>	<b>(106,289)</b>
<b>Annual Free Cashflow</b>				<b>17,680</b>

## Superannuation projections

Superannuation Summary Using Recommended Strategy								
Scott's Accumulation Account			Helen's Accumulation Account			Combined		
Year	Age	Balance	Year	Age	Balance	Balance		
2021/22	42	\$ 204,870	2021/22	41	\$ 109,958	\$ 314,828		
2022/23	43	\$ 240,168	2022/23	42	\$ 133,337	\$ 373,506		
2023/24	44	\$ 277,521	2023/24	43	\$ 158,342	\$ 435,863		
2024/25	45	\$ 317,048	2024/25	44	\$ 185,067	\$ 502,115		
2025/26	46	\$ 358,875	2025/26	45	\$ 213,615	\$ 572,490		
2026/27	47	\$ 403,137	2026/27	46	\$ 244,091	\$ 647,227		
2027/28	48	\$ 449,974	2027/28	47	\$ 276,609	\$ 726,583		
2028/29	49	\$ 499,538	2028/29	48	\$ 311,288	\$ 810,826		
2029/30	50	\$ 551,986	2029/30	49	\$ 348,253	\$ 900,239		
2030/31	51	\$ 607,486	2030/31	50	\$ 387,638	\$ 995,125		
2031/32	52	\$ 666,217	2031/32	51	\$ 429,583	\$ 1,095,800		
2032/33	53	\$ 728,366	2032/33	52	\$ 474,235	\$ 1,202,601		
2033/34	54	\$ 794,132	2033/34	53	\$ 521,751	\$ 1,315,883		
2034/35	55	\$ 863,725	2034/35	54	\$ 572,296	\$ 1,436,021		
2035/36	56	\$ 937,369	2035/36	55	\$ 626,044	\$ 1,563,413		
2036/37	57	\$ 1,015,299	2036/37	56	\$ 683,179	\$ 1,698,478		
2037/38	58	\$ 1,097,764	2037/38	57	\$ 743,893	\$ 1,841,658		
2038/39	59	\$ 1,185,029	2038/39	58	\$ 807,926	\$ 1,992,955		
2039/40	60	\$ 1,277,373	2039/40	59	\$ 875,458	\$ 2,152,831		
2040/41	61	\$ 1,375,091	2040/41	60	\$ 946,681	\$ 2,321,772		
2041/42	62	\$ 1,478,496	2041/42	61	\$ 1,021,797	\$ 2,500,293		

This superannuation accumulation summary table works the same way as the one you saw in an earlier section but instead of showing the outcome of your current strategy, it shows the outcome of implementing strategies 1 – 5. Once again, Scott’s accumulation progress is on the left, Helen’s is in the middle, and the combined total is on the right. Implementing strategies 1 – 5 will result in a retirement balance of \$2,500,293. This is an additional \$1,245,676 that you’d have in retirement compared to your current strategy. A more detailed version of this is available in [Appendix 4](#).

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The above line graph compares the progress of your superannuation balance during accumulation while using your current strategy and our recommended strategies.

## Alternative recommendations

Although out-of-scope, we considered alternative recommendations, which, we would be happy to discuss with you later.

- Helen may consider **incorporating her businesses** to manage liability.
- We did **not** recommend you establish a **SMSF** as you require a simple investment structure, however as your super is projected to grow quite large, SMSFs can be a cost-effective structure.
- Scott might consider **“Own Occupation” TPD insurance** in his name. Superfunds can only offer “any occupation” TPD, and as Scott is a highly qualified there are many alternative jobs Scott could do were he injured. Scott also represents 2/3rd of the family income, which means the family would be in serious financial trouble were Scott to be injured and disabled, thus forced him into working a less demanding role with accordingly lower remuneration.
- You may wish to **diversify your shareholding** rather than holding only Rio Tinto. We can discuss a **dollar cost averaging** approach if you wish but note this may increase administration load.

## Public Policy Issues in Superannuation

This paper explores whether the superannuation guarantee rate should increase from 9.5% to 12%. The increase aims to boost the default level savings, leaving more for retirement as many Australian retirees have insufficient income and thus endure poor standards of life.

### **The debate over “enough”**

The chief argument against the increase is that this will increase labour costs. While employers directly bear of the increased cost, economically these costs will be passed on to employees in the form of slower wage growth (Deloitte 2020). Higher labour costs reduce the economic incentives to employ and may ultimately stunt the dynamism within the labour market. There concerns for are broader macro-economic impacts that lower wages-growth which may mean slower increases in consumption, and ultimately slower GDP growth.

Members of the Labor Party dismiss these concerns arguing that wages have been almost stagnant over six-year SG freeze at 9.5% despite a 10% increase in labour productivity (Mach, D 2021). Still, employer groups found some sympathetic members of the Government, and in late 2020 PM Morison openly considered delaying the increase (Duke 2020a). Concerns were further raised with the release of the Treasury's *Retirement Income Review* (Duke 2020b) which argues that 9.5% might be enough subject to a number of conditions discussed below.

Another reason to boost super is to reduce reliance on the aged pension, and hence, reduce the Federal fiscal burden. During 2019, 71% of over-65s received the Age Pension or other pension payments (Callaghan et al. 2020).

Looking to the academic literature, the Grattan Institute rejects the conventional wisdom that Australians do not save enough for retirement, which they believe has been encouraged by the financial services industry (Daley and Coates 2019). They argue that 9.5% is sufficient for the vast majority of retirees, the majority of which own their own home, and enjoy a high standard of living. Even low-income earners maybe better off as the pension and their compulsory savings may be higher than their working income.

In support of the increase, Mercer (a financial services firm) countered that the Grattan report was dangerously misleading, pointing out modelling flaws such as assuming all retirees will

own their own homes, are single (and thus do not share home equity with a spouse), and have a life expectancy of 92 (Knox 2109).

Khemka et al. (2020) supports staying at 9.5% finding no one rate for SG savings is appropriate for all Australians to meet their needs given people's different circumstances. Instead, they suggest that the government's intention to raise the SG rate would be to replace the aged pension, essentially shifting costs of retirement off of the fiscal burden.

Rice and Bonarius (2019) also support the increase pointing out that without the aged pension The SG might need to be as high as 15-20%. This agrees with Burnett et al. (2018) who demonstrate that omitting any two of the "three pillars" means that the dedicated savings can be regarded as being inadequate.

### **Reviewing the Review.**

The key academic work was the *Retirement Income Review* (Callaghan et al. 2020). The report first defines an "adequate" level of income at 65-75% of pre-retirement income, concluding that 9.5% is sufficient for the majority of retirees to meet this target. The report highlights the considerable number of large bequests despite the prevalence of retirees living in poverty, which leads us to ask, why?

Callaghan et al. (2020) believe several factors lead to poor outcomes, such as: overly complex retirement saving systems, low rates of financial literacy, and highly risk averse attitudes that avoid eating into the nest egg at all cost. The report suggested retirees could meet their goals with a more "efficient" use of assets through several measures.

First, retirees are not getting sufficiently high returns. In a low interest environment feasible to hold only cash and solely live on earnings. The report tactfully avoids directly stating that this inevitably means retirees need to be taking on additional risks. We suggest retirees are (rightfully) very conservative and might be uncomfortable with being forced into riskier holdings.

Second, retiree attitudes on capital maintenance must change. Retirees need to focus on retirement income streams rather than obsessing over the super balance. The system is designed to draw down the savings for retirement, and they consider forcing this by

increasing the minimum drawdown rate. The problem is, people are in the best position to judge what to do with their own money. Former PM Keating is also opposed stating “that people think in family terms” which explicitly includes leaving inheritance.

Third, most retirees own their own home, and they can unlock this equity by taking out a modest reverse mortgage, either through a commercial provider or through the government using the Pensioner Loan Support Scheme. This boost in retirement income requires no additional super contributions, although the report acknowledges that this will not work for renters. It suggests an increase in rent assistance will ensure renters are not forgotten.

Fourth, retirees need to seek financial planning advice. This is unlikely given financial planning industry and exodus of planners which means that not only is advice unaffordable for those who need it most, but there simply isn't enough planners to serve the population.

**Conclusion:**

Overall, we support the increase. We consider the academic evidence which weighs towards the current 9.5% as being sufficient, but we still doubt this matter is settled. Supporters of the current rate contend although currently retirement outcomes are often poor, 9.5% will suffice provided a host of changes are made. We question the feasibility of changes such as widespread financial planning and assuming retirees universally shift their attitudes. And while most changes are relatively inexpensive, they all need to work in concert otherwise retiree outcomes will remain poor. Should any of measures fail, it raises the probability we won't be able to avoid the poor outcomes we already have.

In contrast, raising the SG rate is a simple and effective, offering much needed breathing room to retirees and fiscal budgets alike. Nevertheless, the suggestions found in the *Retirement Income Review* are still extremely helpful and should be put into practice.

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## Appendix 1: Superannuation Projection Using Current Strategy

### Question B: Scott's Accumulation Account Using Their Current Strategy

Superannuation Balance									Contributions Cap Check				SGC Requirements & CC Cap		
Year	Age	Opening Balance	Investment Earnings	Concessional Contributions	Non-Concessional Contributions	Earnings Tax	Contributions Tax	Closing Balance	Salary	SGC	Concessional Contribution	Total CC	Year	SGC	CC Cap
2021/22	42	\$ 160,000	\$ 6,768	\$ 16,687	\$ -	\$ -	\$ 2,503	\$ 180,952	\$ 115,872	\$ 11,587	\$ 5,100	\$ 16,687	2021	10.0%	\$ 27,500
2022/23	43	\$ 180,952	\$ 7,654	\$ 17,612	\$ -	\$ -	\$ 2,642	\$ 203,577	\$ 118,189	\$ 12,410	\$ 5,202	\$ 17,612	2022	10.5%	\$ 27,500
2023/24	44	\$ 203,577	\$ 8,611	\$ 18,567	\$ -	\$ -	\$ 2,785	\$ 227,970	\$ 120,553	\$ 13,261	\$ 5,306	\$ 18,567	2023	11.0%	\$ 27,500
2024/25	45	\$ 227,970	\$ 9,643	\$ 19,553	\$ -	\$ -	\$ 2,933	\$ 254,233	\$ 122,964	\$ 14,141	\$ 5,412	\$ 19,553	2024	11.5%	\$ 27,500
2025/26	46	\$ 254,233	\$ 10,754	\$ 20,571	\$ -	\$ -	\$ 3,086	\$ 282,472	\$ 125,424	\$ 15,051	\$ 5,520	\$ 20,571	2025	12.0%	\$ 27,500
2026/27	47	\$ 282,472	\$ 11,949	\$ 20,983	\$ -	\$ -	\$ 3,147	\$ 312,256	\$ 127,932	\$ 15,352	\$ 5,631	\$ 20,983	2026	12.0%	\$ 27,500
2027/28	48	\$ 312,256	\$ 13,208	\$ 21,402	\$ -	\$ -	\$ 3,210	\$ 343,657	\$ 130,491	\$ 15,659	\$ 5,743	\$ 21,402	2027	12.0%	\$ 27,500
2028/29	49	\$ 343,657	\$ 14,537	\$ 21,830	\$ -	\$ -	\$ 3,275	\$ 376,749	\$ 133,101	\$ 15,972	\$ 5,858	\$ 21,830	2028	12.0%	\$ 27,500
2029/30	50	\$ 376,749	\$ 15,936	\$ 22,267	\$ -	\$ -	\$ 3,340	\$ 411,613	\$ 135,763	\$ 16,292	\$ 5,975	\$ 22,267	2029	12.0%	\$ 27,500
2030/31	51	\$ 411,613	\$ 17,411	\$ 22,712	\$ -	\$ -	\$ 3,407	\$ 448,329	\$ 138,478	\$ 16,617	\$ 6,095	\$ 22,712	2030	12.0%	\$ 27,500
2031/32	52	\$ 448,329	\$ 18,964	\$ 23,167	\$ -	\$ -	\$ 3,475	\$ 486,985	\$ 141,247	\$ 16,950	\$ 6,217	\$ 23,167	2031	12.0%	\$ 27,500
2032/33	53	\$ 486,985	\$ 20,599	\$ 23,630	\$ -	\$ -	\$ 3,544	\$ 527,670	\$ 144,072	\$ 17,289	\$ 6,341	\$ 23,630	2032	12.0%	\$ 27,500
2033/34	54	\$ 527,670	\$ 22,320	\$ 24,102	\$ -	\$ -	\$ 3,615	\$ 570,478	\$ 146,954	\$ 17,634	\$ 6,468	\$ 24,102	2033	12.0%	\$ 27,500
2034/35	55	\$ 570,478	\$ 24,131	\$ 24,585	\$ -	\$ -	\$ 3,688	\$ 615,506	\$ 149,893	\$ 17,987	\$ 6,597	\$ 24,585	2034	12.0%	\$ 27,500
2035/36	56	\$ 615,506	\$ 26,036	\$ 25,076	\$ -	\$ -	\$ 3,761	\$ 662,856	\$ 152,891	\$ 18,347	\$ 6,729	\$ 25,076	2035	12.0%	\$ 27,500
2036/37	57	\$ 662,856	\$ 28,039	\$ 25,578	\$ -	\$ -	\$ 3,837	\$ 712,636	\$ 155,948	\$ 18,714	\$ 6,864	\$ 25,578	2036	12.0%	\$ 27,500
2037/38	58	\$ 712,636	\$ 30,145	\$ 26,089	\$ -	\$ -	\$ 3,913	\$ 764,957	\$ 159,067	\$ 19,088	\$ 7,001	\$ 26,089	2037	12.0%	\$ 27,500
2038/39	59	\$ 764,957	\$ 32,358	\$ 26,611	\$ -	\$ -	\$ 3,992	\$ 819,934	\$ 162,249	\$ 19,470	\$ 7,141	\$ 26,611	2038	12.0%	\$ 27,500
2039/40	60	\$ 819,934	\$ 34,683	\$ 27,143	\$ -	\$ -	\$ 4,071	\$ 877,689	\$ 165,494	\$ 19,859	\$ 7,284	\$ 27,143	2039	12.0%	\$ 27,500
2040/41	61	\$ 877,689	\$ 37,126	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 938,190	\$ 168,804	\$ 20,256	\$ 7,430	\$ 27,686	2040	12.0%	\$ 27,500
2041/42	62	\$ 938,190	\$ 39,685	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,001,250	\$ 172,180	\$ 20,662	\$ 7,578	\$ 28,240	2041	12.0%	\$ 27,500

Ending Balance		
	2041 Value	2021 value
Scott	\$ 1,001,250	\$ 419,464
Helen	\$ 253,367	\$ 124,282
Combined	\$ 1,254,618	\$ 543,747

The two tables above show a detailed breakdown of Scott's and Helen's superannuation accounts during the accumulation phase. The top table is for Scott's account and the bottom is for Helen's. The small table on the right shows the summary of results. During this assignment we used 'real' value so disregard anything labelled as "2021 value". Breaking down the big table, the left section shows the movement of money within super, the middle table checks the individuals' concessional contributions to see if they've exceeded their caps, and the right table shows information regarding to known SGC and concessional contribution cap changes. The final closing balances are highlighted in green. If an individual hasn't exceeded their concessional contribution limit in the "Total CC" section, this will also be highlighted green, if they've exceeded it, it will be highlighted red.

### Question B: Helen's Accumulation Account Using Their Current Strategy

Superannuation Balance									Contributions Cap Check				SGC Requirements & CC Cap		
Year	Age	Opening Balance	Investment Earnings	Concessional Contributions	Non-Concessional Contributions	Earnings Tax	Contributions Tax	Closing Balance	Salary	SGC	Concessional Contribution	Total CC	Year	SGC	CC Cap
2021/22	41	\$ 81,000	\$ 2,795	\$ -	\$ 3,060	\$ 419	\$ -	\$ 86,435	\$ 53,040	\$ -	\$ -	\$ -	2021	10.0%	\$ 27,500
2022/23	42	\$ 86,435	\$ 2,982	\$ -	\$ 3,121	\$ 447	\$ -	\$ 92,091	\$ 54,101	\$ -	\$ -	\$ -	2022	10.5%	\$ 27,500
2023/24	43	\$ 92,091	\$ 3,177	\$ -	\$ 3,184	\$ 477	\$ -	\$ 97,975	\$ 55,183	\$ -	\$ -	\$ -	2023	11.0%	\$ 27,500
2024/25	44	\$ 97,975	\$ 3,380	\$ -	\$ 3,247	\$ 507	\$ -	\$ 104,096	\$ 56,286	\$ -	\$ -	\$ -	2024	11.5%	\$ 27,500
2025/26	45	\$ 104,096	\$ 3,591	\$ -	\$ 3,312	\$ 539	\$ -	\$ 110,461	\$ 57,412	\$ -	\$ -	\$ -	2025	12.0%	\$ 27,500
2026/27	46	\$ 110,461	\$ 3,811	\$ -	\$ 3,378	\$ 572	\$ -	\$ 117,078	\$ 58,560	\$ -	\$ -	\$ -	2026	12.0%	\$ 27,500
2027/28	47	\$ 117,078	\$ 4,039	\$ -	\$ 3,446	\$ 606	\$ -	\$ 123,958	\$ 59,732	\$ -	\$ -	\$ -	2027	12.0%	\$ 27,500
2028/29	48	\$ 123,958	\$ 4,277	\$ -	\$ 3,515	\$ 641	\$ -	\$ 131,108	\$ 60,926	\$ -	\$ -	\$ -	2028	12.0%	\$ 27,500
2029/30	49	\$ 131,108	\$ 4,523	\$ -	\$ 3,585	\$ 678	\$ -	\$ 138,538	\$ 62,145	\$ -	\$ -	\$ -	2029	12.0%	\$ 27,500
2030/31	50	\$ 138,538	\$ 4,780	\$ -	\$ 3,657	\$ 717	\$ -	\$ 146,258	\$ 63,388	\$ -	\$ -	\$ -	2030	12.0%	\$ 27,500
2031/32	51	\$ 146,258	\$ 5,046	\$ -	\$ 3,730	\$ 757	\$ -	\$ 154,277	\$ 64,655	\$ -	\$ -	\$ -	2031	12.0%	\$ 27,500
2032/33	52	\$ 154,277	\$ 5,323	\$ -	\$ 3,805	\$ 798	\$ -	\$ 162,606	\$ 65,949	\$ -	\$ -	\$ -	2032	12.0%	\$ 27,500
2033/34	53	\$ 162,606	\$ 5,610	\$ -	\$ 3,881	\$ 841	\$ -	\$ 171,255	\$ 67,268	\$ -	\$ -	\$ -	2033	12.0%	\$ 27,500
2034/35	54	\$ 171,255	\$ 5,908	\$ -	\$ 3,958	\$ 886	\$ -	\$ 180,235	\$ 68,613	\$ -	\$ -	\$ -	2034	12.0%	\$ 27,500
2035/36	55	\$ 180,235	\$ 6,218	\$ -	\$ 4,038	\$ 933	\$ -	\$ 189,558	\$ 69,985	\$ -	\$ -	\$ -	2035	12.0%	\$ 27,500
2036/37	56	\$ 189,558	\$ 6,540	\$ -	\$ 4,118	\$ 981	\$ -	\$ 199,235	\$ 71,385	\$ -	\$ -	\$ -	2036	12.0%	\$ 27,500
2037/38	57	\$ 199,235	\$ 6,874	\$ -	\$ 4,201	\$ 1,031	\$ -	\$ 209,279	\$ 72,813	\$ -	\$ -	\$ -	2037	12.0%	\$ 27,500
2038/39	58	\$ 209,279	\$ 7,220	\$ -	\$ 4,285	\$ 1,083	\$ -	\$ 219,701	\$ 74,269	\$ -	\$ -	\$ -	2038	12.0%	\$ 27,500
2039/40	59	\$ 219,701	\$ 7,580	\$ -	\$ 4,370	\$ 1,137	\$ -	\$ 230,514	\$ 75,754	\$ -	\$ -	\$ -	2039	12.0%	\$ 27,500
2040/41	60	\$ 230,514	\$ 7,953	\$ -	\$ 4,458	\$ 1,193	\$ -	\$ 241,731	\$ 77,269	\$ -	\$ -	\$ -	2040	12.0%	\$ 27,500
2041/42	61	\$ 241,731	\$ 8,340	\$ -	\$ 4,547	\$ 1,251	\$ -	\$ 253,367	\$ 78,815	\$ -	\$ -	\$ -	2041	12.0%	\$ 27,500

## Appendix 2 Calculating Available Retirement Drawdowns & Required Opening Balance

Question C: Retirement Income Stream (Solving for Required Balance)					
Year	Age	Opening Balance	Drawdowns	Income	closing Balance
2042/43	62	\$ 1,811,403	-\$ 92,759	\$ 77,339	\$ 1,795,983
2043/44	63	\$ 1,795,983	-\$ 94,614	\$ 76,562	\$ 1,777,931
2044/45	64	\$ 1,777,931	-\$ 96,506	\$ 75,664	\$ 1,757,089
2045/46	65	\$ 1,757,089	-\$ 98,436	\$ 74,639	\$ 1,733,292
2046/47	66	\$ 1,733,292	-\$ 100,405	\$ 73,480	\$ 1,706,367
2047/48	67	\$ 1,706,367	-\$ 102,413	\$ 72,178	\$ 1,676,131
2048/49	68	\$ 1,676,131	-\$ 104,461	\$ 70,725	\$ 1,642,395
2049/50	69	\$ 1,642,395	-\$ 106,551	\$ 69,113	\$ 1,604,957
2050/51	70	\$ 1,604,957	-\$ 108,682	\$ 67,332	\$ 1,563,608
2051/52	71	\$ 1,563,608	-\$ 110,855	\$ 65,374	\$ 1,518,127
2052/53	72	\$ 1,518,127	-\$ 113,072	\$ 63,227	\$ 1,468,282
2053/54	73	\$ 1,468,282	-\$ 115,334	\$ 60,883	\$ 1,413,830
2054/55	74	\$ 1,413,830	-\$ 117,641	\$ 58,329	\$ 1,354,518
2055/56	75	\$ 1,354,518	-\$ 119,993	\$ 55,554	\$ 1,290,079
2056/57	76	\$ 1,290,079	-\$ 122,393	\$ 52,546	\$ 1,220,231
2057/58	77	\$ 1,220,231	-\$ 124,841	\$ 49,293	\$ 1,144,683
2058/59	78	\$ 1,144,683	-\$ 127,338	\$ 45,781	\$ 1,063,125
2059/60	79	\$ 1,063,125	-\$ 129,885	\$ 41,996	\$ 975,236
2060/61	80	\$ 975,236	-\$ 132,482	\$ 37,924	\$ 880,678
2061/62	81	\$ 880,678	-\$ 135,132	\$ 33,550	\$ 779,096
2062/63	82	\$ 779,096	-\$ 137,835	\$ 28,857	\$ 670,118
2063/64	83	\$ 670,118	-\$ 140,591	\$ 23,829	\$ 553,355
2064/65	84	\$ 553,355	-\$ 143,403	\$ 18,448	\$ 428,400
2065/66	85	\$ 428,400	-\$ 146,271	\$ 12,696	\$ 294,824
2066/67	86	\$ 294,824	-\$ 149,197	\$ 6,553	\$ 152,181
2067/68	87	\$ 152,181	-\$ 152,181	\$ 0	\$ 0

Question C: Retirement Income Stream (Solving for Max Drawdowns)					
Year	Age	Opening Balance	Drawdowns	Income	closing Balance
2042/43	62	\$ 1,254,618	-\$ 64,247	\$ 53,567	\$ 1,243,937
2043/44	63	\$ 1,243,937	-\$ 65,532	\$ 53,028	\$ 1,231,434
2044/45	64	\$ 1,231,434	-\$ 66,842	\$ 52,407	\$ 1,216,998
2045/46	65	\$ 1,216,998	-\$ 68,179	\$ 51,697	\$ 1,200,516
2046/47	66	\$ 1,200,516	-\$ 69,543	\$ 50,894	\$ 1,181,867
2047/48	67	\$ 1,181,867	-\$ 70,934	\$ 49,992	\$ 1,160,925
2048/49	68	\$ 1,160,925	-\$ 72,352	\$ 48,986	\$ 1,137,559
2049/50	69	\$ 1,137,559	-\$ 73,799	\$ 47,869	\$ 1,111,629
2050/51	70	\$ 1,111,629	-\$ 75,275	\$ 46,636	\$ 1,082,989
2051/52	71	\$ 1,082,989	-\$ 76,781	\$ 45,279	\$ 1,051,488
2052/53	72	\$ 1,051,488	-\$ 78,316	\$ 43,793	\$ 1,016,964
2053/54	73	\$ 1,016,964	-\$ 79,883	\$ 42,169	\$ 979,250
2054/55	74	\$ 979,250	-\$ 81,480	\$ 40,400	\$ 938,169
2055/56	75	\$ 938,169	-\$ 83,110	\$ 38,478	\$ 893,537
2056/57	76	\$ 893,537	-\$ 84,772	\$ 36,394	\$ 845,159
2057/58	77	\$ 845,159	-\$ 86,468	\$ 34,141	\$ 792,832
2058/59	78	\$ 792,832	-\$ 88,197	\$ 31,709	\$ 736,344
2059/60	79	\$ 736,344	-\$ 89,961	\$ 29,087	\$ 675,470
2060/61	80	\$ 675,470	-\$ 91,760	\$ 26,267	\$ 609,977
2061/62	81	\$ 609,977	-\$ 93,595	\$ 23,237	\$ 539,619
2062/63	82	\$ 539,619	-\$ 95,467	\$ 19,987	\$ 464,138
2063/64	83	\$ 464,138	-\$ 97,377	\$ 16,504	\$ 383,266
2064/65	84	\$ 383,266	-\$ 99,324	\$ 12,777	\$ 296,719
2065/66	85	\$ 296,719	-\$ 101,311	\$ 8,793	\$ 204,202
2066/67	86	\$ 204,202	-\$ 103,337	\$ 4,539	\$ 105,404
2067/68	87	\$ 105,404	-\$ 105,404	\$ 0	\$ 0

The following two tables calculate how much the couple would be able to afford to drawdown during their retirement, up until the time Helen reaches her age expectancy, for their balance to equal \$0 by the end of it. The left table solves for how much they would need in order to support their desired annual drawdowns of \$60,000. The \$60,000 figure has been inflated by 2% up until they retire and that equals \$92,759. This is then inflated by 2% every year to maintain that nominal \$60,000 value. The right table solves for the maximum amount that they can withdraw annually in real terms based on the balance that they'd accumulate using their current strategy. The same is done for this figure of \$64,247, it is inflated annually by 2%.

The drawdowns happen at the start of each year and the income earned is on the remaining balance after the initial drawdowns. The green highlight is to represent a final balance of \$0 by the time Helen reaches her age expectancy. The drawdowns were found using goal seek what if analysis.

The orange highlight on the left tells us the minimum superannuation balance they require before commencing retirement to meet their desired drawdowns. The orange highlight on the right shows their superannuation balance using their current strategy. The shortfall of \$556,786 shown within the report is the difference between the two balances.

## Appendix 3 : Retirement Drawdown Scenarios Post Strategies 1 - 5

Drawdowns of \$60,000 in Retirement Post Recommendations					
Year	Age	Opening Balance	Drawdowns	Income	closing Balance
2042/43	62	\$ 2,500,293	-\$ 92,759	\$ 108,339	\$ 2,515,874
2043/44	63	\$ 2,515,874	-\$ 94,614	\$ 108,957	\$ 2,530,216
2044/45	64	\$ 2,530,216	-\$ 96,506	\$ 109,517	\$ 2,543,227
2045/46	65	\$ 2,543,227	-\$ 98,436	\$ 110,016	\$ 2,554,806
2046/47	66	\$ 2,554,806	-\$ 100,405	\$ 110,448	\$ 2,564,849
2047/48	67	\$ 2,564,849	-\$ 102,413	\$ 110,810	\$ 2,573,246
2048/49	68	\$ 2,573,246	-\$ 104,461	\$ 111,095	\$ 2,579,880
2049/50	69	\$ 2,579,880	-\$ 106,551	\$ 111,300	\$ 2,584,629
2050/51	70	\$ 2,584,629	-\$ 108,682	\$ 111,418	\$ 2,587,365
2051/52	71	\$ 2,587,365	-\$ 110,855	\$ 111,443	\$ 2,587,952
2052/53	72	\$ 2,587,952	-\$ 113,072	\$ 111,370	\$ 2,586,249
2053/54	73	\$ 2,586,249	-\$ 115,334	\$ 111,191	\$ 2,582,107
2054/55	74	\$ 2,582,107	-\$ 117,641	\$ 110,901	\$ 2,575,367
2055/56	75	\$ 2,575,367	-\$ 119,993	\$ 110,492	\$ 2,565,865
2056/57	76	\$ 2,565,865	-\$ 122,393	\$ 109,956	\$ 2,553,428
2057/58	77	\$ 2,553,428	-\$ 124,841	\$ 109,286	\$ 2,537,874
2058/59	78	\$ 2,537,874	-\$ 127,338	\$ 108,474	\$ 2,519,010
2059/60	79	\$ 2,519,010	-\$ 129,885	\$ 107,511	\$ 2,496,636
2060/61	80	\$ 2,496,636	-\$ 132,482	\$ 106,387	\$ 2,470,540
2061/62	81	\$ 2,470,540	-\$ 135,132	\$ 105,093	\$ 2,440,502
2062/63	82	\$ 2,440,502	-\$ 137,835	\$ 103,620	\$ 2,406,287
2063/64	83	\$ 2,406,287	-\$ 140,591	\$ 101,956	\$ 2,367,652
2064/65	84	\$ 2,367,652	-\$ 143,403	\$ 100,091	\$ 2,324,340
2065/66	85	\$ 2,324,340	-\$ 146,271	\$ 98,013	\$ 2,276,082
2066/67	86	\$ 2,276,082	-\$ 149,197	\$ 95,710	\$ 2,222,595
2067/68	87	\$ 2,222,595	-\$ 152,181	\$ 93,169	\$ 2,163,583

Drawdowns of \$70,000 in Retirement Post Recommendations					
Year	Age	Opening Balance	Drawdowns	Income	closing Balance
2042/43	62	\$ 2,500,293	-\$ 108,219	\$ 107,643	\$ 2,499,718
2043/44	63	\$ 2,499,718	-\$ 110,383	\$ 107,520	\$ 2,496,855
2044/45	64	\$ 2,496,855	-\$ 112,591	\$ 107,292	\$ 2,491,557
2045/46	65	\$ 2,491,557	-\$ 114,842	\$ 106,952	\$ 2,483,666
2046/47	66	\$ 2,483,666	-\$ 117,139	\$ 106,494	\$ 2,473,021
2047/48	67	\$ 2,473,021	-\$ 119,482	\$ 105,909	\$ 2,459,448
2048/49	68	\$ 2,459,448	-\$ 121,872	\$ 105,191	\$ 2,442,767
2049/50	69	\$ 2,442,767	-\$ 124,309	\$ 104,331	\$ 2,422,789
2050/51	70	\$ 2,422,789	-\$ 126,795	\$ 103,320	\$ 2,399,313
2051/52	71	\$ 2,399,313	-\$ 129,331	\$ 102,149	\$ 2,372,131
2052/53	72	\$ 2,372,131	-\$ 131,918	\$ 100,810	\$ 2,341,023
2053/54	73	\$ 2,341,023	-\$ 134,556	\$ 99,291	\$ 2,305,758
2054/55	74	\$ 2,305,758	-\$ 137,247	\$ 97,583	\$ 2,266,093
2055/56	75	\$ 2,266,093	-\$ 139,992	\$ 95,675	\$ 2,221,775
2056/57	76	\$ 2,221,775	-\$ 142,792	\$ 93,554	\$ 2,172,538
2057/58	77	\$ 2,172,538	-\$ 145,648	\$ 91,210	\$ 2,118,100
2058/59	78	\$ 2,118,100	-\$ 148,561	\$ 88,629	\$ 2,058,168
2059/60	79	\$ 2,058,168	-\$ 151,532	\$ 85,799	\$ 1,992,434
2060/61	80	\$ 1,992,434	-\$ 154,563	\$ 82,704	\$ 1,920,576
2061/62	81	\$ 1,920,576	-\$ 157,654	\$ 79,331	\$ 1,842,253
2062/63	82	\$ 1,842,253	-\$ 160,807	\$ 75,665	\$ 1,757,111
2063/64	83	\$ 1,757,111	-\$ 164,023	\$ 71,689	\$ 1,664,777
2064/65	84	\$ 1,664,777	-\$ 167,304	\$ 67,386	\$ 1,564,860
2065/66	85	\$ 1,564,860	-\$ 170,650	\$ 62,739	\$ 1,456,949
2066/67	86	\$ 1,456,949	-\$ 174,063	\$ 57,730	\$ 1,340,616
2067/68	87	\$ 1,340,616	-\$ 177,544	\$ 52,338	\$ 1,215,411

Drawdowns of \$80,000 in Retirement Post Recommendations					
Year	Age	Opening Balance	Drawdowns	Income	closing Balance
2042/43	62	\$ 2,500,293	-\$ 123,678	\$ 106,948	\$ 2,483,563
2043/44	63	\$ 2,483,563	-\$ 126,152	\$ 106,083	\$ 2,463,494
2044/45	64	\$ 2,463,494	-\$ 128,675	\$ 105,067	\$ 2,439,886
2045/46	65	\$ 2,439,886	-\$ 131,248	\$ 103,889	\$ 2,412,526
2046/47	66	\$ 2,412,526	-\$ 133,873	\$ 102,539	\$ 2,381,192
2047/48	67	\$ 2,381,192	-\$ 136,551	\$ 101,009	\$ 2,345,650
2048/49	68	\$ 2,345,650	-\$ 139,282	\$ 99,287	\$ 2,305,655
2049/50	69	\$ 2,305,655	-\$ 142,068	\$ 97,361	\$ 2,260,949
2050/51	70	\$ 2,260,949	-\$ 144,907	\$ 95,222	\$ 2,211,261
2051/52	71	\$ 2,211,261	-\$ 147,807	\$ 92,855	\$ 2,156,310
2052/53	72	\$ 2,156,310	-\$ 150,763	\$ 90,250	\$ 2,095,796
2053/54	73	\$ 2,095,796	-\$ 153,779	\$ 87,391	\$ 2,029,408
2054/55	74	\$ 2,029,408	-\$ 156,854	\$ 84,265	\$ 1,956,819
2055/56	75	\$ 1,956,819	-\$ 159,991	\$ 80,857	\$ 1,877,685
2056/57	76	\$ 1,877,685	-\$ 163,191	\$ 77,152	\$ 1,791,647
2057/58	77	\$ 1,791,647	-\$ 166,455	\$ 73,134	\$ 1,698,326
2058/59	78	\$ 1,698,326	-\$ 169,784	\$ 68,784	\$ 1,597,326
2059/60	79	\$ 1,597,326	-\$ 173,180	\$ 64,087	\$ 1,488,233
2060/61	80	\$ 1,488,233	-\$ 176,643	\$ 59,022	\$ 1,370,611
2061/62	81	\$ 1,370,611	-\$ 180,176	\$ 53,570	\$ 1,244,005
2062/63	82	\$ 1,244,005	-\$ 183,780	\$ 47,710	\$ 1,107,935
2063/64	83	\$ 1,107,935	-\$ 187,455	\$ 41,422	\$ 961,902
2064/65	84	\$ 961,902	-\$ 191,204	\$ 34,681	\$ 805,379
2065/66	85	\$ 805,379	-\$ 195,028	\$ 27,466	\$ 637,817
2066/67	86	\$ 637,817	-\$ 198,929	\$ 19,750	\$ 458,638
2067/68	87	\$ 458,638	-\$ 202,907	\$ 11,508	\$ 267,238

The tables above show three different drawdown amounts using the \$2,500,293 that the couple would accumulate by implementing strategies 1 – 5. Each one is titled with a specific amount in today's terms. For example, \$60,000 is the baseline scenario because it's their desired retirement income, then we increase it to \$70,000 in the middle and \$80,000 on the right. Fundamentally these functions in the exact same way as the tables in Appendix 2. However, we're not aiming for a balance of \$0 at the end, we're simply exploring what they can drawdown and how much would be remaining for something such as estate planning or for the very real possibility that they live beyond their age expectancy.

As we can see by the cells highlighted in green, the couple can substantially increase their retirement drawdowns if they implement strategies 1 – 5 and still have headroom.

The maximum that they'd be able to drawdown with the \$2,500,293 is \$82,818 in today's terms.

RELEASED FOR EDUCATIONAL PURPOSES ONLY. This is a fictional scenario.

Question D: Scott's Accumulation Account Using Strategies 1 - 5															
Superannuation Balance									Contributions Cap Check				SGC Requirements & CC Cap		
Year	Age	Opening Balance	Investment Earnings	Concessional Contributions	Non-Concessional Contributions	Earnings Tax	Contributions Tax	Closing Balance	Salary	SGC	Concessional Contribution	Total CC	Year	SGC	CC Cap
2021/22	42	\$ 160,000	\$ 9,312	\$ 41,833	\$ -	\$ -	\$ 6,275	\$ 204,870	\$ 115,872	\$ 11,587	\$ 41,833	\$ 53,420	2021	10.0%	\$ 27,500
2022/23	43	\$ 204,870	\$ 11,923	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 240,168	\$ 118,189	\$ 12,410	\$ 15,090	\$ 27,500	2022	10.5%	\$ 27,500
2023/24	44	\$ 240,168	\$ 13,978	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 277,521	\$ 120,553	\$ 13,261	\$ 14,239	\$ 27,500	2023	11.0%	\$ 27,500
2024/25	45	\$ 277,521	\$ 16,152	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 317,048	\$ 122,964	\$ 14,141	\$ 13,359	\$ 27,500	2024	11.5%	\$ 27,500
2025/26	46	\$ 317,048	\$ 18,452	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 358,875	\$ 125,424	\$ 15,051	\$ 12,449	\$ 27,500	2025	12.0%	\$ 27,500
2026/27	47	\$ 358,875	\$ 20,887	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 403,137	\$ 127,932	\$ 15,352	\$ 12,148	\$ 27,500	2026	12.0%	\$ 27,500
2027/28	48	\$ 403,137	\$ 23,463	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 449,974	\$ 130,491	\$ 15,659	\$ 11,841	\$ 27,500	2027	12.0%	\$ 27,500
2028/29	49	\$ 449,974	\$ 26,188	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 499,538	\$ 133,101	\$ 15,972	\$ 11,528	\$ 27,500	2028	12.0%	\$ 27,500
2029/30	50	\$ 499,538	\$ 29,073	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 551,986	\$ 135,763	\$ 16,292	\$ 11,208	\$ 27,500	2029	12.0%	\$ 27,500
2030/31	51	\$ 551,986	\$ 32,126	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 607,486	\$ 138,478	\$ 16,617	\$ 10,883	\$ 27,500	2030	12.0%	\$ 27,500
2031/32	52	\$ 607,486	\$ 35,356	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 666,217	\$ 141,247	\$ 16,950	\$ 10,550	\$ 27,500	2031	12.0%	\$ 27,500
2032/33	53	\$ 666,217	\$ 38,774	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 728,366	\$ 144,072	\$ 17,289	\$ 10,211	\$ 27,500	2032	12.0%	\$ 27,500
2033/34	54	\$ 728,366	\$ 42,391	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 794,132	\$ 146,954	\$ 17,634	\$ 9,866	\$ 27,500	2033	12.0%	\$ 27,500
2034/35	55	\$ 794,132	\$ 46,218	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 863,725	\$ 149,893	\$ 17,987	\$ 9,513	\$ 27,500	2034	12.0%	\$ 27,500
2035/36	56	\$ 863,725	\$ 50,269	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 937,369	\$ 152,891	\$ 18,347	\$ 9,153	\$ 27,500	2035	12.0%	\$ 27,500
2036/37	57	\$ 937,369	\$ 54,555	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,015,299	\$ 155,948	\$ 18,714	\$ 8,786	\$ 27,500	2036	12.0%	\$ 27,500
2037/38	58	\$ 1,015,299	\$ 59,090	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,097,764	\$ 159,067	\$ 19,088	\$ 8,412	\$ 27,500	2037	12.0%	\$ 27,500
2038/39	59	\$ 1,097,764	\$ 63,890	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,185,029	\$ 162,249	\$ 19,470	\$ 8,030	\$ 27,500	2038	12.0%	\$ 27,500
2039/40	60	\$ 1,185,029	\$ 68,969	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,277,373	\$ 165,494	\$ 19,859	\$ 7,641	\$ 27,500	2039	12.0%	\$ 27,500
2040/41	61	\$ 1,277,373	\$ 74,343	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,375,091	\$ 168,804	\$ 20,256	\$ 7,244	\$ 27,500	2040	12.0%	\$ 27,500
2041/42	62	\$ 1,375,091	\$ 80,030	\$ 27,500	\$ -	\$ -	\$ 4,125	\$ 1,478,496	\$ 172,180	\$ 20,662	\$ 6,838	\$ 27,500	2041	12.0%	\$ 27,500

Appendix 4:  
Super

Ending Balance	
	2041 Value
Scott	\$ 1,478,496
Helen	\$ 1,021,797
Combined	\$ 2,500,293

Projections  
After  
Implementing  
Strategies 1 – 5

Question D: Helen's Accumulation Account Using Strategies 1 - 5															
Superannuation Balance									Contributions Cap Check				SGC Requirements & CC Cap		
Year	Age	Opening Balance	Investment Earnings	Concessional Contributions	Non-Concessional Contributions	Earnings Tax	Contributions Tax	Closing Balance	Salary	SGC	Concessional Contribution	Total CC	Year	SGC	CC Cap
2021/22	41	\$ 81,000	\$ 5,208	\$ 28,860	\$ -	\$ 781	\$ 4,329	\$ 109,958	\$ 53,040	\$ -	\$ 28,860	\$ 28,860	2021	10.0%	\$ 27,500
2022/23	42	\$ 109,958	\$ 7,070	\$ 20,435	\$ -	\$ 1,061	\$ 3,065	\$ 133,337	\$ 54,101	\$ -	\$ 20,435	\$ 20,435	2022	10.5%	\$ 27,500
2023/24	43	\$ 133,337	\$ 8,574	\$ 20,843	\$ -	\$ 1,286	\$ 3,127	\$ 158,342	\$ 55,183	\$ -	\$ 20,843	\$ 20,843	2023	11.0%	\$ 27,500
2024/25	44	\$ 158,342	\$ 10,181	\$ 21,260	\$ -	\$ 1,527	\$ 3,189	\$ 185,067	\$ 56,286	\$ -	\$ 21,260	\$ 21,260	2024	11.5%	\$ 27,500
2025/26	45	\$ 185,067	\$ 11,900	\$ 21,685	\$ -	\$ 1,785	\$ 3,253	\$ 213,615	\$ 57,412	\$ -	\$ 21,685	\$ 21,685	2025	12.0%	\$ 27,500
2026/27	46	\$ 213,615	\$ 13,735	\$ 22,119	\$ -	\$ 2,060	\$ 3,318	\$ 244,091	\$ 58,560	\$ -	\$ 22,119	\$ 22,119	2026	12.0%	\$ 27,500
2027/28	47	\$ 244,091	\$ 15,695	\$ 22,562	\$ -	\$ 2,354	\$ 3,384	\$ 276,609	\$ 59,732	\$ -	\$ 22,562	\$ 22,562	2027	12.0%	\$ 27,500
2028/29	48	\$ 276,609	\$ 17,786	\$ 23,013	\$ -	\$ 2,668	\$ 3,452	\$ 311,288	\$ 60,926	\$ -	\$ 23,013	\$ 23,013	2028	12.0%	\$ 27,500
2029/30	49	\$ 311,288	\$ 20,016	\$ 23,473	\$ -	\$ 3,002	\$ 3,521	\$ 348,253	\$ 62,145	\$ -	\$ 23,473	\$ 23,473	2029	12.0%	\$ 27,500
2030/31	50	\$ 348,253	\$ 22,393	\$ 23,942	\$ -	\$ 3,359	\$ 3,591	\$ 387,638	\$ 63,388	\$ -	\$ 23,942	\$ 23,942	2030	12.0%	\$ 27,500
2031/32	51	\$ 387,638	\$ 24,925	\$ 24,421	\$ -	\$ 3,739	\$ 3,663	\$ 429,583	\$ 64,655	\$ -	\$ 24,421	\$ 24,421	2031	12.0%	\$ 27,500
2032/33	52	\$ 429,583	\$ 27,622	\$ 24,910	\$ -	\$ 4,143	\$ 3,736	\$ 474,235	\$ 65,949	\$ -	\$ 24,910	\$ 24,910	2032	12.0%	\$ 27,500
2033/34	53	\$ 474,235	\$ 30,493	\$ 25,408	\$ -	\$ 4,574	\$ 3,811	\$ 521,751	\$ 67,268	\$ -	\$ 25,408	\$ 25,408	2033	12.0%	\$ 27,500
2034/35	54	\$ 521,751	\$ 33,549	\$ 25,916	\$ -	\$ 5,032	\$ 3,887	\$ 572,296	\$ 68,613	\$ -	\$ 25,916	\$ 25,916	2034	12.0%	\$ 27,500
2035/36	55	\$ 572,296	\$ 36,799	\$ 26,434	\$ -	\$ 5,520	\$ 3,965	\$ 626,044	\$ 69,985	\$ -	\$ 26,434	\$ 26,434	2035	12.0%	\$ 27,500
2036/37	56	\$ 626,044	\$ 40,255	\$ 26,963	\$ -	\$ 6,038	\$ 4,044	\$ 683,179	\$ 71,385	\$ -	\$ 26,963	\$ 26,963	2036	12.0%	\$ 27,500
2037/38	57	\$ 683,179	\$ 43,928	\$ 27,500	\$ -	\$ 6,589	\$ 4,125	\$ 743,893	\$ 72,813	\$ -	\$ 27,500	\$ 27,500	2037	12.0%	\$ 27,500
2038/39	58	\$ 743,893	\$ 47,832	\$ 27,500	\$ -	\$ 7,175	\$ 4,125	\$ 807,926	\$ 74,269	\$ -	\$ 28,052	\$ 28,052	2038	12.0%	\$ 27,500
2039/40	59	\$ 807,926	\$ 51,950	\$ 27,500	\$ -	\$ 7,792	\$ 4,125	\$ 875,458	\$ 75,754	\$ -	\$ 28,613	\$ 28,613	2039	12.0%	\$ 27,500
2040/41	60	\$ 875,458	\$ 56,292	\$ 27,500	\$ -	\$ 8,444	\$ 4,125	\$ 946,681	\$ 77,269	\$ -	\$ 29,186	\$ 29,186	2040	12.0%	\$ 27,500
2041/42	61	\$ 946,681	\$ 60,872	\$ 27,500	\$ -	\$ 9,131	\$ 4,125	\$ 1,021,797	\$ 78,815	\$ -	\$ 29,769	\$ 29,769	2041	12.0%	\$ 27,500

The two tables above fundamentally function in the exact same way as the tables in Appendix 1 but show Scott's and Helen's accumulation accounts after implementing strategies 1 – 5. The green and red highlights function in the same way as Appendix 1, the orange highlights in the

## Appendix 5: Additional financial reports

Balance sheet for this year

<b>Statement of Net Worth</b>					
<b>For the Financial year ending 30 June 2021</b>					
	Cost Base	Market	Market	Market	Market
<b>Life Style Assets</b>		<b>Scott</b>	<b>Helen</b>	<b>Joint</b>	<b>Household</b>
Main Residence	600,000			1,100,000	<b>1,100,000</b>
Home contents	90,000			50,000	<b>50,000</b>
Vehicle	35,000	20,000			<b>20,000</b>
<b>Subtotal</b>					<b>1,170,000</b>
<b>Investment Assets</b>					
Savings Account: ANZ				30,000	<b>30,000</b>
Term Deposit			70,000		<b>70,000</b>
RIO:AX Shares	46,760	80,010			<b>80,010</b>
Superannuation		160,000	81,000		<b>241,000</b>
<b>Subtotal</b>					<b>421,010</b>
<b>Total Assets</b>					<b>1,591,010</b>
<b>Liabilities</b>					
Credit Card			5,000		<b>5,000</b>
Mortgage			337,515		<b>337,515</b>
<b>Subtotal</b>					<b>342,515</b>
<b>Net Wealth</b>					<b>1,248,495</b>

Balance sheet for next year

<b>Projected Statement of Net Worth</b>					
For the Financial year ending 30 June 2022					
	Cost Base	Market	Market	Market	Market
		Scott	Helen	Joint	Household
<b>Life Style Assets</b>					
Main Residence	600,000			1,100,000	1,100,000
Home contents	90,000			50,000	50,000
Vehicle	35,000	15,625			15,625
<b>Subtotal</b>					<b>1,165,625</b>
<b>Investment Assets</b>					
Savings Account: ANZ				Nil	-
Offset Account: ANZ				51,841	51,841
Term Deposit					-
RIO:AX Shares	46,760	80,010			80,010
Super		180,952	86,435		267,387
<b>Subtotal</b>					<b>399,238</b>
<b>Total Assets</b>					<b>1,564,863</b>
<b>Liabilities</b>					
Credit Card			5,000		5,000
Mortgage			322,613		322,613
<b>Subtotal</b>					<b>327,613</b>
<b>Net Wealth</b>					<b>1,237,250</b>

Tax calculation for next year

<b>Projected Tax Calculation</b>			
For the Financial year 2021-22			
	Scott	Helen	Household
<b>Assessable Income</b>			
Gross Wages/Business income	115,872	53,040	<b>168,912</b>
Salary Sacrifice	(15,913)	(19,941)	<b>(35,854)</b>
Cons. Cont. (from TD?)	(25,920)	(8,919)	<b>(34,839)</b>
Dividend Income	4,560		<b>4,560</b>
Franking credits	1,954		<b>1,954</b>
Interst			-
Net Capital Gains			
<b>Allowable Deductions</b>			
Income Prot Ins.	(1,300)	(1,100)	<b>(2,400)</b>
Work deductions	(3,264)		<b>(3,264)</b>
<b>Taxable Income</b>	<b>75,989</b>	<b>23,080</b>	<b>99,069</b>
<b>Tax Calculation</b>			
Income tax	15,164	927	<b>16,091</b>
Medicare Levy	1,520	28	<b>1,548</b>
LITO	-	(700)	<b>(700)</b>
LIMTO	(1,080)	(255)	<b>(1,335)</b>
Franking Offset	(1,954)	-	<b>(1,954)</b>
<b>TOTAL TAX PAYABLE</b>	<b>13,649</b>	<b>0</b>	<b>13,649</b>
<b>Family tax% = 28%</b>			
<b>TAX SAVING</b>	<b>12,545</b>	<b>6,837</b>	<b>19,382</b>